Influences on Financial Decision Making among the Rural Poor in Bangladesh

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So this credit will destroy the culture and country, everybody is concerned about increasing borrowing but never think of earning. Village woman: Matlab Bangladesh January 2008.

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Dedication

This thesis is dedicated with much love to my husband Donald Vernon-Woods. Don, your belief in me, your encouragement, love and support have never wavered during this arduous journey. It is also lovingly dedicated to my sons and daughters and their families.
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I lastly thank the people of the rural communities in the Matlab district of Bangladesh. Your generosity, courage and kindness will be with me all my days.
Statement of Authentication

The work presented in this thesis is, to the best of my knowledge and belief, original except as acknowledged in the text. I hereby declare that I have not submitted this material, either in whole or part, for the degree at this or any other institution.

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Laurel Jackson

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Abstract

Key Words: financial decision making, chronic poverty, rural communities, marketing systems, microcredit

This thesis gives a voice to the chronically poor people of rural Bangladesh, enabling them to tell their own stories about the nature of their financial decision making which is taking place within the marketing systems that are operating in all poor villages in the region. Financial decision making behaviour is explored and the “subtleties associated with the marketing flows linking system participants” (Layton 2007 P 239) are considered in terms of the implications for the impact on and consequences of the financial decisions being made in the context of the lived realities of these chronically poor communities.

Understanding consumers and their behaviour is at the core of marketing yet much of what we know has been derived from empirical studies of consumers in western countries. More than 80% of the world's consumers are living in emerging consumer markets and transitional economies where very little consumer research has been conducted (Steenkamp and Burgess 2002; Burgess and Steenkamp 2006) and “the further advancement of consumer research as an academic discipline requires that the validity of our theories and models and their degree of generalizability and boundary conditions be examined in non-Western, emerging market contexts” (Steenkamp and Burgess, 2002 p 131). Also most consumer research tends to ignore poorer segments of the market (Chambers 1995; Chakravarti 2006; Duflo 2006).

Bangladesh was chosen for this study because it is typical of “non-Western, emerging market contexts” (Steenkamp and Burgess, 2002 pp 131) and because it has become a focal point for trials of microfinance offerings (Morduch 1998; Ferrari 2008; Hoque 2008). Financial dealings within this context are known to be complex (Matin, Hulme et al. 1999; Rutherford 2002) and, despite the rapid growth of microfinance, these financial dealings still
occur most often through informal networks within close knit communities (Seibel 2001; Matin, Hulme et al. 2002).

A naturalistic or phenomenological frame has been adopted for this exploratory study. The research design relies on qualitative methodology and is designed to produce detailed data on a relatively small number of people. To overcome the potential for assumptions and one-sidedness, multiple data collection methods are used such as ethnographic observation between January and June during 2008, with six focus group discussions and fifty four semi-structured interviews conducted (Kellner 1995; Madriz 2000; Kincheloe 2001; Denzin and Lincoln 2005; Guba and Lincoln 2005; Saukko 2005).

This investigation confirmed Hammill, Matthew et al’s (2008) concerns about the current use of microfinance contributing to an escalating cycle of debt for poor communities in developing economies like Bangladesh. In addition, it found that if markets and marketing are primary drivers or creators of society as suggested by Lusch (2006), then all future initiatives to introduce new financial products and services into vulnerable communities in emerging markets such as those in this study, need to be done as part of constructive engagement to develop robust marketing systems over the longer term with clear societal goals to improve the quality of life for the people in these communities (Schultz 2007).

The most important aspect of future financial marketing initiatives in areas such as the villages in this study is to take a holistic approach to the assessment of risk and vulnerability, taking into account the economic, social, cultural and environmental elements of the market (Cardona 2003). Robust risk management strategies to address vulnerability and risk must be the first priority for NGOs and MFIs. There is an urgent need to broaden and deepen the knowledge about issues that dominate the lives of those experiencing chronic poverty and it may well be that furthering understanding of marketing systems and subsystems in communities such as those in this study can contribute to an improvement in their living standards and the quality of life (Pecotich, Rahtz et al. 2010).
Prologue

During the six years I spent working in financial services marketing in Asia I made numerous unsuccessful attempts to encourage my employers to focus on the large numbers of people across the region who had very low levels of assets and income and little or no access to financial products and services. Most financial institutions appeared to have adopted the view that financial relationships with poor customers in this region would be inherently unprofitable and therefore of no interest.

My observations of poor people’s way of life during numerous visits to rural areas in Thailand, India, Bangladesh and Sri Lanka made me question just how much we really knew about their financial situations, their financial needs and preferences and I also wondered whether, with better information, formal financial institutions could find financial solutions that would suit the needs of all stakeholders.

During these years (1999-2005) microfinance was being promoted as a ‘silver bullet’ for poor communities as a way of achieving alleviation from their state of poverty. In addition, during that period microfinance institutions (MFIs) were springing up all over Asia, yet my observations of, and research on, the chronic poverty in communities everywhere across the Asian region made me question the effectiveness of the microfinance products and services on offer.

Those questions in my mind have led me to this study.

On my first day in a rural village outside Matlab in Bangladesh, where I came to collect data for this study, I met Anwara, a woman in her middle forties. She welcomed me into her home and offered to help me bring the village women together for our first focus group. Her house was typical of many in the village. The walls were of plaited palm fronds, it had an earthen floor. There were two rooms inside, one with a large bed made from what appeared to be tree branches. The only other furniture in the room was an ancient sideboard with three cups.
and plates inside, a table with a cherished small pile of well thumbed second hand English
text books, and a couple of chairs.

She told me that her husband was ill and could not work their small plot of land. Anwara had
found some part time work “injecting chickens” (with antibiotics I presumed) for which she
earned the equivalent of about $1.00(US) per day. She and her family used the money to
buy rice to eat. She told me that before her husband became ill she had also been managing
to save a few taka each day through a local Microfinance Institution (MFI), putting the money
away for her daughter’s wedding. I asked her how much interest she was earning on her
savings and she said about 5% but the money was locked away for five years and she could
not get access to it, or to the interest earned, until the end of the savings period; she said
she really needed access to her savings now.

Because of her husband’s illness and the lack of access to her savings, she had to borrow
money from a Microfinance Institution (MFI) to cover the cost of food for the family. In order
to do so she told the MFI the money was needed to start a new business. She knew this was
what the MFI needed to hear if she was to get her loan. I asked her how she was going to
repay the loan and she said she really didn’t know.

This encounter with Anwara left me wondering how she and her family had come to make
these financial decisions, what factors affected their decision processes and was Anwara
aware of what the longer term outcome of that decision to borrow might be for her and her
family? Who influenced her and her family to take this decision? Did she have anyone who
listened and took note of her financial needs? Was there a better way forward for her and her
family in terms of the financial options available to them? What are the implications for
the impact and consequences of financial decisions such as this taken by many families
within the rural community studied?
Glossary

ASA Association for Social Advancement (Asa also means “hope” in Bengali)

Bari refers to the basic unit of social organization in rural Bangladesh. Baris usually consist of a cluster of extended family households in close physical proximity.

BRAC Bangladesh Rural Advancement Committee

Microfinance is the provision of very small loans to very poor people in developing countries who do not have access to traditional financial lending services, generally without requiring collateral to assure repayment.

Microcredit is the provision of very small loans (microloans) to small groups or individuals who lack collateral, steady employment and a verifiable credit history and therefore cannot meet even the most minimal qualifications to gain access to traditional credit.

MFI Microfinance Institution

NGO Non Government Organisation

Purdah refers to the custom in some Muslim and Hindu communities of keeping women in seclusion, with clothing that conceals them completely when they go out.

Taka is the currency of Bangladesh (100 taka is equivalent to $ AUS 1.40)
Chapter 1 Introduction

1.0 Overview

This thesis gives a voice to the chronically poor people of rural Bangladesh, enabling them to tell their own stories about the nature of their financial decision-making within the marketing systems that are operating in all poor villages in the region (Layton 2007; Karnani 2008; Layton 2008). Financial decision making behaviour is explored and the “subtleties associated with the marketing flows linking system participants” (Layton 2007 p 239) are considered in terms the implications for the impact on, and consequences of, the financial decisions being made in the context of the lived realities of these chronically poor communities (Hunt 1981).

Understanding consumers and their behaviour is at the core of marketing yet much of what we know has been derived from empirical studies of consumers in western countries. More than 80% of the world's consumers are living in emerging consumer markets and transitional economies where very little consumer research has been conducted (Steenkamp and Burgess 2002; Burgess and Steenkamp 2006) and “the further advancement of consumer research as an academic discipline requires that the validity of our theories and models and their degree of generalizability and boundary conditions be examined in non-Western, emerging market contexts” (Steenkamp and Burgess, 2002 p 131). Also most consumer research tends to ignore poorer segments of the market (Chambers 1995; Chakravarti 2006; Dufio 2006).

Literature pertaining to the contextual, social and cultural influences on financial decision making is explored with particular attention given to the influence on financial decision making of social relationships. This literature encompasses the disciplines of sociology, macro and micro marketing, psychology and economics as well as the specific fields of network theory, decision theory, economic development and microfinance.
1.1 Background of this Research

Bangladesh was chosen for this study because it is typical of “non-Western, emerging market contexts” (Steenkamp and Burgess, 2002 pp 131) and because it has become a focal point for trials of financial products and services; in particular microfinance offerings that are available to poor communities (Hossain 1988; Ebdon 1995; Goetz and Sengupta 1996; Morduch 1998; Ferrari 2008; Hoque 2008).

Bangladesh has a dense population of approximately 150 million (Asian Development Bank, 2008; CIA, 2008) and follows the World Bank demographic profile for developing countries with 33.4% of the population aged fourteen years or below and more than 50% aged below twenty five years (US Census Bureau International Database 2005; CIA, 2008) This is in contrast to the age demographic profiles in ‘western’ developed countries where there are rapidly aging populations. In 2006 GNP per capita in Bangladesh was US$ 400 (Sultana 2008) and literacy rates are approximately 50% among men and 31% among women, according to a 2004 estimate (UNICEF 2004).

Despite the fact that land is the major source of wealth and livelihood in rural Bangladesh, the ratio of land per person is one of the lowest in the world, estimated to be 0.12 ha (FAO 2001; Rahman and Rahman 2008) and that ratio continues to decline (Ali 2005; Rahman and Rahman 2008). There is a direct connection between landlessness and chronic poverty in Bangladesh (Sen 1995; Rahman and Manprasert 2006).

The World Bank estimates that over 80% of people live in rural areas and 75% of the total population live below the $2 per day economic poverty threshold (World Bank 2002). Financial dealings within this context are known to be complex (Matin, Hulme et al. 1999; Rutherford 2000; Rutherford 2002) and, despite the rapid growth of finance offerings such as microfinance, these financial dealings still occur most often through informal networks within
close knit communities (Seibel 1985; Matin and Sinha 1998; Matin, Hulme et al. 1999; Seibel 2001; Matin, Hulme et al. 2002). These traditional financial service providers include money lenders, pawn brokers, local cooperatives and deposit takers. They are all usually members of the poor communities in which they live and have entrenched socio-cultural and financial relationships with community members (Kabeer, 1998; Rutherford, 2000, 2002; Ruthven and Kumar, 2002).

Microfinance (defined by Ruthven and Kumar (2002) as the provision of small or ‘micro’ financial products and services designed to especially meet the needs of low income people) has become a viable means for poor people to gain access to credit. Yunus’s (2003) suggested classification of micro credit includes traditional informal microcredit such as, moneylender’s credit, pawn shops, loans from friends and relatives, cooperative microcredit from local cooperative groups, and microcredit which is often non-collateralised, provided by Non-Government Organisations (NGOs) and formal financial institutions such as banks and insurance companies.

This thesis refers to micro credit specifically as being credit provided by Non Government Organisations (NGO’s), MFIs and other financial institutions and which is non-collateralised. Micro credit from these sources has been developed specifically with the aim of helping poor people develop new businesses and ultimately alleviate their poverty state (Morduch 1998; Morduch 1999; UNDP 2000; Morduch and Hayley 2002; CGAP 2004; UNDP 2006; World Bank 2007; Asian Development Bank 2008).

1.2 Justification for the Research

Poverty “depletes and alters the human need and capacity to consume” (Chakravarti 2006 p 364) and a chronic state of poverty “almost certainly affects the way people think and decide” (Duflo, 2006 p 376). Gaining a better understanding of the behavioural dimensions
of chronically poor families and communities with respect to their use of money may assist financial services providers in these communities to gain a clearer understanding of how the socially and culturally embedded community ties operating within the local micro marketing systems are influencing their financial decision making (Karnani 2007; Karnani 2008; Varman and Costa 2008; Karnani 2009).

Financial decision making relating to the adoption of micro credit has been widely touted as a significant contributor to the development of the economies of developing nations, including Bangladesh. However, micro credit may be limited in the positive effects it is having on poverty reduction and increased economic well being of the poor in these developing countries (Wright 2003; Dichter and Harper 2007; Hulme 2007; Karnani 2007; Hammill, Matthew et al. 2008; Karnani 2008; Premchander, Prameela et al. 2009). Client ‘desertion’ of microfinance offerings has also been identified as an issue that needs further exploration (Wright 2003; Dichter 2007).

Gaining a clearer understanding of the financial decision making processes and the consequences of financial choices poor consumers are making with respect to credit offerings (Hammill, Matthew et al. 2008) will assist community members and their microfinance providers to achieve better outcomes. In addition, financial providers will have a better idea of how to leverage the social capital that exists in embedded community ties to create sustainable financial models that can help improve the lives of people living in chronically poor communities (Matin, Hulme et al. 1999; Morduch 2000; Murray 2001; Cohen 2002; Dunn 2002; Rutherford 2002; Ruthven 2002; Woller 2002; Imboden 2005).

1.3 Theoretical Context

Naturalistic decision theory (Klein, Orasanu et al. 1993) in combination with marketing systems theory as it specifically relates to the decision dynamics within primitive marketing systems (Layton 2007) forms the theoretical foundation for the exploration in this thesis of real life financial decision behaviours in a real life setting (Beach 1998). Naturalistic decision
theory considers decision-making from both a process and an outcomes perspective however until now it has not been employed to explore the decision behaviours of poor consumers in developing economies. Nevertheless, it does provide a useful perceptual, emotional and cognitive (decision) lens for examining financial decision-making in this context (Svenson 1979).

Marketing systems theory as it relates to micro marketing systems in this study frames the analysis of the “network of individuals or groups embedded in a social matrix, linked directly or indirectly through sequential or shared participation in voluntary exchange of value which jointly creates, assembles, transforms, and makes available assortments of products, services, experiences, and ideas provided in response to customer demand” (Layton 2009 p 354).

This theoretical perspective underpins the exploration of social networks operating within micro marketing systems and how they influence financial decision making in the specific context of poor villages of Matlab Bangladesh. It is used to explore patterns and flows in the exchange of financial products and services that may form part of “an aggregate marketing system” (Layton 2009 p 354) and can be utilised as a basis for the redesign of marketing systems that exist within these communities in order to counter social problems arising from the mis-alignment of financial products and services being offered with the real needs and wants of financial consumers in these communities.

The concept of marketing flows within a marketing system is one of long standing in the marketing literature (Breyer 1937; Festinger, Schachter et al. 1948; Commons 1960; Alderson and Martin 1965; Fisk 1967; Bowerbox, Bixby Cooper et al. 1980; Dixon 1984; Bowerbox and Morash 1989). Marketing flows of ownership and possession, finance and risk, and also importantly information flows (Fisk 1967; Layton 2007) are a reflection of attitudes and behaviours within the networks in poor communities (Hulme, Moore et al.
2001) and may have significant implications for the nature of financial decision making because underpinning these flows are elements of an economic, social, cultural, and physical infrastructure. For example, relationships are important for the acquisition of information and the relationships within social networks are known to have a significant effect on information flows within and beyond the social network (Granovetter 1973; Burt 1992).

These flows have implications for the quality of information given and received (Granovetter 2005). Borgatti and Cross (2003) point out that an individual’s decision to seek information from another person is informed by “characteristics of the relationship between the seeker and a set of other people he or she might turn to” (p 434). However little consideration has been given in the literature to the significance of the marketing flows within the social networks operating in poor communities.

The review of the literature confirmed the significant effects that shared cultural perceptions have on the way consumers’ process information (Briley and Aaker 2006). The question of whether the perceptual filters of consumers in different countries create differences in their decision-making behaviours has been discussed extensively in the literature (Triandis 1972; Hofstede 1984; Briley, Morris et al. 2000; Weber and Hsee 2000; Rawwas 2001) and it has been established that cultural differences have a significant influence on the nature of consumer decision-making.

This thesis argues for the need to investigate the influences on financial decision making within the context of poor rural communities in an emerging economy (Bangladesh) when financial decisions involve taking on micro credit. This may have implications for the future design, delivery and service of financial products and services to chronically poor customers.
1.4 Objectives of the Research

As the interest in microcredit continues to grow among NGOs, MFIs and other financial institutions (Sengupta and Aubuchon 2008), there is a need to understand the phenomena of how poor consumers in emerging markets are making decisions in relation to their finances in order to create financial products and services that meet their needs (Matin, Hulme et al. 1999; Matin, Hulme et al. 2002; Hulme 2007; Karnani 2007; Karnani 2008).

To date, exploring the usage and effectiveness of the financial vehicles available to poor rural communities and research about microfinance has taken a predominantly economic, quantitative, impact analysis approach that is donor driven and conforms to the donor’s priorities (Cohen 2002; WorldBank 2007; Niño-Zarazua and Copestake 2009). The call for more 'client led' studies (Cohen 2002; Dunn 2002; Imboden 2005; Dichter 2006; Duflo 2006; Banerjee and Duflo 2007; Hulme 2007; Karnani 2008) to further understand consumer behaviour of the poor in relation to their financial dealings, is taken up in this study. It makes a contribution to knowledge with respect to financial decision making behaviour of the rural poor with the ultimate aim of providing useful data that can assist financial entities who serve the financial needs of the poor (Imboden, 2005; Dunn, 2002).

Purchasing financial products and services can involve substantial risk for the consumer and the perception of risk and uncertainty that consumers bring to the financial decision making process can have a significant influence over their choices (Guseman 1981; Bateson 1989). This is understandable given that financial decisions, in every consumer context, have elements of intangibility which gives rise to feelings of vulnerability and uncertainty (Guseman 1981; Zeithaml 1981).

There are other distinctive features about financial services that affect consumer financial decision making. Consumers are effectively buying future promises and entering into a
potentially long term relationship with a two way flow of information over time (McKechnie 1992) and because of the highly intangible nature of financial services, consumers confront a number of specific difficulties when making a decision about which financial service to purchase. Information is difficult to collect and assimilate, evaluation is complex because there are so many different products and services, and decisions are more likely to be based on recommendations relating to experience and credibility, rather than on extensive information search (McKechnie 1992; Ennew and McKechnie 1998).

In western economies the use of financial advisors is considered to be an important method of managing risk and uncertainty when making decisions about financial products and services (Ennew 1992). In Bangladesh and other emerging economies there is little information in the literature about the methods consumers adopt to reduce risk and perceived levels of uncertainty and therefore there is a significant gap in knowledge relating to financial decision making in that context, particularly in relation to consumer decision making regarding the adoption of micro credit through NGO’s and MFI’s.

The three key research objectives therefore of this research are:

1. to gain a better understanding of the nature of financial decision making processes and outcomes within the marketing systems operating in a poor rural context in Bangladesh from the perspective of the people who are making these decisions.

2. to gain a better understanding of the subtleties associated with the marketing flows linking those involved in making financial decisions in terms of the implications for the impact and consequences of those micro marketing systems for families within the rural community studied.

3. in the context of a chronically poor rural community, to gain a better understanding of the decision making processes and outcomes specifically with respect to microcredit.
1.5 Research Problem and Research Questions

The key research questions being addressed in this research are:

How do people in chronically poor rural communities in Bangladesh make financial decisions; what are their perceptions of major influences on their financial decision processes and what are key outcomes of these decisions?

In order to answer the research questions posed above, the following sub questions are asked:

**Question 1:**

(i) In what ways do chronically poor rural community members express their conditions of their poverty state?

(ii) What effects do community members expressions of poverty have on their financial decision-making?

**Question 2**

Do the characteristics of community-based relationships influence financial decision-making processes and outcomes and, if so, how?

**Question 3**

(i) What is the nature of the marketing flows linking those involved in making financial decisions in poor rural communities?

(ii) How do marketing flows influence financial decision-making within the rural community studied?

1.6 Scope and Key Assumptions of this Research

The scope of the research includes investigating the key influences on financial decision making processes and outcomes from the perspective of the people who are making these decisions within the specific context of poor rural villages in Matlab. It is beyond the scope of
this study, however, to identify or explain all the causes of the sustained conditions of poverty in Bangladesh.

It is the cultural and anthropological underpinnings of poor rural societies which govern the persistence of informal financial arrangements amongst people in the villages with close social and family ties and because urban poverty in Bangladesh has been brought about by very different sets of circumstances (Hossain 2008) this study concentrates on the rural communities in the Matlab district of Bangladesh; the urban poor fall outside the scope of this study.

The scope of the research does include an exploration of the implication of social interactions among family and community members on marketing flows linking those involved in making financial decisions and specifically addresses decision processes and outcomes with respect to microcredit in this context. The scope of the research also includes an investigation of the interaction of these groups with external financial representatives such as micro credit agents. The research does not investigate the implications of financial decision making within these communities from the perspective of external financial entities such as NMFIs and NGOs.

An important conceptual anchor point for this study is the adoption of an expansive definition of chronic poverty which takes into account the vulnerability to shocks that chronically poor people experience over time as a result of insufficient material, human, social and cultural resources (Chambers 1989; Moser 1998; McGregor 2007; Niño-Zarazua and Copestake 2009).

Key assumptions derived from theory on which this study is based are:-

1. The lived reality of chronic poverty affects the options available to individuals, families and communities and therefore has an effect on behaviour, including decision making (Duflo 2006; Banerjee and Duflo 2007).
2. As Quisumbing (2008) argues, the specific context of the chronic poverty experienced is significant in determining the underlying behaviours of poor people particularly with respect to their social relations and their agency (Du Toit 2007).

3. The economic environment of the poor in the rural district of Matlab Bangladesh, which is the site for this study, has a number of important aspects that are significant in shaping how people use financial services. Poor people tend to operate in a “mini-economy in which production, consumption, trade and exchange, saving, borrowing and income earning occur in very small amounts” (Matin, Hulme et al. 2002 p 275). The markets in these poor rural areas operate without access to regulated financial systems and “banks are absent or function extremely inefficiently” (Mookherjee and Benabou 2006 p 396).

4. The definition of context adopted for this thesis is “the physical, geographic, temporal, historical, cultural, and aesthetic-within which action takes place. Context, is the framework, the reference point and it is used to place people and action in time and space and as a resource for understanding what they say and do and the context is rich in clues for interpreting the experience of the actors in the setting” (Lawrence-Lightfoot and Davis 1997 p 41).

5. The target population for this study is defined as poor rural village dwellers that are located in the rural subculture of Matlab in Chandpur, Bangladesh living on $2 US per day or less who may or may not have a financial relationship with a microfinance provider. They are engaged in a range of formal and/or informal financial dealings such as participating in barter exchange, borrowing money and monetary substitutes such as rice from friends and relatives as well as taking micro loans from NGOs.

1.7 Methodology

Ethnographic observations were conducted by the researcher and two local research assistants of participants of three rural farming communities in the Matlab district of
Bangladesh. Six focus groups were conducted across the three villages, three with women and three with men. There were fifty four one-on-one interviews conducted within the villages and two interviews with the local research assistant who stayed for six months in the area.

The research design for this thesis supports an in depth exploration of the socio-cultural and contextual specifics (Patton 2002) relating to financial decision making processes and outcomes among the rural poor in Bangladesh. A naturalistic or phenomenological frame has been adopted because the study focuses on qualitative, subjectivist, humanistic and interpretative methodologies (Hussey and Hussey 1997; Holden and Lynch 2004; Denzin and Lincoln 2005). The naturalistic research frame adopted aims to “minimise investigator manipulation of the study setting and places no prior constraints on what the outcome of the research will be” (Patton 2002 p 39). This approach is discovery orientated (Lincoln and Guba 1985; Patton 2002) and therefore supports the exploratory nature of the research.

The study relies on qualitative research methodology to explore the key influences on financial decision-making within this context. The multiple data collection methods adopted produced detailed data on a relatively small number of people but at the same time guarded against the potential for assumptions and one-sidedness, (Kellner 1995; Madriz 2000; Kincheloe 2001; Denzin and Lincoln 2005; Guba and Lincoln 2005; Saukko 2005).

The data analysis and interpretation of meaning used to generate the conclusions of this thesis involved recording insights, meanings, patterns, themes, connections, conceptual frameworks, and theories. This interpretive approach has been applied to the analysis of the data in an attempt to understand meanings of the major themes found in the data and to understand the linkages between these themes (Lincoln and Guba 2000; Patton 2002; Denzin and Lincoln 2005; Denzin and Lincoln 2008; Cannella and Lincoln 2009). Analysis of the data included the use of Leximancer (2005) so that data could be automatically coded in
order to facilitate examination from both a conceptual and relational perspective. Leximancer (2005) was also used to assist in verifying the connections identified between concepts in the data.

The evidence from this study suggests that financial decision making in the context of chronic poverty is embedded in complex micro marketing systems driven by the social capital accumulated through generations of struggle with chronic poverty. The sustained deprivations experienced by poor communities have resulted in high levels of perceived risk and vulnerability that were found to be significant in shaping social networking behaviours with respect to financial decision making.

The flows of information within and between social networks regarding financial matters were found to be inadequate and biased and subsequently the micro marketing systems in which financial decision making are embedded were found to be very often working against the mitigation of poverty alleviation in the study area.

A concerning outcome of this situation was found to be the escalation of accumulated debt as a result of over borrowing of microfinance loans where there was a limited or non-existent means of repayment of the loans.

1.8 Outline of the Thesis

Each chapter is briefly described in this section.

The review of the literature has been divided into two chapters (Chapters 2 and 3), each of which provides an important part of the platform for this study.

Chapter Two examines the nature and conditions of chronic poverty and poor people’s agency, or their ability to act in their own interests. This chapter draws on literature from sociology, psychology, marketing and international development and includes important definitions upon which this research will rely. The focus in this chapter is on the way in which
conditions of chronic poverty influence financial decision-making. It outlines why, in the Asian context, Bangladesh is classified as an 'emerging economy' (Hoskisson, Eden et al. 2000) and has important differences from western contexts and developed Asian economies that need to be taken into account when considering research of consumer financial decision making (Steenkamp and Burgess 2002; Burgess and Steenkamp 2006).

Chapter Three provides definitions of formal and informal financial institutions with particular emphasis on defining microfinance. Cultural and contextual issues within the history of the development of microfinance in general, and specifically in relation to Bangladesh, are also discussed in order to add meaning and depth to the contents of subsequent chapters. Chapter Three specifically considers the complex cultural and contextual influences on financial decision making, including consideration of how cultural meanings attached to money and financial exchange affect financial choices within a chronically poor rural community. The cultural and contextual issues that relate to financial decisions made to take up microloans are considered and specific cultural and contextual issues relating to gender that influence financial decision making are also discussed.

Chapter Three also explores the social capital and social network literature to determine what influences social capital and social networks may have on financial decision making in poor rural communities. This section includes important definitions of social networks, social capital and micro marketing systems. Specifically, literature relating to the nature of informal social networks in poor rural communities is discussed and the socio-economic dynamics which influence financial decision-making in poor rural communities are examined.

Chapter Four specifically discusses the methodology used in this study, acknowledging the significant differences between undertaking market research in western economies and in a South Asian emerging economy such as Bangladesh. This chapter recognises that "complexity and the dynamic nature of cultural influences suggest the need for different research designs" (Douglas and Craig 1997 pp 379-380). The choice of relevant theory for
thinking about the influences financial decision making is discussed in full in Chapter Four. The study draws on qualitative data in order to explore complex cognitive and social processes relating to financial decision making. This chapter outlines the major aspects of the research methodology applied during the study and includes a discussion on the rationale for the qualitative research methods chosen, the unit of analysis, and an examination of the analysis tools used.

Chapter five reports the results of the qualitative data analysis of this study. The analytic approach taken begins by clustering certain conditions, contexts and outcomes that emerge from the data collected. The chapter details the methods used for analysing the data, including the software application used (Leximancer), and provides detailed data analysis and preliminary discussion on the key findings.

Chapter six brings the study to a conclusion by providing an overview of research findings and an assessment of these in terms of how successfully they answer the overarching questions of this study. The chapter discusses the contribution made by this research in addressing how poor rural consumers in Bangladesh make financial decisions, the key factors they perceive as having major influences on their decisions, and the key outcomes of their financial decisions.

1.9 Conclusion

This chapter has laid the out foundations for this thesis. It introduced the research problem and research questions. The research was justified, with important definitions given, the methodology was briefly described and justified,. The structure of the thesis was outlined, and the scope defined. On these foundations, the thesis can proceed with a detailed description of the research.
Naturalistic Decision theory (Klein, Orasanu et al. 1993) in combination with Marketing Systems theory as it specifically relates to the decision dynamics within primitive marketing systems (Layton 2007) suggest how financial decision making within the contextual footprint of a chronically poor rural community in Bangladesh influences the patterns and flows in the exchange of financial products and services. Marketing systems theory as it relates to micro marketing systems frames this analysis and underpins the exploration of the influences associated with the nature of social networks on financial decision making.
Chapter 2

Literature Review Contextual Imperatives

2.0 Introduction

This chapter is the first of two literature review chapters which provide background information to this study and an analysis of the gaps in the literature which have guided the development of the research questions to be studied. Whilst the main driver for the research questions is the theoretical framework, the research is highly driven by contextual specifics which include “the physical, geographic, temporal, historical, cultural, and aesthetic-within which action takes place” (Lawrence-Lightfoot and Davis 1997 p 41).

The chapter is divided into two sections. Section one will describe the nature and conditions of chronically poor rural people’s agency with specific attention given to the social, cultural, physical and economic environment of the chronically poor rural communities in Matlab Bangladesh. Section two provides a more thorough examination of the formal and informal financial services operating in rural Bangladesh. Specific attention is given to the variety of microcredit products and services available and the nature of the distribution of these offerings.

Contextual specifics provide an important reference point for this research, positioning people and their activities in time and space. Context also acts as a resource for making sense of what people say and for interpreting their experiences in that setting (Lawrence-Lightfoot and Davis 1997). Consumer research in developing economies such as Bangladesh exhibit significant contextual differences to western economies and these differences are specifically considered when developing the research design for this study because the “complexity and dynamic nature of cultural influences suggest the need for
different research designs” Douglas and Craig 1997 pp 379-380). This is the case for an exploratory study of this nature in a poor rural community in Matlab Bangladesh.

This research acknowledges that the cultural, social, political and economic landscape of Asia is contextually diverse in nature and therefore offers the challenge to engage in effective research practices that will produce meaningful outcomes. Each national and regional area has distinctive cultural features that require consideration when developing research methodology (Leung and White, 2003).

Bangladesh is classified as an 'emerging economy' (Hoskisson, Eden et al. 2000) and as such has important differences from western contexts and developed Asian economies that need to be taken into account when considering research of consumer financial decision making (Douglas and Craig 1997; Steenkamp and Burgess 2002; Douglas and Craig 2005; Burgess and Steenkamp 2006). An emerging economy is distinguished by characteristics defined by the United Nations (2005) and the World Bank (2006). These basic characteristics of human development defined by the United Nations (2005) and the World Bank (2006) include measures of life expectancy at birth, adult literacy rates and educational attainment, and gross domestic product per capita at purchasing power parity. The significance of cultural differences between emerging and developed economies is summarised in Table 2.1 below.

An emerging economy such as Bangladesh exhibits rapid social, political and economic change with a young and increasingly large pool of under-educated people. There is evidence of extreme differences between rich and poor in terms of in household size and income, living standards, and access to human development resources. The unequal distribution of power, roles, and resources operates according to hierarchical systems of ascribed roles and cultural embeddedness (Schwartz 2004). As background, a brief overview of the demography and geography of Bangladesh can be found in Appendix 1.
Table 2.1 Characteristics of Emerging Economies versus High Income Economies
(Adapted from Burgess and Steenkamp 2006)

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Emerging Economies</th>
<th>High Income Economies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Socio-economic characteristics</td>
<td>Rapid social, political and economic change</td>
<td>Moderate social, political and economic change</td>
</tr>
<tr>
<td></td>
<td>Young, growing, large pool of under-educated</td>
<td>Older, stagnant, well educated</td>
</tr>
<tr>
<td></td>
<td>Extreme differences in household size and income, living standards, access to human development resources</td>
<td>Smaller differences in household size and income, living standards, access to human development resources</td>
</tr>
<tr>
<td>Cultural Characteristics and</td>
<td>Emphasis on cultural embeddedness and hierarchy (Schwartz 2004).</td>
<td>Emphasis on cultural autonomy and egalitarianism.</td>
</tr>
<tr>
<td>Cultural Values Priorities</td>
<td>Emerging markets emphasise embeddedness and view people as part of a collective group and expect them to derive meaning in life largely from social relations, group identification, pursuit of group goals, and participation in a shared way of life. Emphasise maintenance of the status quo and discourage behaviours that disrupt in-group solidarity. Legitimising of unequal distribution of power, roles, and resources according to hierarchical systems of ascribed roles within a society.</td>
<td>High Income markets view people as independent, bounded entities that are expected to cultivate and express their own preferences, feelings, ideas, and abilities, and find meaning in their own uniqueness. Egalitarianism fosters cooperation and concern for the welfare of others by encouraging recognition of others as moral equals and pursuit of equality, social justice, responsibility, help, and honesty.</td>
</tr>
<tr>
<td>Regulatory Characteristics</td>
<td>Moderate abuse of public office for private gain, moderate reliance on legal rights enforceable in courts of law, investor rights lower, legal outcomes more unlikely</td>
<td>Low abuse of public office for private gain, high reliance on legal rights enforceable in courts of law, investor rights higher, legal rights well established</td>
</tr>
</tbody>
</table>

Emerging economies’ cultural embeddedness means that people tend to see themselves as part of a collective group and therefore derive meaning in life largely from their social relations, group identification, pursuit of group goals, and participation in a shared way of life. This can lead to an emphasis on maintaining the status quo and discouraging behaviours...
that disrupt in-group solidarity. These characteristics are examined further in following sections.

Definitions relating to the chronic poverty that prevails though much of Bangladesh are now discussed in Section 2.1 below.

2.1 Definitions of Poverty and ‘Chronic’ Poverty

Until recently, western definitions of poverty were based primarily on measures such as income levels, physical capital, employment measures (Chambers, 1995) or relative economic measures of ‘utility’ (Sen 1984; Sen 1992). For example one definition of poverty refers to the exclusion from the life of society owing to a lack of resources (Nolan and Whelan 1996). These economic definitions of poverty and deprivation focus specifically on providing threshold measures that are used as broad identifiers of conditions of poverty and deprivation. The common measure of consumption of $2 US per day is widely used to define the economic threshold of what constitutes poverty (Osberg and Xu 2005) because it does provide a basis on which other measures can be constructed (Saunders 2004; Deaton 2005; Weiss 2005; Banerjee and Duflo 2007).

However, this measure is challenged extensively in the literature (Greeley 1994; Ravallion 1996; Adams, Evans et al. 1997; Ravallion 2003; Reddy and Pogge 2006) because of concerns that such a proxy measure of purchasing power can only be extrapolated from very limited data, therefore being unreliable and perhaps a significant understatement of the extent of poverty. It is also questioned because it relates to only one aspect of poverty while ignoring issues relating to peoples’ feelings of powerlessness, their poor nutrition and health, and gender differences; which are all components of sustained poverty (Ravallion 1996; Quisumbing, Haddad et al. 2001; Ravallion 2003). It also does not adequately reflect the complex and dynamic perceptions the poor have of their own circumstances (Chambers 1995; Narayan and Kapoor 2005; Chakravarti 2006).
The literature also discusses more comprehensive measures of poverty which include both quantitative benchmarks and qualitative measures. These measures have often come about because of input from the local people in communities where poverty is being measured. These approaches are known as Participatory Wealth Ranking (PWR) and Participatory Rural Appraisal (PRA) (Chambers 1994; Temu and Due 2000; Hargreaves, Morison et al. 2007) and have been described by Chambers (1994 p 1253) as a “growing family of approaches and methods to enable local (rural or urban) people to express, enhance, share and analyse their knowledge of life and conditions”.

There is no uniform or standard definition of poverty in the literature (Morduch 1994) but it is important to note that the economic, psychological, cultural and sociological dimensions of poverty can be viewed as interacting and reinforcing each other (WorldBank 2002; Rao and Walton 2004; Narayan and Kapoor 2005; Chakravarti 2006).

People whose reality is a state of sustained poverty and deprivation have only limited capacity to act in ways that further their own interests (Narayan and Kapoor 2005). Rao and Walton (2004) argue that culture is as important a contributor as economic factors to those feelings because culture defines what is valued in terms of well-being in poor communities (Rao and Walton 2004). Psychological dimensions, such as poor people’s levels of self-confidence and their self-perception relative to the rest of society can also have a significant impact on the choices they make (Bandura 1998; Narayan and Kapoor 2005; Chakravarti 2006). While poor people are conceptualised as not having enough resources to meet their basic needs, these basic needs can only be effectively defined in the context of what is deemed to be inadequate by the community in which they exist (Saunders 2004; Hargreaves, Morison et al. 2007).

This discussion on the definitions of poverty drawn from the extant literature is summarised in Table 2.2 below.
### Table 2.2 Dimensions of Poverty Defined in the Literature

<table>
<thead>
<tr>
<th>Discipline</th>
<th>Dimensions and Definition</th>
<th>Supporting Literature</th>
</tr>
</thead>
<tbody>
<tr>
<td>Psychology</td>
<td>Poor people have feelings of ill-being which affects their judgement and the nature of their decision making processes. Sustained poverty creates a limited capacity to act in ways that further their own interests. Low levels of self-confidence and poor self perception relative to the rest of society affect the choices they make.</td>
<td>Bandura 1998; Narayan and Kapoor,2005; Chakravarti,2006.</td>
</tr>
<tr>
<td>Development</td>
<td>Peoples’ lives are constrained over extended periods of time by limited consumption options. Basic needs can only be defined within the context in which poor people exist.</td>
<td>Chambers,1995; Hulme and Shepherd,2003;Saunders,2004; Hargreaves, Morison et al,2007; Rao and Walton, 2004; Narayan and Kapoor,2005.</td>
</tr>
</tbody>
</table>

In his article *Poverty and Livelihoods : Whose Reality Counts?* Chambers (1995) discusses the need for a more comprehensive description of the reality of poor people’s lives. He separately defines poverty and deprivation because he perceives deprivation as describing what people are lacking in order to achieve a sense of well-being including physical, social, economic, political, and psychological/spiritual aspects. Deprivation encompasses "forms of disadvantage such as physical weakness, isolation, poverty, vulnerability and powerlessness" (Chambers 1995 p 174). Poverty, on the other hand, is defined as a “lack of physical necessities, assets and income. It includes, but is more than, being income-poor” (p 174). These two definitions acknowledge the linkage between the utilitarian aspects of poverty and the significance of the feelings of vulnerability and powerlessness brought about by sustained deprivation. Chakravarti (2006) proposes an exploration of these “experiences
of voicelessness and powerlessness, feelings of vulnerability and ex-ante risk exposure, and
the subjective experiences of ill-being and well-being” (p 366) in order to establish any
implications for consumption choices. This study takes on this challenge with Bangladesh as
the context for chronically poor communities and financial products and services and the
focal point for consumption choices.

In the next section a clarification is made of the differences between chronic and transitory
poverty. This is explained in order to make clear the contextual significance for this study of
the characteristics of chronic poverty.

2.1.1 Sustained or “Chronic” Poverty in Emerging Economies

“Poverty in many Third World ... countries is not caused by transitory problems but rather by
the permanent features of nations that have different economic structures” (Reinert 2006 p
5).

Transient or transitory poverty can be defined in economic terms as “the contribution of
consumption variability over time to expected consumption poverty” (Jalan and Ravallion
2000 p 83). Chronic poverty, by contrast, is defined in this research in economic terms as
arising from a “low, long term level of living” which “remains when inter-temporal variability in
consumption has been smoothed out” (Jalan and Ravallion 2000 p83).

concerns about the long term, sustained nature of poverty across emerging economies. The
Millennium Goals were derived from the Millennium Declaration which was adopted in
September 2000 by the United Nations General Assembly. Eight goals for development and
poverty eradication are known as the Millennium Development Goals. They included
commitments to reducing poverty and hunger, tackling ill health, gender inequality, lack of
education, lack of access to clean water, and environmental degradation (UN 2008). The
reason for commitment to the Millennium Goals as a means to poverty eradication is that
they are seen as the major contributing factors to chronic poverty. However, inadequate progress towards reaching these goals “raises important questions about the policies and strategies (centred around economic growth and human development) that have been adopted to achieve poverty reduction”, (Hulme and McKay p 2).

These issues underlie the urgent need to broaden and deepen the research into issues that dominate the lives of those experiencing chronic poverty. The reasons for this are reflected in the paper that Hulme and McKay (2005) presented to an International Conference on the *Many Dimensions of Poverty*. They make the point that the failure to achieve significant progress towards the Millennium Goals brings into question the current understanding and conceptualisation of chronic poverty. They are critical of the limited manner in which knowledge about chronic poverty has developed. The authors are also critical of what they see as an over reliance on the work of economists and econometricians, with the result that there is potentially a distorted understanding of what constitutes chronic poverty and the lived realities for the poor people experiencing it.

An important conceptual anchor point for this study therefore is the adoption of an expansive definition of chronic poverty which takes into account feelings arising from the vulnerability to shocks that chronically poor people experience over time as a result of insufficient material, human, social and cultural resources (Chambers 1989; Moser 1998; McGregor 2007; Niño-Zarazua and Copestake 2009). Drawn from the extant literature, this expansive definition is;

*chronic poverty relates to a process where people living long term on $2 a day or less are subject to sustained physical, social, economic, political, psychological and/or spiritual deprivation which gives rise to any combination of physical weakness, perceived isolation, feelings of ill-being, vulnerability and powerlessness* (Greeley 1994; Chambers 1995; Ravallion 1996; Bird, Hulme et al. 2002; Barrientos and Shepherd 2003; Ravallion 2003; Mahbub Uddin Ahmed 2004; Osberg and Xu 2005; Chakravarti 2006; Reddy and Pogge 2006; Banerjee and Duflo 2007; Du Toit 2007).
It is important to note that this study acknowledges chronically poor people are caught in “a process of lack, deprivation or suffering which may or may not lead to a severe impairment of their social and economic agency and functioning in the world” (Du Toit 2007 p 6). The significance of the long term effects of chronic poverty on peoples’ feelings of ill-being or well-being, and powerlessness with regard to individuals’ perceptions of their own poverty, is discussed in the next section and consideration is given to the impact of local, social interactions on perceptions of chronic poverty (Durlauf and Johnson 1995; Durlauf and Quah 1999).

Chakravarti (2006 p 346) argues that chronic poverty “depletes and alters the human need and capacity to consume” and that the feelings experienced by chronically poor people include a sense of voicelessness, powerlessness, and feelings of vulnerability that result in sustained perceptions of high levels of risk. The result of these feelings over time is that they “almost certainly affect the way people think and decide” (Duflo, 2006 p 376).

The psychological dimension of chronic poverty mentioned in Table 2.3 below refers to the effects of long-term poverty (five years or more) and the resulting involvement in activities perceived as degrading which in turn have a long term affect on people’s perceptions and feelings of their self worth, dignity and significantly alters people’s perceptions of risk and vulnerability (Hulme and Shepherd 2003). These affects may have implications for the nature of their financial decision making as Cohen (2002), Dunn (2002), Rutherford (2004) and Hammill, Matthew et al. (2008) acknowledge. How does a chronically poor family’s agency impact on their decision making capabilities and capacity? How does the experience of being in a process of long term deprivation influence decisions in relation to financial dealings, particularly with microcredit? Because these issues are not well understood, in general the financial products and services being delivered in this context are not matching consumers’ needs and wants (Matin, Hulme et al. 1999; Beck, Demirguc-Kunt et al. 2004; Hulme and McKay 2005; Duflo 2006; Banerjee and Duflo 2007). This thesis explores how
feelings of voicelessness and powerlessness, vulnerability and perceived high levels of risk, derived from a sustained state of poverty and deprivation may affect consumption decisions.

The contributing factors to chronic poverty detailed by Hulme, Moore et al. (2001) in Table 2.3 below include attributes relating to natural, physical, human, financial, and social capital dimensions.
<table>
<thead>
<tr>
<th>Dimension of poverty/well-being</th>
<th>Characteristics of the chronically poor</th>
<th>Significance for the chronically poor, in terms of ease/difficulty of realisation or upward mobility</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Physical dimension</strong>: land, livestock, house, other</td>
<td>Landless (or livestock-less, in pastoral contexts), near landless, marginal land; limited access to necessary inputs (e.g. labour, irrigation) Physical assets few, of poor quality, vulnerable to theft</td>
<td>Few opportunities to accumulate assets Redistribution policies are increasingly rare and are usually poorly implemented High likelihood of losing physical assets</td>
</tr>
<tr>
<td><strong>Finances and substitutes</strong>: income (trade, wages, rents, remittances, other), savings, investment, consumption</td>
<td>High or low variability around a low mean, depending on wider socio-economic context Few opportunities for diversification that would permit income or asset augmentation</td>
<td>Microfinance has been extended to some poor people but there has not been a microfinance revolution The poorest rarely access microfinance institutions</td>
</tr>
<tr>
<td><strong>Geographical capital</strong></td>
<td>Remoteness, marginality, lack of physical and social infrastructure, poor environment,</td>
<td>Opportunities for migration out of marginal areas depend on other forms of social and economic capital</td>
</tr>
<tr>
<td><strong>Health and nutrition</strong></td>
<td>Vulnerability associated with disease, impairment, age Ultra-poor consuming &lt;80% of required calories but spending &gt;80% on food</td>
<td>Ill health often has catastrophic impacts on other assets HIV/AIDS reshaping health levels in many countries</td>
</tr>
<tr>
<td><strong>Education and training</strong></td>
<td>Poor (or no) education Few opportunities to develop new skills Reliance on coping strategies</td>
<td>Difficulty of maintaining enrolment (in terms of cost and time), especially for girls, especially up to secondary/technical level Key intergenerational exit route, but highly dependent on labour market</td>
</tr>
<tr>
<td><strong>Social and cultural dimension</strong></td>
<td>Vulnerability associated with age, disability, gender, caste, ethnicity, religion High levels of dependence and adverse incorporation into patron-client relations; effects of social networks</td>
<td>Multi-stranded patronage webs difficult to extricate oneself from, and are often passed on intergenerationally</td>
</tr>
<tr>
<td><strong>Security</strong></td>
<td>Vulnerability to violence, including domestic violence</td>
<td>Very significant, but often not understood by researchers and policymakers</td>
</tr>
<tr>
<td><strong>Psychological dimension</strong></td>
<td>Effects of long-term poverty, involvement in activities perceived as degrading, and dependence on dignity, sense of self and risk aversion</td>
<td>Labels (by public policy and by civil society) tend to stick over long periods and be transmitted intergenerationally</td>
</tr>
</tbody>
</table>
The attributes of chronic poverty particularly relevant in Bangladesh and highlighted in Table 2.3 include key dimensions such as landlessness, and social and cultural dimensions of chronic poverty. These have a widespread presence throughout Bangladesh (Baulch and Davis 2007; Davis 2007; Quisumbing 2007) and further detail is in Appendix 1.

2.2 The Nature and Significance of Chronically Poor People’s Agency in Bangladesh

The significance and widespread nature of chronic poverty in Bangladesh is highlighted in Table 2.4 below which shows that the average change in standard of living as an annualised measure between 1991 and 2000 is -4%. This means that more people were sliding into poverty during that period, than emerging from it. Further, the number of people in chronic poverty, as defined here, was 31.4% of the population during that period with another 43.6% in transitory poverty.

**Table 2.4 Chronic Poverty and Poverty Dynamics in Bangladesh** (Adapted from (Sen and Hulme 2006 p 11)

<table>
<thead>
<tr>
<th>Country/period</th>
<th>Average change in standard of living measure, annualised (%)</th>
<th>% in chronic poverty</th>
<th>% in transitory poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh 1991-2000</td>
<td>-4%</td>
<td>31.4%</td>
<td>43.6%</td>
</tr>
</tbody>
</table>

Other statistics from a longitudinal study by the Executive Director of the Bangladesh Rural Advancement Committee (BRAC), *Dynamics of Poverty in Rural Bangladesh, 1988-2007: An Analysis of Household Level Panel Data* (Hossain 2009) indicate that between 2000 and 2004 the overall incidence of poverty in rural Bangladesh declined to 42.9%(Table 2.5) but had climbed back to 47% by 2007. The incidence of poverty shows the percentage of
households that fail to meet the basic food and non-food requirements of household members (Hossain, 2009 p 9).

This increase of 4.4% over that for 2004 can be attributed to sharp increases in food prices during this period, particularly the rapid escalation in rice prices in 2007 (Hossain 2009).

**Table 2.5 Incidence of Poverty in Bangladesh** (from Hossain 2009 p 8)

<table>
<thead>
<tr>
<th>Poverty Measures</th>
<th>Reference Year of Survey</th>
<th>Reduction per Year (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head Count Index</td>
<td>60.3</td>
<td>46.9</td>
</tr>
</tbody>
</table>

**2.2.1 Factors Contributing to Chronic Poverty in Rural Bangladesh**

Kabeer (2002, 2004) highlights underlying social and cultural factors as being significant causes of chronic poverty in Bangladesh and affecting poor people’s agency and consequently their choice behaviour. Kabeer (1994, 1996, 1998, 2002) points to the patriarchal nature of Bangladeshi society as being a significant cultural and social factor that is exacerbating chronic poverty. Examples of this are cited: the continued systematic discrimination against women from birth, high levels of illiteracy amongst men and women, early marriages, and unequal power relations between men and women in Bangladeshi society.

Mahbub Uddin Ahmed (2004) provides further evidence in his paper which documents results from a United Nations Development Program assisted survey of 5,180 heads of household in two shires (upazilas) of Bangladesh, Gaibandha Sadar and Tanore in Gaibandha, and Rajshahi districts in 2000. He argues that the key drivers of sustained poverty in Bangladesh are sociological and calls for “a definitional shift of poverty analysis, from economic dimension to sociological dimension” (p 15). He highlights, as a key contributor to chronic poverty, the agrarian socio-economic context with a traditional, status
bound society. “At the macro level, poverty in rural Bangladesh is related to gendered social stratification, rather than to a sudden fall from grace” (Mahbub Uddin Ahmed 2004 P 15).

This argument is further supported by recent longitudinal studies in rural Bangladesh. The first study conducted on poverty transition categories (chronic poor, never poor, falling into poverty, moving out of poverty) and shocks which may contribute to poverty, such as illness, death, and property division (Quisumbing 2007) ranks household self-reports of the worst shocks experienced in the last ten years (1997-2007). The highest ranked self-reported economic shock was dowry and wedding expense. This traditional cultural practice called joutuk or dowry provided by the bride’s family to the groom’s family is illegal in Bangladesh. This payment comprises gifts and cash and must be paid before marriage.

The government banned dowry payments in 1980 through legislation, but the custom is still very widespread even in poor rural communities where a poor girl’s marriage requires a relatively very high dowry. This tradition is an example of how the sociological drivers in rural society are influencing chronic poverty. Quisumbing’s (2007) study also identified expenses related to illness or injury of a family member, loss of income from illness or injury, floods and the damage to, or loss of, crops and assets and livestock deaths, as significant contributors to chronic poverty in rural areas.

These findings supported another longitudinal integrated qualitative and quantitative study of the causes of poverty in 1787 households in fifteen districts in rural Bangladesh spanning a twelve year period from 1994 and 2006 (Baulch and Davis 2007) which also highlights the long term negative economic impacts of dowry expenses, as well as illnesses and other crises. Increased indebtedness was found to be a common outcome of poor people attempting to manage these expenses. Again, dowry expenses were found to be of particular significance as a contributor to chronic poverty. The dowry payment by the bride’s
family to the grooms family can be 20,000 Taka (approx $ 290 US) and that is over 200 times higher than typical earnings which are only 100 Taka ( $1.5 US) per month (Davis 2007).

2.2.2 Land Inheritance and Usage

Despite the fact that land is the major source of wealth and livelihood in rural Bangladesh, the ratio of land per person is one of the lowest in the world and is estimated to be 0.12 ha (FAO 2001; Rahman and Rahman 2008). The ratio continues to decline (see Table 2.6 below) because of population pressure and land fragmentation (Ali 2005; Rahman and Rahman 2008). Land fragmentation is caused by both demographic pressures and inheritance laws which state that land must be divided equally among all sons in a family and, sometimes, half shares are passed to daughters (Khan 2004).

Bangladesh has 8.774 million hectares of cultivable land, of which 88% is cultivated (Streatfield and Karar 2008). The land is farmed intensively and there is little crop diversification with the main crop being rice. As a result, the soil is losing its ability to adequately support the crops sown by farmers yet very small landholdings are farmed intensively in the hope of providing subsistence support for the few months of the year that the land is not flooded (Rahman and Rahman 2008).

Table 2.6 Farm Holdings and Operation Size (adapted from Rahman and Rahman 2008)

<table>
<thead>
<tr>
<th>Farm holdings and operation size</th>
<th>1977 Census</th>
<th>1983-4 Census</th>
<th>1996 Census</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of farm holdings (‘000)</td>
<td>6,257.00</td>
<td>10,045.30</td>
<td>11,798.24</td>
</tr>
<tr>
<td>Percentage of small farms (0.02–1.01 ha)</td>
<td>49.72</td>
<td>70.34</td>
<td>79.87</td>
</tr>
<tr>
<td>Percentage of medium farms (1.01–3.03ha)</td>
<td>40.85</td>
<td>24.72</td>
<td>17.61</td>
</tr>
<tr>
<td>Percentage of large farms (above 3.03 ha)</td>
<td>9.40</td>
<td>4.94</td>
<td>2.52</td>
</tr>
<tr>
<td>Average farm size (ha)</td>
<td>1.42</td>
<td>0.93</td>
<td>0.68</td>
</tr>
<tr>
<td>Change in per capita net cultivated area</td>
<td>-29.73</td>
<td>-3.85</td>
<td>-44.00</td>
</tr>
</tbody>
</table>
There is a direct connection between landlessness and chronic poverty in rural Bangladesh with land fragmentation and landlessness having significant implications not only for financial well being but also for the local communities’ social networks and hierarchies. Landlessness gives rise to indebtedness, powerlessness and feelings of ill-being and is the main cause of poverty in rural households (Sen 1995; Rahman and Manprasert 2006).

The issue of how farmers finance their activities, whether they are speculative farming or more traditional forms of agriculture, affects the levels of risk for these farmers and their families. There is a complex set of issues related to the financial dealings of rural community members. These issues are discussed in the following section.

2.3 Financial Decision Making in the Rural Context

Persistent poverty in developing economies is of increasing concern as are the negative effects on poverty alleviation of critical economic thresholds not being achieved (Barrett and Swallow 2003; Bowles, Durlauf et al. 2006). The effectiveness of financial assistance being offered through NGO microfinance offerings is now also being questioned in the economic and development literature (Karnani 2007; Karnani 2008; Karnani 2009 Dichter 2006; Dichter 2007; Hulme 2007; Dichter and Harper 2008). According to Reinart (2006) “to a considerable extent palliative economics has taken the place of development economics” (p 2) in poor nations. These concerns are also voiced by the United Nations Millennium Development Goals Report of 2008 (Reinert 1980; Ross 1998; Reinert 2003; Bowles, Durlauf et al. 2006; Reinert 2006; Sen and Hulme 2006). Further, Reinert (1980, 2003 and 2006) argues “in my opinion the poverty we can observe in so many countries in the Third and former Second World is not caused by transitory problems, but by permanent features of nations having different economic structures “ (Reinert, 2006 p 5). Ross (1998) proposes that sustained poverty is the consequence of poor communities having their natural resources developed by multinational companies for the use and profit of industrial nations.
These concerns relate to what is perceived as a global shift in focus of developed nations away from treating the causes of poverty through economic development towards more of a concentration on efforts to treat the symptoms of poverty. It is implied that microfinance in its present form may indeed by a form of treatment for the symptoms as opposed to it being a means of eradicating the causes of poverty.

It is beyond the scope of this study to identify or explain the complex web of causes for the sustained conditions of poverty in Bangladesh. However consideration is given to where the Bangladesh microfinance industry fits in this scenario. Is it contributing to poor communities’ economic development or is it palliative in nature? This study explores these questions.

There is a demand for reliable financial services in poor communities but a recent estimate indicates that up to 80% of the populations in most developing economies still lack access to formal sector banking services (Beck, Demirguc-Kunt et al. 2007; WorldBank 2007). Where there is access to some form of formal or semi formal financial service other concerning issues are emerging. For example, Hammill, Matthew et al. (2008) raise concerns that the current use of microfinance is contributing to an escalating cycle of debt for poor communities in developing economies like Bangladesh and may even encourage individuals and households to reduce vital food consumption, assume more risk by taking out more loans, and/or exchange, sell (deplete) livelihood assets in order to repay loans. “Empirical research on each of these issues is relatively thin” (Hammill, Matthew et al. 2008p 118).

In this second section of chapter two financial decision making is discussed with a focus on how cultural meanings attached to money and financial exchange affect financial choices within a chronically poor rural community. Other influences on financial decision making are discussed, such as how the women in poor communities participate in making financial decisions the meaning of money and the nature and use of money substitutes; the place of entrepreneurship in the financial decision-making of men and women in rural communities.
The issues within the history of the development of microfinance in general, and specifically in relation to chronically poor communities in Bangladesh, are discussed in this section in order to add meaning and depth to the contents of subsequent chapters.

2.3.1 The Current Status of Financial Services for the Poor in Rural Bangladesh

Bangladesh has become a focal point of discussion in the development and economic literature with regard to the financial service models developed by organisations such as the Grameen Bank and BRAC and many other NGOs over the past twenty years or more, as a means of poverty alleviation amongst the rural poor. The discussions in the literature are complex and contradictory in nature. There is no clarity regarding the success or otherwise of these initiatives.

One view in the economic literature is that the provision of widespread access to financial services and products through formal, semi formal and informal channels is a fundamental contributor to achieving economic development in poor communities (Rajan and Zingales 1998; Beck, Levine et al. 2000; Beck, Demirguc-Kunt et al. 2004; Levine 2005; Claessens 2006). For example, Beck, Demirguc-Kunt et al (2004) quantitatively demonstrated at the macro level that financial development reduces income inequality by disproportionately boosting the incomes of the poor. Further, they propose that those countries with better-developed financial intermediaries experience faster declines in measures of both poverty and income inequality. However the actual data in their study relating to Bangladesh showed an increase rather than a decrease in the poverty gap over the period from which statistics were drawn i.e; 1960 to 1999 (Beck, Demirguc-Kunt et al 2004 p 35).

Claessens (2006) argues that the use of financial services by the rural poor is far from universal in many countries, especially developing countries such as Bangladesh. He makes the point that “Much remains unknown. We do not know at the micro level sufficiently well
what the benefits and impacts of finance are" (p 231). This lack of understanding of the usage of financial services in the rural districts of Bangladesh is a focal point of this study.

The development literature also reflects the complex and contradictory nature of views regarding the effectiveness of financial services in rural Bangladesh. A key area of focus, for example, in recent years has been on the particular significance of access to financial services for poor Bangladeshi women (Matin, Hulme et al. 1999; Mayoux 2000; Rutherford 2000; Cohen 2002; Dunn 2002; Mayoux 2002). This focus has occurred because in Bangladesh, women have traditionally been particularly constrained in terms of access to financial services yet they make up the largest proportion of the poor (Vlassoff 1994; Kabeer 1996; Kabeer 1998; Kabeer 1999; Quisumbing, Haddad et al. 2001; Kabeer 2002). Vlassoff (1994) and Kabeer (1996, 1998 and 1999) in their early papers on the effectiveness of financial services for poor women demonstrated strong advocacy for the benefits of microfinance programs in Bangladesh that targeted women specifically, identifying women’s empowerment as a major beneficial outcome. By 2001, however, Kabeer (2001) was reflecting a change of tone in the literature which began examining “the reasons why recent evaluations of the empowerment potential of credit programs for rural women in Bangladesh have arrived at very conflicting conclusions” (p 63).

Empowerment is defined as the ability to make choices (Kabeer 2001) and there is evidence in the literature of limited choice making ability for women with respect to their participation in microfinance. One study (Montgomery, Bhattacharya et al. 1996) found that only 9% of first-time female borrowers were primary managers of micro loan funded activities while 87% described their role in terms of ‘family partnerships.’ By contrast, 33% of first-time male borrowers had sole authority over the loan-assisted activity while 56% described it as a family partnership. Kabeer (2001) argues that because of the social and cultural constraints on women’s activities in poor rural households (women living under purdah rules) their opportunities for assisting their families’ economic development are limited. However
conflicting evidence (Schuler, Hashemi et al. 1996) suggests that women’s enhanced contribution to family income because of micro credit loans translated into an increase in choices and a reduction in violence against women in their rural households. These findings are also supported by Holvoet’s (2005) study which evaluated the effects of microfinance programmes on women’s empowerment. While the overall findings from Holvoet’s (2005) study in South India are broadly supportive of microcredit’s ability to “induce a process of economic, social and political empowerment” (p 75) there was also an indication of a deterioration of women’s overall well-being as a result of participation in micro lending. Kabeer (2001, 2004) maintains that Bangladeshi women are generally, unable to realize whatever entrepreneurial potential they may have. Mayoux (2002) also comments on what she terms “the widespread complacency about the automatic benefits of microfinance for women needs” (p 2).

There are many economic milestones through the life cycle of poor people for which they need relatively large sums of money. In rural Bangladesh, specifically, these include children starting and continuing their education, a dowry for the marriage of each daughter, funeral expenses for family members, money to buy seed for next season’s crops and money to build and repair houses. The amount of cash needed to meet such expenses is much larger than can normally be found in the household (Baulch and Davis 2007). Baulch and Davis (2007) conducted a comprehensive twelve year longitudinal study of the nature of poor people lives in 1787 households across fifteen districts in rural Bangladesh spanning a twelve year period. The study identified wedding dowries as the most significant large expense for rural poor households followed by health and funeral expenses. They make the point that there are numerous crises in poor peoples’ lives which affect their financial situation and have a strong bearing on their feelings of ill being or well-being (p 15). The most common of these relate to health issues which prevent people from working and the frequent occurrence of natural disasters such as floods and cyclones which can ruin crops and therefore affect people’s cash flow and food supply as well as damaging or destroying
their homes. The anticipation of such outlays to recover from these crises or shocks is a constant anxiety for many poor people (Matin and Hulme, 2004) and they are constrained with respect to consumption options (Hulme and Shepherd 2003; Chakravarti 2006), particularly in terms of access to financial products and services (Matin, Hulme et al. 1999).

2.3.2 Cultural Perceptions and Financial Decision Making

Because the poor communities that are the focus of this research may not be typical of the national culture of the country they form part of (Douglas and Craig, 2005, p7), it is important to consider the specific cultural influences in their communities (Hong and Chui 2001). For example, with respect to cultural specifics in rural Bangladesh, productive tasks are usually undertaken as a joint family process (Montgomery, Bhattacharya and Hulme, 1996, p 102). However, it is nearly always the male head of the family who has access to the market place, because the women are expected to stay at home in purdah. These cultural norms have implications for consumption patterns and decisions with respect to household finances. The gendered division of labour which exists within the household will also have implications for any financial decisions taken by the family.

Tylor (Tylor 1958) define culture as the knowledge, beliefs, art, morals, customs, language, and habits of each member of society. Triandis (Triandis 1972) expand on that conceptualisation, specifically examining the cultural aspects of shared perceptions in communities. Hall (1976) emphasises that context and meaning, as perceived by individuals and groups, is influenced by status, activities, setting and experience, which are all influenced by culture. “Cultural irrationality is deeply entrenched in the lives of all of us, and because of culturally imposed blinders, our view of the world does not normally transcend the limits imposed by our culture” (p 219).

The works by Rokeach (1973), Hofstede (1980), and the Chinese Cultural Connection (1987) have been widely cited in the literature because of their examination of the
differences in national cultures between countries (Nakata and Sivakumar 1996). Schwartz’s (1992) work on the grouping of values as they relate to motivational goals, which was based on the earlier work of Rokeach (1973), also informs the cross-cultural literature (Schwartz and Bilsky 1996). Briley and Aaker (2006) have considered the significant effects that shared cultural perceptions have on the way consumers’ process information, looking at the cultural filter that people have which influences their interpretation of reality (McCracken 1986). The question of whether the perceptual filters of consumers in different countries create differences in their decision-making behaviours has been discussed extensively in the literature (Triandis 1972; Hofstede 1984; Briley, Morris et al. 2000; Weber and Hsee 2000; Rawwas 2001). There is strong support for cultural differences having a significant influence on the nature of consumer decision-making. For example, the view that cultural influences can be expressed as individualistic versus collectivistic value orientations (Hofstede 1984) sparked a number of studies that labelled the western cultures as individualistic and Asian cultures as collectivistic (Triandis 1972).

Some researchers, however, hold the view that culture does not influence decision making. For example, Kahneman, Slovic, and Tversky (Kahneman, Slovic et al. 1982) found no cultural differences in their studies of risk aversion in decision-making. Briley, Morris et al. (2000), however, propose that cultural differences can be conceptualised as dynamic, describing them specifically as “dynamic cognitive states” (p 157). They moved the discussion of cultural influence beyond the well-known concepts of individualism and collectivism (Triandis 1972; Han and Shavitt 1994) by arguing that cultural beliefs, values and cultural decision rules influence decision-making only when they have been activated or brought to the fore of the mind. They examined the conditions which activate this cultural knowledge and they contend that “cultural knowledge is recruited when individuals need to provide reasons for their judgment or decision” (Briley, Morris et al. 2000 p157). Nisbett and Wilson (1977) showed that people asked to provide reasons or explanations for their decisions did so by drawing on implicit decision rules, many of which have cultural origins.
Social and cultural distinctions in Bangladeshi society are based on education and wealth rather than on rigid ethnic or religious criteria and rapid social and economic change is increasing the gap between rich and poor (Hossain 2003). Bangladeshi society is hierarchical and one important aspect of cultural behaviour as a result of the implicit hierarchical rules which exist between poor people and rich people is that deference is required to those perceived as being in command. Hossain (2003) identifies these implicit rules as specifically relating to the long held acceptance of the roles of ‘client’ and ‘patron’, defined by Platteau (1995, p 767) as “asymmetrical, long-term and multifaceted relations that comprise a strong element of affection and stretch over a wide and loosely defined domain”.

A key characteristic of the client-patron relationship is that mutual obligations between the two parties extend beyond any exchanges of specific goods and services (Platteau 1995). ‘To be a client is to defer and obey as a means of attracting protection against crisis, or for help with investment in the future. To be a patron is to have control over clients’ labour, lives and leisure. This includes the responsibility to offer protection against crisis, and for the less poor client, for help with investing for the future “(Hossain 2003 p 11).

These cultural behaviours do remain in place in rural areas of Bangladesh and still govern relationships between the local landed classes and tenants, sharecroppers and labourers (Wood 2000). Hossain (2003) suggests that they remain an influence on financial exchanges with patrons providing loans in crises, grants or cash transactions and other financial benefits in kind such as favourable land or house tenure (Hossain 2003). It is possible that these cultural hierarchical underpinnings of Bangladeshi society have a broader influence on the nature of financial decision making processes and outcomes between poor farmers and other providers of finance, such as NGOs in poor rural communities. The deeply held cultural beliefs relating to mutual obligation could be carrying over into the relationships between the poor consumer and NGO representatives.
2.3.3 Gender Issues and Financial Decision Making

The differentiated economic conditions of men and women in Bangladesh and other countries with similar economic models also influence the way in which microfinance operates (Van Staveren, 2002). At the individual and household level (detailed in Table 2.7 below) women lack access to financial services in their own right and men generally control spending (Kabeer 1996; Johnson 1997; Kabeer 1998; Kabeer and Mahmud 2004; Johnson 2007). At the wider community and national level, (detailed in Table 2.7 below), there are often stereotypes in relation to appropriate roles for women in the economy and often women lack access to markets for inputs and outputs if mobility is constrained because of social norms (Kabeer 2002; Kabeer and Mahmud 2004; Johnson 2007). For example, in Bangladesh it is almost universally the case that the man is seen as breadwinner and head of household and having the main property rights (Blau, Ferber et al. 1992; Agarwal 1994; Kabeer 1994).

Table 2.7 Gender Issues in Relation to Microfinance (adapted from Johnson 2007)

<table>
<thead>
<tr>
<th></th>
<th>Individual</th>
<th>Household</th>
<th>Wider community / national context</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial</strong></td>
<td>Women lack access to banks / financial services in own right.</td>
<td>Men’s control over cash income; men’s expenditure patterns</td>
<td>Perception of men as controllers of money / loans</td>
</tr>
<tr>
<td><strong>Economic</strong></td>
<td>Women undertake activities which produce low returns; women have a heavy domestic workload</td>
<td>Gender division of labour; unequal access and control of land, labour and inputs unequal control of joint household produce and income stream from this.</td>
<td>Women underpaid for equal work women locked in low-paid jobs; stereotypes of appropriate roles for women in the economy; women lack access to markets for inputs and outputs if mobility constrained because of social norms.</td>
</tr>
<tr>
<td><strong>Social / cultural</strong></td>
<td>Low numbers of women are literate or educated; girl’s education not prioritised.</td>
<td>Limited role for women in household decision making; violence towards women.</td>
<td>Banks and financial institutions do not view women as a potential market; women’s mobility constrained by social norms.</td>
</tr>
</tbody>
</table>
There is evidence however, particularly from a longitudinal study conducted by Acharya and Bennet (1982) that women within the household do have some autonomy (Acharya and Bennett 1982; Agarwal 1994) in terms of decision making. Autonomy in this respect can be defined as “the ability of women to make choices/decisions within the household relative to their husbands” (Anderson and Eswaran 2006 p 6). The literature points to evidence that in the developing world, and specifically Bangladesh, the household does not have just a single decision maker (Folbre 1986; Sen 1992; Kabeer 1994; Kabeer 1998).

The role of women in financial decision making in the rural households of Bangladesh is not well documented (Kabeer 1998). Furthermore, studies in Bangladesh show that the nature of household financial decision making is complex and the decision-making processes and outcomes are not straightforward (Rutherford 2002). For example, many women will take a microfinance loan offered by an NGO and then hand it to their husbands (Guerin and Palier 2007) and it is then the male family members who benefit from the loans granted to their wives (Hofmann and Marius-Gnanou, 2007). Another example of the complex contextual issues that influence financial decision-making in Bangladesh is that even though, as a result of a microfinance loan, women are provided with an increase in income, these same women may find an actual decrease in their mobility outside the home. This is because their increased cash flow means they can send another person to the market in their place while they stay at home in seclusion and improve their status in the community.

A study conducted in Bangladesh (Hofmann and Marius-Gnanou, 2007) shows that in places where loans are perceived as being more easily obtained by women, men use women to gain access to loans. Debts are therefore registered in the women’s names, which leaves them vulnerable in case of death, illness or separation. This can compel them to recapitalise and make further borrowings from money lenders or other MFI’s in order to repay the microloan. For some spouses, these loans may represent a form of dowry and wives who do not manage to obtain such a loan are at risk of domestic violence. In a recent study in
Bangladesh, 70% of the 120 women in the survey who had been clients of Grameen Bank had noted an increase in aggression and violence on the part of their spouses (Hofmann and Marius-Gnanou, 2007).

High interest rates also contribute to women’s vulnerability. MFI’s such as the Grameen Bank, in Bangladesh, are currently offering loans at interest rates of around 20%. The explanation for these high rates relate to high transaction costs for Grameen Bank, because of the large number of people involved in administering and managing the loans. These 20% rates and those of money lenders are virtually identical and have led to significantly higher levels of debt in the rural economy, most of which has been issued to women.

The financial dealings of the poor are indeed complex (Rutherford 2002; Ruthven and Kumar 2002) and because very few studies provide information about the nature of these financial dealings from the consumers perspective this is a major area of focus for this thesis (Shekh 2000; Rutherford 2002; Ruthven and Kumar 2002; Holvoet 2005). It is acknowledged in the literature that much more needs to be done to understand the drivers of financial decision making under conditions of sustained poverty and deprivation (Matin, Hulme et al. 1999; Morduch 2000; Murray 2001; Cohen 2002; Dunn 2002; Rutherford 2002; Ruthven 2002; Woller 2002; Imboden 2005).

2.3.4 Entrepreneurship and Microfinance in the Rural Context

Complexity regarding the financial dealings of the poor also relates specifically to the nature and extent of entrepreneurial economic activity in rural communities. Muhammad Yunus, 2006 winner of the Nobel Peace Prize and founder of the Grameen Bank, built his microfinance business model on the assumption that the entrepreneurial activity of groups of women within poor rural communities exists and can be encouraged and financed through micro loans and that the subsequent entrepreneurial enterprises developed will help to alleviate poverty (Morduch 1999). Recent evidence from Bangladesh, however, raises
questions about the ability of women to embrace entrepreneurial activities and create new income flows for their families (Shamsuddoha, Parvez et al. 2009).

A specific definition of rural entrepreneurship was put forward by Wortman (1990, p 330) as “the creation of a new organisation that creates a new product, serves or creates a new market or utilizes a new technology in a rural environment”. Jack and Anderson (2000) further refined the conceptualisation of rural entrepreneurs by pointing to the significance of their embeddedness in the local social structure with regard to shaping and sustaining businesses. Karnani (2008 p 50) proposes that the word entrepreneur needs to be reconsidered within the rural contexts of emerging economies such as Bangladesh. He defines an entrepreneur as “a person of vision and creativity who converts a new idea into a successful innovation, into a new business model” and makes the point that while some poor people fit this definition, “empirical evidence suggests that the vast majority of the poor lack the skills, vision, creativity and drive of an entrepreneur and further that most poor self employed are involved in subsistence activities that have no competitive advantages”.

Thomas Dichter (2006) reflects similar views in some recent development and economic literature on the likelihood of widespread entrepreneurial activities in poor communities in developing economies when he comments that “if the large majority of us in the advanced economies are not entrepreneurs, and have had in our past little sophisticated contact with financial services, and if most of us use credit, when we do, for consumption, why do we make the assumption that in the developing countries, the poor are all budding entrepreneurs; that they will use credit wisely for investment in income production, and are ready for all manner of financial services? “ (Dichter 2006 p 3).

The terms entrepreneur and entrepreneurship have maintained a prominent position in the anthropology, history, management, psychology, sociology, marketing and economics literature (Hebert and Link 1989; Iversen, Jorgensen et al. 2008) and in this context the term is usually referring to the actions of a risk taker who is developing a new business or reviving
and existing one (Hebert and Link 1989). Richard Cantillon was one of the very early economists to acknowledge the entrepreneur as a key economic factor in his "Essai sur la nature du commerce en general" first published in 1755 (Cantillon 1959). Cantillon saw the entrepreneur as responsible for all exchange in the economy (Hebert and Link 1989) and Jean-Baptiste Say (1767-1832) (Say 2001) viewed the entrepreneur as responsible for production in the economy. Joseph Schumpeter, in contrast to the existing views, argued that an entrepreneur is an innovator who creates either a new product, method of production or creates a new market (Schumpeter 1949) Frank Knight also makes an important contribution to defining entrepreneurship by recognizing the distinction between risk and uncertainty and conceptualising that the main function of the entrepreneur is to manage uncertainty and protect other stakeholders from it (Knight 1971).

Kirzner (1973) and Schultz (1975) argue that the role of the entrepreneur is to manage disequilibrium and uncertainty in the economy and Schultz (1975) argues further that entrepreneurship actually exists in all aspects of life (Kirzner 1973; Schultz 1975). More recently Shane and Venkataraman (2000) argue that entrepreneurship occurs in the presence of opportunities and enterprising individuals (Shane and Venkataraman 2000) and Casson (2003) emphasises the point that entrepreneurs are individuals who specialize in decision making. Iversen, Jorgensen et al. (2008) draw together all of these approaches to defining entrepreneurship by stating that in the absence of a generally accepted definition, entrepreneurship needs to be viewed as a multidimensional concept, encompassing aspects of uncertainty, innovation, and good management practices. This issue is explored further in Chapter 5; the data analysis chapter of this thesis. The exploration considers the drivers of speculative maize cropping in the Matlab district which can be identified as a risk taking entrepreneurial activity as defined by Karnani (2008), and the nature of financial decision making present within the Matlab rural communities. Chapter 5 also explores the decision outcomes relating to these activities.
2.3.5 The Many Meanings of Money in Rural Bangladesh

Financial dealings in rural Bangladesh are very often inclusive of exchange mechanisms other than cash money (Matin, Hulme et al. 2002; Ruthven and Kumar 2002). Rice used as a substitute currency in rural areas of Bangladesh is one important example of how barter exchange and socio-cultural traditions influence local perceptions of what constitutes money and financial decision making. According to the findings of a ten year study in barter trade in South Asia by Crow (2001), the nature of barter, substituting for cash in trade of grain (mainly rice) is influenced by local conditions and the local social networks that exist. Crow contends that economic outcomes under these circumstances depend on social structure and identifies two types of barter: even exchange such as trading labor for grain, and trade related loans that have built in future obligations such as a farmer taking a loan to grow a crop but then being obligated to sell that crop through the loan provider who sets the price. Barter exchange or volunteering services to friends and relatives in need are also quite common substitutes for cash and are deeply ingrained in the local culture and therefore must be included in the definition of financial or ‘value’ exchange for the purposes of this study.

In many developing economies, gift exchange is characteristic of the majority of value exchanges that take place within and between communities and families (Bell 1991). This concept has been extensively examined in the anthropology literature (Mauss 1925 (1990 translation); Levi-Strauss 1969) and the economic literature (Arrow and Debreu. G 1954; Polanyi 1957; Granovetter 1985; Aruajo and Easton 1996; Granovetter 2005). The exploration of the nature of gift exchange and the contrasting conceptualisation of commodity exchange between people in developing economies was highlighted by Marcel Mauss in his 1925 essay The Gift: The Form and Reason for Exchange in Archaic Society (Mauss 1925 (1990 translation)).

Gift exchange in the context of developing economies, can be defined as obligations to give, to receive, and to reciprocate (Baldwin 2009). Social relations, moral, emotional, family, and
community ties are argued to be core to the exchange of gifts and services (Bell 1991; Baldwin 2009). Komter (1996) argues that gift exchange can tend to disadvantage those in a weaker social position because the gift exchanges of prestige or subsistence goods tends to engender a context of interpersonal dependence (Bell 1991). Godbout (1998) identifies gift exchange as a tangible sign of the social relationships that predominate in developing economies.

Commodity exchange, by contrast, is defined as an exchange that is carried out according to the equal quantitative value of the things exchanged (Komter 1996; Baldwin 2009). Underlying both gift exchange and commodity exchange is an expectation that the exchange relationship will deliver an equivalence of value yet, as Bell (1991) points out, gift exchange differs quite fundamentally from commodity exchange in terms of what constitutes equivalence.

Many rural and subsistence communities engage in barter transactions with gift exchange as the basis for the rules of barter operations (Bell 1991). Barter trade, which usually consists of subsistence goods such as rice, remains a dominant form of value exchange within poor communities in developing economies such as Bangladesh (Polanyi 1957; Granovetter 1985; Bell 1991).

The meaning of money (or its value substitutes), the sources, uses and the variety of meanings of value can therefore be seen to depend on the context and cultural traditions associated with the exchange (Belk and Wallendorf, 1990). Ruthven (2002) provides another relevant example of barter trade from her study of Delhi slum dwellers in India where different types of relationships were identified which represented different types of barter trade/ financial equivalent/ value creating exchanges.

1. Providers of ‘free services’ with no strings attached such as interest free loans or acting as money guards.
2. Providers of limited support to those they trust and whom will be expected to reciprocate with similar assistance in times of need. Such assistance would include, for example, the provision of groceries on credit or allowing for rent arrears.

3. Patron/client relations where support in the form of private loans on interest or wage advances is provided because of special ties or past associations.

4. Formal family relations where relatives are duty bound to provide substantial support in the form of interest free loans.

5. Tied economic relations with employers, landlords, trade buyers or suppliers.

6. Professional relations based on commercial transactions such as loans from money lenders.

These categories of financial products and services, identified in Table 2.8 below, are discussed in the following sections of this chapter.
### Table 2.8 Financial Services Operating in Rural Bangladesh Adapted from Zeller, Sharma et al (2001)

<table>
<thead>
<tr>
<th>Financial Intermediaries</th>
<th>Types of Financial Institutions Operating in Rural Bangladesh</th>
<th>Lending Criteria</th>
<th>Types of Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Formal Financial Institutions.</strong></td>
<td>Public sector banks such as Rajshahi Krishi Unnayan Bank, Bangladesh Krishi Bank. The rural branches of three nationalised commercial banks Sonali, Janata and Agrani Banks and credit co-operatives supported by the Bangladesh Rural Development Board (BRDB). Two rural poverty focussed Banks, Grameen Bank and BRAC</td>
<td>Generally lend on the basis of physical collateral. The exceptions are those commercial banks that have a specific focus on alleviating rural poverty Grameen Bank and BRAC.</td>
<td>Small to medium businesses in rural areas and the marginal poor who have land and other assets to offer as collateral for loans. The ultra poor (those living on less that $1 per day) are generally not served by this group.</td>
</tr>
<tr>
<td><strong>Semi Formal Financial Institutions.</strong></td>
<td>Non Government Organisations which are not registered as legal entities under banking law. The Association for Social Advancement (ASA) and the Rangpur Dinajpur Rural Services (RDRS) are two of the most well known.</td>
<td>Lend to groups and make use of joint liability, peer selection and investment in repeated financial transaction to overcome the informational constraints in financial markets. They depend on grants or loans from the state or from donors</td>
<td>High proportion of households headed by females that also constitute the poorest rural households.</td>
</tr>
<tr>
<td><strong>Informal Financial Providers.</strong></td>
<td>Local Money lenders, traders in agricultural inputs and outputs markets, shopkeepers, landlords, friends and relatives</td>
<td>Superior information about the borrowers</td>
<td>Loans are exchanged at a community level depending on the ebb and flow of income among members of the rural communities.</td>
</tr>
</tbody>
</table>

Formal Financial Institutions:
- These are legal financial entities such as banks, insurance companies, building societies or other financial entities that have the support of and are regulated by governments (Brau and Woller 2004).

Semi Formal Financial Institutions:
- These are legal financial entities which have become heavily involved in the financing of micro and small enterprises, yet are unregulated (Wesselink 1996).

Informal Financial Providers:
- These are lenders who are usually members of the same poor communities as their customers.
2.4 The Economic Environment and Marketing Systems in Matlab Bangladesh

People in rural Bangladesh are being offered a variety of financial services (Rutherford 2000; Rutherford 2002) to help them overcome the debilitating effects of chronic poverty and to provide them with opportunities to develop their businesses or to provide smooth incomes in times of crisis (Matin, Hulme et al. 2002). There is a wide array of potential providers of financial products and services to the rural poor (see Table 2.8 above) including formal financial institutions such as local and international banks, semi-formal institutions such as Non-government Organisations (NGO’s) and Microfinance Institutions (MFI’s), and local, well entrenched informal systems such as family and friends and local moneylenders (Matin, Hulme et al. 1999; Rutherford 2000; Matin, Hulme et al. 2002; Rutherford 2002; Ruthven 2002; Ruthven and Kumar 2002).

The economic environment of the poor in the rural district of Matlab Bangladesh, where the study took place, has a number of important aspects that are significant in shaping how people use financial services. Poor people tend to operate in a ‘micro marketing system’ (Nason 2006; Layton 2007; Shultz 2007; Layton 2009) in which production, consumption, trade and exchange, saving, borrowing and income earning occur in very small amounts (Matin, Hulme et al. 2002 p275). The micro marketing systems that operate in the poor rural areas, such as the rural communities in the Matlab district, are governed more by social and family ties because people do not have access to developed financial systems and efficient markets as in the case in developed countries (Mookherjee and Bénabou 2006). The marketing systems in these poor rural areas operate without access to regulated financial systems and “banks are absent or function extremely inefficiently” (Mookherjee and Benabou 2006 p 396).

The urban poor segments in emerging markets, by contrast, have access to more commercially oriented sources of credit (Morduch 1994; Matin, Hulme et al. 2002;
Mookherjee and Bénabou 2006) and that tends to give rise to different financial decision making behaviour. Urban poverty also has different underlying causes. Rural areas suffer the negative economic and physical effects of natural disasters, the consequences of which include significant migration flows to the urban centres (Asfar 1999).

The poor people in the rural district of Matlab of Bangladesh are subject to the climatic uncertainties of hurricanes and annual flooding, which means many of the farmers’ fields are underwater for several months each year. Their incomes are also vulnerable because of such issues as potential harvest failures as a result of the floods or hurricanes. This has given rise, over time, to strategies which attempt to mitigate the risks that are a part of this rural existence and the development of financial relationships through informal social networks and close family ties is a core component of these risk management strategies (Matin, Hulme et al. 2002).

The nature of the micro marketing systems of which the informal social networks are a part may have significance in terms of understanding the effectiveness or otherwise of the current financial decision making flows within the community. This study pursues this issue further in the data analysis in Chapter 5 and makes a contribution by gaining a better understanding of how these micro marketing systems are affecting financial decision processes and outcomes.

Rural financial services, such as those specifically identified in Table 2.8 above, particularly those involving state owned agricultural credit institutions such as the Bangladesh Rural Advancement Committee (BRAC), have been involved in rural economic interventions for women and men for decades. Together with donor agencies and NGOs these financial institutions have provided significant resources to assisting farmers and their families to develop economically (Yaron 1997). The results, however, are mixed (Devine 2003; APRACA 2006; AsianDevelopmentBank 2008).
Providing financial services in the rural areas of Bangladesh means that the financial organisation carries the heightened risks associated with widespread chronic poverty, the seasonality of crops, the risk of natural disasters and annual floods (particularly in the southern areas of the country which is where this study was conducted).

The specific types of financial institutions operating in rural Bangladesh are now examined.

2.4.1 Formal and Informal Financial Institutions

Formal financial providers are defined as legal financial entities such as banks, insurance companies, and building societies or other financial entities that have the support of, and are regulated by, governments (Brau and Woller 2004). A list of formal banking and insurance institutions operating in Bangladesh can be found in Appendix 1.

The literature on the informal service providers highlights their significance to the poor (Cohen 2002; Dunn 2002; McKernan, Pitt et al. 2005).

The most significant characteristic of the informal lenders is that they are also members of the same poor communities as their customers. The roles of lender and borrower can be interchangeable depending on the income fluctuations of each member of a community or village (Morduch 1998; Matin, Hulme et al. 1999; Morduch 1999; Rutherford 2000). Other informal vehicles the poor have traditionally used for savings and for credit are the ROSCA’s (Rotating Savings and Credit Associations) and similar self–help groups such as the local farmers co-operatives which are commonly found in the rural areas of Bangladesh, including the Matlab area, where this study took place. They act as the local, informal vehicle for the poor who need to have a safe place to hold their savings (Bouman and Hospes 1994). These groups tend to have a short life span; they form and reform depending on the local needs (Rutherford 2002).

Further, there is some recent evidence to suggest a wide variation in the way poor men and women access financial providers in Bangladesh. In a recent study on borrowing behaviour
of 1,800 households in rural Bangladesh, McKernan, Pitt and Moskowitz (2005) identified that a significant difference existed between men and women’s behaviour in terms of which financial services providers they are prepared to trust. They found that men rely mostly on informal financial service providers, but women are more likely to split their usage between semi-formal and informal providers. The study identified microloans as a key source of money for women in rural Bangladesh, reaching nearly three times as many women as the informal sector. This is because of the widespread adoption by NGOs and MFIs of the strategy developed to make women and groups of women the primary recipients of microloans (Schuler, Hashemi et al. 1996; Kabeer 1999; Kabeer 2001; Mayoux 2002; Kabeer 2005; Shamsuddoha, Parvez et al. 2009). Informal loans amounted to only 11% of the female informal sector compared to the 42% share for males.

2.4.2 Semi-Formal Financial Institutions

*Semi-formal financial institution* is the name most often given to legal financial entities which have become heavily involved in the financing of micro and small enterprises, yet are unregulated (Wesselink 1996). They can be divided into membership-based Self-Help Organizations and outside assistance-based Non-Governmental Organizations (NGOs). Self-Help Organisations are usually local private institutions which finance activities in poor communities with funds coming from the community itself. For example, savings cooperatives and associations are involved in financial intermediation because they raise money from member deposits and use those funds to provide small business credit loans.

NGOs, however, often only distribute and collect loans, resulting in an intermediation function which is much more limited. Usually, NGOs generate their funds from outside donors or governments, making themselves more dependent on outside priorities and availability of funds (Wesselink 1996; Brau and Woller 2004). NGO’s specialising in providing microfinance are called Micro-Finance Institutions (MFIs). The numbers of these organisations have grown rapidly in the past two decades, particularly in Bangladesh where
the Grameen Bank’s Mohammed Yunus has been acknowledged as a pioneer of microfinance for the “programmatic success” (Rahman 1999, p 67) of the model he set up. The accreditation of this success by a significant body of impact studies has contributed to the worldwide spread of microfinance which is reaching tens of millions of individuals around the world and providing billions of dollars in loans (CGAP 2004; Isern and Porteous 2005).

The basic concept of the microfinance finance model, as constructed by the Grameen bank is that the poor lack access to formal financial services at reasonable interest rates. By providing access to microfinance, poor people will be able to work their way out of poverty because the main purpose for providing micro-loans to the poor has been to assist them in starting or developing entrepreneurial activities which develop into new small business enterprises (Kumar 2008). Micro-loans provide unsecured financial services to the poor. They are generally issued to groups of poor people, very often women, where all the members of the group become equally responsible for the repayment of the loan.

2.4.3 Microfinance Institutions

The term 'microfinance' as used here is defined as financial services including small loans, savings plans and insurance products designed for the needs of poor customers. The terms 'microfinance' and 'micro-credit' are often used interchangeably in the literature but there is an important difference.

Micro-credit and micro-savings are products that form part of the overall microfinance umbrella being made available to the poor (Ruthven 2002). Micro-credit refers specifically to micro loans which are extended in small amounts of capital to poor borrowers to facilitate income-generating self-employment activities (Ahlin and Jiang 2008). These small loans are generally given to specially formed groups of community members, usually women, to support and encourage small business development. The average loan
size is usually between 1000-5000tk (1000tk=$1.45 us) (Kabeer 2001 p 69). Micro savings are usually conducted through deposit services that allow poor people to accumulate small amounts of money for future use (CGAP 2004). Savings accounts, such as those provided by Safe Save (Rutherford 2004) in Dhaka, Bangladesh, allow families to save small amounts of money to meet unexpected expenses and plan for future investments such as education and old age. Safe Save's business model is to have a large volume of 'collectors', who, everyday, go to their poor clients to offer savings transactions in whatever amount the customer can afford. Sometimes the daily savings amount may be as little as one or two taka a day (ACNABIN 2009).

Rutherford (2002) points out however, that his experience from running Safe Save and the studies he has done regarding poor clients' behaviour regarding their financial dealings, (Rutherford 2000; Rutherford 2004) indicates that the general response of the very poor has been very often to exclude themselves from financial relationships with MFI's and to stay with local well known informal suppliers. This is because MFI's cannot afford to provide the flexible financial products necessary to serve the financial needs of the very poor (Von Pischke 1983; Morduch 2000; Matin, Hulme et al. 2002). Increasingly, MFI's who are most likely to sustain financial self sufficiency do so at the expense of their customers, charging heavy amounts of interest on micro loans. From the customers' perspective this translates into high levels of uncertainty about their MFI's as financial suppliers (Cohen 2002; Dunn 2002; Woller 2002; Imboden 2005).

The empirical evidence of the impact of micro-credit on poverty carried out for Bangladesh as well as for a number of other countries in Asia, Africa and Latin America, is very mixed. For example, Hossain (1988) presented early positive reports of the effectiveness of microfinance as developed by the Grameen Bank in Bangladesh and proposed that the Grameen model was one that could be successfully exported to other developing countries (Hossain 1988). Sebstad and Chen (1996), on the other hand, in reviewing findings from
research and evaluation reports on the impact of microenterprise credit services up to 1996 found that only a very small number of micro enterprises studied experienced sustained growth (Sebstad and Chen 1996). Morduch, (1998, 1999) questioned microfinance as a means of poverty reduction for poor households, many of which simply become poorer through the additional burden of debt (Morduch 1998; Morduch 1999).

More recently Karnani (2007 p 2) says “my analysis of the macroeconomic data suggests that although microcredit yields some noneconomic benefits, it does not significantly alleviate poverty. Indeed, in some instances microcredit makes life at the bottom of the pyramid worse”. Dichter and Harper (2008) seriously question the benefits of micro credit and suggest it may be harmful and very recently Bateman (2010) argued that microfinance is antagonistic to sustainable economic and social development (p 1).

An assumption that runs through the microfinance literature of the 1990’s and early 2000’s is that “there is huge unmet demand in all markets for products that cater to MFI customers for the purpose of developing small business (Murray 2001 p 2). Very few of MFI’s stated purposes is to provide credit for consumption smoothing, yet recent studies show that a significant proportion of micro loans are for consumption needs rather than for entrepreneurial activity. Specifically, Kumar’s (2008) econometric study in the poor regions of North India provides evidence that loans given for strengthening small businesses are very often being utilized for consumption purposes. Kumar (2008) discusses the need for more flexibility in how microfinance is structured. He observes that there is a payoff for MFI’s who invest in “human and social capital” (Kumar, 2008, p 303) as well as entrepreneurial activity by acknowledging consumption smoothing as a legitimate use for micro loans because these loans often translate into other forms of capital. For example, if poor health restricts a borrower’s ability to productively earn money or engage in an entrepreneurial activity, then a loan for health care is productive as he can then resume his income producing activities.
Morduch and Johnston’s recent (2008) study of usage of microfinance in Indonesia supports this conceptualisation by showing that more than half of the 1438 poor families studied utilized loans for purposes unrelated to business activity. The broad purposes to which the loans were put included paying school fees, medical treatment, and home repair (Johnston and Morduch 2008).

An issue of concern was signalled quite early in the microfinance literature by Montgomery (1996) about the consequences of the rigid lending practices that characterised the large MFIs in Bangladesh at that time. He made a comparison with more flexible models utilised in Sri Lanka. In a comparative study between the SANASA Thrift and Credit Co-operative Societies in Sri Lanka and BRAC’s Rural Development Programme in Bangladesh, he found two very different approaches to group-based lending (Montgomery 1996). BRACs rigid repayment requirements for their group lending schemes, he conceptualised, gave rise to repayment pressures that in turn had significant social consequences. Specifically, Montgomery warned that by assuming the state of poverty in a community as stable and homogeneous, BRAC was not taking into account the dynamics at play. For example, micro loan customers, he argued, could easily shift, as a result of an income or cash flow critical situation, from being an ideal loan group member to being ‘high risk’. People experiencing such fluctuations in economic well-being, he conceptualised, experienced increased levels of risk and vulnerability. Their increased levels of risk and vulnerability were also a concern to their micro loan group members who had agreed to accept liability for the borrowers’ outstanding loans if they defaulted.

Further, Montgomery argued that BRAC’s pressuring of such groups by threatening to withdraw access to future loans triggered peer pressure which, in turn, increased the perception of risk in the community, and eroded the potential for mutual trust leading, ultimately he proposed, to an increased likelihood that the poorer and more vulnerable members of the community would be excluded from such group loan activities.
A recent study among poor families in South Africa (Mashigo 2006) also brought to light the issue of debt spiralling for poor loan customers where the lending by both local money lenders and MFIs has been found to encourage poor customers to take loans that are beyond their capacity to pay back.

Much of the microfinance literature has, until recently, focused more on the service providers than on the needs and wants of the customers. There have been a calls for financial service providers to the poor to gain a better understanding of their potential customers’ borrowing and savings patterns (Mayoux 2000; Cohen 2002; Mayoux 2002; CGAP 2004; Imboden 2005; Copestake 2007; Ferrari 2008) in order to provide microfinance offerings that meet the needs of all sectors of the poor rural communities in which the MFIs operate.

These financial dealings are surprisingly complex (Rutherford 2002; Ruthven and Kumar 2002) yet only a handful to studies in the literature provide information about the nature of financial dealings from the consumers perspective (Rutherford 2000; Shekh 2000; Ruthven and Kumar 2002; Holvoet 2005). It is acknowledged in the literature that much more needs to be done to understand the drivers of financial decision making of poor consumers. Matin, Hulme and Rutherford (1999) point to the need for a new understanding of the poor as a “diverse group of vulnerable households with complex livelihoods requiring a full set of microfinancial services” (p 3). Morduch (2000) points to the way that poor people patch together a wide array of informal financial instruments with semi-formal and formal services and warns that often MFIs offerings have only “partial and unreliable evaluations on which to base their plans” and suggests there is much still to learn (p 627). Murray (2001) observed that there is a need to develop a deeper understanding of what customers value from a microfinance institution (MFI) if MFIs are to remain competitive and be a sustainable businesses. Dunn (2002 p 325) identified the need to understand microfinance clients saying, “It is not enough for microfinance institutions (MFIs) to know their products and offer
their products efficiently. MFI's must know who their clients are and how they use and benefit from their products.

Wright (2001) raised concerns that many MFIs are experiencing high turnover of client relationships, primarily because the MFI’s products do not suit them, arguing that for MFIs to be successful they need to be market led and responsive to clients’ needs.

This thesis is concerned with understanding the nature of financial decision making of poor consumers, specifically considering the influences that shape financial decision-making in this context. More specifically, this thesis considers the drivers of consumers’ decisions to utilise microfinance offerings or to stay with their traditional informal sources of finance. This is important because while microfinance has been widely touted as a significant contributor to the development of the economies of developing nations, including Bangladesh, some recent views in the literature suggest it may be limited in the influence it can have on poverty reduction and increased economic well being of the poor in these developing countries and, more specifically, that client desertion of microfinance offerings has not been sufficiently explored in order to gain a better understanding of why this consumer behaviour is occurring (Wright 2003; Dichter 2007).

The growing number of expressions of concern in the literature about the ability of microfinance, and in particular micro credit to deliver sustainable poverty alleviation for poor people in emerging economies (Wright 2003; Dichter 2007; Karnani 2007; Hammill, Matthew et al. 2008). Dichter (2007) and Karnani (2007) point to the lack of evidence that could substantiate the capability of the micro credit concept to substantially assist poor people in alleviating their poverty.

Specifically two key issues with respect to microfinance that relate to the processes and outcomes of financial decision-making in rural Bangladesh need further investigation.
1. There is a growing body of evidence to suggest that poor people, particularly the very poor, are using micro credit for purposes other than for developing new entrepreneurial business enterprises (Johnston and Morduch 2008; Kumar 2008). Wright (2003) argues that the microcredit providers need to reconsider the simplistic assumption that “credit for enterprise” (Wright 2003 p 1) is the main reason microcredit customers are taking up micro loans. Kumar’s (2008) econometric study in the poor regions of North India provides evidence that loans given for the purpose of developing small businesses are very often being utilized for consumption purposes instead. Morduch and Johnston’s (2008) recent study of usage of microfinance in Indonesia supports these findings and show that more than half of the 1438 poor families studied utilized micro loans for purposes unrelated to business activity. The purposes to which the loans were put included paying school fees, medical treatment, and home repair.

2. Evidence is emerging of an increasing debt spiral among poor rural families who use micro credit. Micro loans, issues to people without the incomes to repay, is increasing the debt burden of poor consumers (Mashigo 2006; Kumar 2008). Mashigo (2006) in a study of poor households in South Africa found “poor households do not have any choice but to incur multiple debts and are exposed to over indebtedness. Debt spiral or over-indebtedness means using loans to pay off other loans and by allocating more than fifty percent of monthly net income to loan repayments” (Mashingo 2006 p 2).

Overall the literature is divided regarding the effectiveness and success of microfinance. Table 2.9 below summarises the arguments.
### Table 2.9 Summary of Arguments Relating to the Effectiveness of Microfinance

<table>
<thead>
<tr>
<th>Arguments Relating to the Effectiveness of Microfinance for Poverty Alleviation and other Benefits</th>
<th>Supporting Literature</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Supportive</strong> Microfinance can be a strategically vital platform that the poor can use to escape from poverty. Evidence from the millions of microfinance clients demonstrates that access to financial services enables poor people to increase their household incomes, build assets, and reduce their vulnerability to the crises that are so much a part of their daily lives. The prediction is that in the coming decade the promise of microfinance will be substantially achieved. Grameen Bank in Bangladesh is an example of a substantial MFI that meets client needs and helps to promote competition within the financial markets.</td>
<td>Hossain 1988; Matin et al. 1999; Littlefield et al. 2003; CGAP 2004; Schwiecker 2004; Rhyne and Otero 2006; Dowla 2006; Hulme 2008;</td>
</tr>
<tr>
<td><strong>Qualified</strong> Loans given for strengthening small businesses are being utilized for consumption. New products needed. Compelling need to develop a market-led, client responsive approach to microfinance Unless empowerment is an integral part of the planning process, the rapid expansion of microfinance is unlikely to make more than a limited contribution Empowerment potential for women of credit programs for rural women in Bangladesh conflicting conclusions. Micro-credit programs in Bangladesh may increase participating households’ abilities to cope with economic hardships but no conclusive results as yet. The majority of microfinance institutions are financially weak and may not be able to sustain self sufficiency. Understanding required of why and how many poor people choose not to use the microfinance services that are available</td>
<td>Morduch 1999; Rutherford 1999; Mayoux 2000; 2002; 2007 Kabeer 2001; 2002; Woller 2002; Hoque 2002; Cohen 2002; Tucker and Miles 2004; Mosely and Rock 2004; Wright 2005; Chowdhury and Ali 2006; Barua and Sulaiman 2006; Bauer et al. 2007; Kumar 2008; Hoque 2008; CGAP 2008</td>
</tr>
<tr>
<td><strong>Ambivalent</strong> Empirical studies have ambivalent findings The role of development NGOs was less significant than would be expected considering their visibility in rural Bangladesh</td>
<td>Sebstad and Chen 1996; Khalily 2004; Davis, 2007; David 2009</td>
</tr>
<tr>
<td><strong>Critical</strong> The microcredit movement has done more harm than good. Debt is not an effective tool for helping most poor people enhance their economic condition. Despite substantial resources applied to create a successful and self-sustaining microenterprise culture, there have been negative results</td>
<td>Egger 1986; Adams and Von Pischke 1992; Montgomery 1996; Morduch 2000; Hasan and Inglebaek 2004; Wright 2001; McKernan 2005; CGAP 2006; Dichter, 2007; Karnani 2007; Johnston and Morduch 2007;</td>
</tr>
</tbody>
</table>
Macroeconomic data suggests that although microcredit yields some noneconomic benefits, it does not significantly alleviate poverty. In some instances microcredit makes life for poor people worse. Profit-maximizing investors have limited interest in most of the microfinance institutions that are focusing on the poorest customers and women. Microfinance does not usually serve the very poor, for whom it can represent a route into debt rather than a way out of poverty. Microfinance targeted to women will not necessarily remain in the hands of women.


2.4.4 Access to Formal and Semi-Formal Financial Providers

That Non Government Organisations and Micro-Finance Institutions are missing the mark with regard to the appropriateness of product offerings is demonstrated in the literature in relation to the discussion about the importance to poor people of access to financial products and services that meet their needs (Dollar and Kraay 2002). Microfinance offerings remain fragmented across geographic regions and in terms of the range of products and services offered that meet the needs of customers. There are a large number of operators offering a variety of products and services, the benefits of which remain unsubstantiated (Dichter 2007; Hulme 2007; Karnani 2007). Further, the products offered are generally highly standardised, which assists in streamlining operating costs but provides limited flexibility in interest rates or repayment options (Meyer 2002; Hammill, Matthew et al. 2008).

There is a theoretical but unsubstantiated argument in the literature that widespread access to formal and semi-formal financial providers does make a positive contribution to the poor people who take up the offers (Li, Squire et al. 1998; Clarke, Xu et al. 2003), the consequence of which is a lowering of the levels of poverty (Honohan 2004) because widespread financial access provides relief from credit constraints for poorer households (Li, Squire et al. 1998; Clarke, Xu et al. 2003). Part of the difficulty of access to financial products and services to poverty reduction is because measuring access in developing
countries like Bangladesh is not well understood (DFID 2005). The Genesis Study (Genesis 2004) of financial access in Africa, in specifically defining financial access with regard to how it affects individuals, families and communities states “Access is about the ability of an individual to get and use financial services that are affordable, usable and meet their financial needs. A well-functioning financial market is one in which the majority of the adult population have access to financial services” (p 18).

This definition of financial access, which is adopted in this study, encompasses key points in relation to the argument about whether or not financial access plays a part in real terms in improving the state of well being for poor people and alleviating poverty in a sustainable fashion. The definition highlights the importance of considering not only physical access but also affordability and appropriate product and service features which will meet the needs of customers (Genesis 2004; DFID 2005).

Honohan (2004) notes that while financial depth in a country has a direct economic link to the number of people who fall below the poverty line of $2 a day, there is little evidence to suggest that the depth of microfinance penetration has affected the levels of poverty. Morduch and Hayley (2002) do, however, demonstrate that there is some impact of microfinance penetration on poverty, highlighting that by alleviating credit constraints, flow on benefits to poor people may include a reduction in child labour, and a subsequent increase in poor children’s participation in education.

Claessens (2006) argues that in terms of a basic demand and supply framework, access to financial services relates only to the supply side. He emphasises the need to consider usage as a significant factor in determining the effective penetration of financial services such as microfinance to poor. He demonstrated this conceptually (see Table 2.10 below) by pointing to three categories of usage and access to financial services. Group A has access to, and actually consumes, financial services. Group B has access but adopts voluntary exclusion. Group C has no access and therefore experiences involuntary exclusion.
This conceptual categorisation, particularly Group B, is in reality very difficult to measure effectively in developing economies such as Bangladesh because very little research has been done in this area and this thesis attempts to enhance our understanding of the consumer decision making influences that lead to these various outcomes.

Copestake's (2007) approach to tracking and assessing the penetration and effectiveness of inclusive financial services institutions is to measure their ability to offer a wide range of products and services especially tailored to the needs of the poor are not accessible to the majority of poor people. He detailed this approach in his paper Mainstreaming microfinance: social performance management or mission drift? Yet he acknowledges that more work is needed in this area.

Findings from a longitudinal study by Rutherford (2002) of forty two low income families in Bangladesh identified issues affecting the level of voluntary exclusion (B). In Rutherford’s (2002) study, the informal sector was found to be the preferred choice as financial providers to the rural poor. The penetration of MFIs into thirty three of the forty two households of the study was found to be at a superficial level, with “their share of the total money management activities of the households estimated to be no more than 15 per cent share of all transaction flows, and only a 10 per cent share of the total number of "lump sums" formed by the households: there were five times as many loans made by just one informal device (interest-free lending) than there were MFI loans in the year” (Rutherford 2002 P46).

The main reason for this was found to be the perception and experiences of the poor customers that MFIs are unreliable. Some were seen to abuse their position of power over their poor clients by changing rules or ignoring them and as other studies have found, intimidating clients, particularly female clients when interest payments were due (Rahman 1999).
Table 2.10 Conceptual Differences between Access and Use of Financial Services
(Adapted from Claessens 2006 p 211)

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current consumers of financial services</td>
<td>Voluntary Exclusion</td>
<td>Involuntary Exclusion</td>
</tr>
<tr>
<td>B1</td>
<td>No need or No Awareness</td>
<td>B2 Assumed rejection Inability to use because of price/income</td>
</tr>
<tr>
<td>C2 Rejected: Discrimination = No access</td>
<td>C3 Excluded due to price, product, income, or respondent features = No access</td>
<td></td>
</tr>
</tbody>
</table>

Rutherford’s (2002) study is one of very few that takes a qualitative broad view of money management behaviour and preferences from the perspective of the poor customers in Bangladesh. His findings point to trust and reliability of service providers as being absolutely key to participation and continued use of MFP’s.

Evidence in Bangladesh of the extent of Category C which relates to involuntary exclusion from using formal and semi-formal financial services, is provided by a recent World Bank Report on *Increasing Rural Finance in Bangladesh* (Ferrari 2008). Measuring the impact, effectiveness, and depth of financial services penetration in Bangladesh, the World Bank Report highlights that rural small businesses and farmers are severely constrained by lack of access to financial products and services because there has been no penetration by formal and semi formal lending institutions into the majority of rural areas and the majority of these small rural businesses and farmers rely on internal funds or informal loans (Ferrari 2008 p 2). These people make up three-quarters of Bangladesh’s population and the majority are living on $2 a day or below. The World Bank Report notes that the operations of these farmer’s rural enterprises suffer due to their inability to access finance from both banks, and microfinance institutions (Ferrari 2008).
Further the report (Ferrari 2008) also offers evidence in this context of Category B behaviour. The report findings indicate that, while the objective of MFI’s was to fund microfinance loans to farmers and small businesses from money deposited by customers or collected in rural areas, only half of the available funds were redistributed to farmers and small business people as loans because the financial products offered did not match the needs of the farmers or rural small business and the farmers turned to the local informal financial providers for their loans. There is little evidence to indicate what the real financial needs of rural farmers are. Nor is there evidence in the literature that identifies, from a consumer perspective, the motivators and drivers of their decisions regarding financial services choices and this thesis will make a contribution by exploring the appropriateness of the current financial product and services offered to poor consumers in rural Bangladesh.

2.5 Research Questions

In this chapter the literature examined considered contextual issues related to financial decision making in a poor rural community. Gaps in knowledge were identified regarding the nature of chronically poor families’ agency as it impacts their decision making capabilities and capacity. There is much to be learned about how the experience of being in a process of long term deprivation influences decisions in relation to financial dealings.

The financial dealings of the poor are complex (Rutherford 2002; Ruthven and Kumar 2002) and because very few studies in the literature provide information about the nature of these financial dealings from the consumers perspective (Shekh 2000; Rutherford 2002; Ruthven and Kumar 2002; Holvoet 2005) this is a major area of focus for the present study. This gives rise to the first research question:

**Question 1:**

(i) In what ways do chronically poor rural community members express their conditions of their poverty state?
(ii) What effects do community members’ expressions of poverty have on their financial decision-making?

2.6 Summary

The poor rural communities in the Matlab district of Bangladesh are carrying on a traditional way of life which is becoming increasingly “buffeted by the forces associated with the expansion of a global capitalist economy” (Keyes, 1983 p 753), including the growing presence of NGOs offering microfinance. These rural communities exist “near the margins of scarcity” (Keyes 1983 p 753) and, as such, demonstrate specific social and cultural behaviours which affect the nature of all financial dealings. The above review of the complex cultural and contextual influences on financial decision making drives research on how cultural meanings attached to money and financial exchange affect financial choices within a chronically poor rural community. It is not clear how poor community members make financial choices, particularly with respect to microcredit.

There has been debate in the economic literature for many years about the decision making processes of people living in these communities and the manner in which their decision making is affected by their chronically poor state. This research will not only investigate what prompted the decision behaviours in these communities but also examines the marketing systems in which this decision behaviour takes place.

The following chapter (Chapter 3) will explore the current literature about the nature of the micro marketing systems (of which the informal social networks are a part) as they have significance in terms of understanding the effectiveness or otherwise of the current financial decision making flows within the community. The study pursues this issue further in the data analysis in Chapter 5 and makes a contribution by gaining a better understanding of how these micro marketing systems are affecting financial decision processes and outcomes.
Chapter 3

Literature Review: Theoretical Framework

3.0 Introduction

In order to make sense of the way chronically poor people in the rural communities of emerging markets are making their financial decisions, researchers need to gain an understanding of the nature and purpose of their financial decision making and the associated interconnectedness of the social and economic aspects of exchange in a rural context (Crow 2001; Giarchi 2001). This research focuses on the nature of the relationships that exist within the marketing system and the behavioural dimensions of financial decision making within the marketing systems operating in these communities (Dixon and Wilkinson 1989; Varman and Costa 2008) and the wider societal impact of the financial decision behaviour identified (Dixon 1984). This is a practice approach to marketing which emphasises the connections between the “social and material entities” (Araujo and Kjellberg 2010 p 202) of market systems within a specific context with the aim of contributing to the shaping of well functioning and beneficial community and societal relationships (Sheth and Sisodia 2005; Shultz 2007; Layton 2009; Pecotich, Rahtz, et al 2010) with respect to financial dealings. Being part of the macro marketing school, marketing systems theory argues for “constructive engagement with a complex, conflicted, and increasingly interdependent world in which marketing can and should play an important role” (Shultz 2007 p 1) and macro-marketers focus on the impact and consequences of marketing systems on society and the impact and consequence of society on marketing systems (Hunt 1981; Nason 2006), thereby providing a useful lens for considering the data collected for this study.
This understanding of the role that marketing systems play as an integral part of the social fabric of poor rural communities assists in determining the influences of social interconnections, community and family ties and cultural norms on financial decision making behaviours and outcomes. While there may be some semantic "confusion between a systematic analysis of marketing activities and an approach prescribed by systems theory," (Glaser, 1985 p 54), this study’s theoretical approach supports the view that marketing systems are “organically nested societal processes” (Varman and Costa 2008 p 142) embedded as fundamental subsystems within communities and as such can be usefully employed in this study.

This chapter critically analyses current literature on marketing systems operating in poor rural communities. First, it evaluates the nature of the marketing systems within these communities and then the consequences of these systems for financial decision making. Linked to this is a critical examination of decision theory as it relates to financial decision making within poor communities.

This chapter is the second of two literature review chapters which describe, analyse and synthesise the gaps in the literature and the development of the research questions to be studied. Whilst the main driver for the research questions is the theoretical framework, understanding the specifics of the context in which the social phenomena is being studied is “practically everything for determining meaning” (Brady 2005 p 982) in this thesis in relation to the decision behaviour of people within the rural community in Matlab. For example, in the absence of many formal financial structures, poor communities and families rely heavily on social connections and social capital to develop financial solutions that will provide protection against risk and vulnerability (Woolcock and Narayan 2000). There is considerable scope for providers of finance external to the community, such as NGOs and MFIs, to develop a greater understanding of the implications for financial decision making of entrenched marketing systems and social networks within chronically poor communities.
and, in so doing, strengthen marketing systems and build strategies that genuinely improve rural livelihoods (Kindness and Gordon 2001).

3.1 Background

Much of the economic literature regarding decision making assumes that decision-makers make optimal decisions regarding their immediate and future needs and wants (Godelier 1972; Popkin 1979; Camerer 1998; Barrett and Swallow 2003; Shakun 2004; Duflo 2006; Cabanac and Bonniot-Cabanc 2007). There has also been an assumption that chronically poor families remain in a state of chronic poverty because they do not have access to sufficient externally supplied finance to support economically viable initiatives which would alleviate their poverty (Beck, Levine et al. 2000; Helms 2006; Beck, Demirguc-Kunt et al. 2007; Ferrari 2008). Families and communities in this situation, it is argued, therefore experience persistent poverty and accompanying degradation of the natural resources on which they depend (Coomes, Grimard et al. 2000; Barrett 2002; Barrett and Swallow 2003). Further to this argument, if financial options were readily available to these poor communities they would then borrow in order to make productivity gains, repay the loan with interest and lift themselves from their chronically poor state (Gonzalez-Vega 1994; Hulme and Mosley 1996; Yaron 1997; Barrett and Swallow 2003; Clarke, Xu et al. 2003; Beck, Demirguc-Kunt et al. 2004; Levine 2005; WorldBank 2007; Gobezie 2009).

This scenario has been explored extensively in the development and economics literature, particularly in relation to the provision of microfinance and, specifically, micro credit as a means of poverty alleviation. As discussed in chapter two, there are confusing and conflicting views on the effectiveness of many of these initiatives (Dichter and Harper 2007; Hulme 2007; Karnani 2007). To date there has been little constructive engagement with these issues from a marketing perspective, yet marketing theory can provide valuable behavioural perspectives on the nature of financial decision making within chronically poor communities.
Barrett and Sparrow (2003) argue that the future wellbeing of those experiencing chronic poverty depends on the options available to them and on how they use their physical, human, natural, financial and social capital assets. Understanding, from the consumers’ perspective, individual and/or family financial decision making, the dynamics involved in this process and the influences that impinge on the nature of those decisions is important because gaining a better understanding of these issues may assist both poor rural consumers and their suppliers of financial products and services to achieve efficiencies in their financial dealings and ultimately contribute to an improvement in their quality of life (Shultz 2007). There are only a few studies providing information about the nature of financial dealings in chronically poor communities from the consumers’ perspective and most of these are to be found in the development or social economic literature (Shekh 2000; Ruthven and Kumar 2002; Rutherford 2004; Holvoet 2005; Chakravarti 2006; Karnani 2007; Karnani 2008). In an effort to be ‘constructively engaged’ with society (Shultz 2007, Layton 2009) this study provides understanding of financial decision making under conditions of sustained poverty and deprivation (Matin, Hulme et al. 1999; Morduch 2000; Murray 2001; Cohen 2002; Dunn 2002; Ruthven 2002; Woller 2002; Rutherford 2004; Imboden 2005). For example, in the absence of many formal financial structures, poor communities and families rely heavily on social connections and social capital to develop financial solutions that will provide protection against risk and vulnerability (Woolcock and Narayan 2000). There is considerable scope for providers of finance external to the community, such as NGOs and MFIs, to develop a greater understanding of the implications for financial decision making of entrenched marketing systems and social networks within chronically poor communities and in so doing strengthen marketing systems and build strategies that genuinely improve rural livelihoods (Kindness and Gordon 2001).

This chapter is divided into two sections. The first section critically analyses the current literature on marketing systems and social networks and includes important definitions of marketing systems, social networks and social capital as they relate to this study.
Specifically, literature relating to the nature of marketing systems and their interrelationship with the social capital and informal social networks in poor rural communities is discussed.

The second section provides a comprehensive rationale for employing decision theory perspectives when investigating financial decision making information flows, processes and outcomes.

### 3.2 Rationale for Using Marketing Systems as a Foundation

This study draws on theory of marketing systems to provide a foundation for the exploration of financial decision making within chronically poor communities because as Pecotich, Rahtz el al (2010) argue, “greater understanding of marketing systems and subsystems is imperative if living standards and the quality of life are to improve in developing economies”(p2).

Layton (2007 p 230) defines a marketing system as “a network of individuals, groups, and/or entities linked directly or indirectly through sequential or shared participation in economic exchange that creates, assembles, transforms, and makes available assortments of products, both tangible and intangible, provided in response to customer demand.”

Layton has recently expanded his definition in order to place emphasis on what he calls the “social matrix” within which “networks of individuals or groups are embedded” (Layton 2009 p 354) which implies that marketing systems can be identified with specific geographical regions and have distinctive exchange characteristics based on behavioural dimensions (Varman and Costa 2008). This distinctive 'social matrix' affects the nature of exchange which occurs within it including the patterns of financial exchange (Lusch 2006).

Arthur J. Todd (1913, 1916) was among the first anthropologists to identify that in some societies the individual sense of self is often subordinated to the extended family, the ‘clan’.(Todd 1916). These early conceptualizations by Todd rested on observations of the way in which these communities operated; sharing work, having some common ownership,
and sharing food and the preparation of it. Todd was describing a primitive but functional marketing system and identified in his description of the 'clan' a customer group embedded in a social network, linked directly through shared participation in voluntary exchange of value. More recent economic studies confirm socio-economic network structures are often characterised by close knit informal social networks that demonstrate reciprocity, equity and even punishment by ostracism if network norms are overridden (Houseman and White 1998; Kirman, Markose et al. 2007).

The marketing systems framework for this study focuses on intra-marketing system relations and marketing systems environment (Fisk 1967; Dixon and Wilkinson 1989; Layton 2007; Layton 2008; Layton 2009). Intra marketing systems relations encompasses the study of “the structure; operations control and performance” (Dixon and Wilkinson 1989 p 68) within the marketing system while the marketing systems environment considers the possible contextual constraints and barriers that may affect its operation. In this study the focus is exploring the nature of the relationships that exist within the marketing system.

This study examines market systems linked to the relationships embedded in community social networks and draws on a behavioural approach to provide a theoretical framework for examining financial decision making as it occurs within the context of longstanding community ties (Araujo and Kjellberg 2010). The study makes a contribution by making sense of the role played by social networks and their embedded marketing systems in financial decision making strategies that affect the well being of chronically poor family groups (Belk, Sherry et al. 1988; Davis 1992). Layton (2007 draws upon a vast range of research to crystallise a theoretical framework for exploring the characteristics of marketing systems (see Table 3.1 below).
Table 3.1 Theoretical Framework for Researching Financial Decision Making within Marketing Systems in Poor Rural Communities (adapted from Layton 2007)

<table>
<thead>
<tr>
<th>Environment, Boundaries, Inputs, and Conditions</th>
<th>Components</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cultural context: demography, religion, education, social structures, social change, impacts on individuals, groups; values (collective or individual) and morality perceptions. Physical environment: challenging; high risk; risks known and unknown. System environment: changing, turbulent; complex; uncertain</td>
<td>Connectivity: small world measures. Structure: networks, closed; planned, unplanned. Linkages: exchange, transactions, fixed and random; capacity constraints. Relationships: arm’s length, related; trust, contractual Subsystems: distribution of power; interactions. Flow through linkages: transfers of information, ownership, possession, risk, finance Dynamic/adaptive system attributes. Stability characteristics: response to small, moderate, large, catastrophic shock. Emergent characteristics: stress points, fractures, groupings Decision processes: options, choice, information, risk, values/ethics;</td>
<td>Customer satisfaction/dissatisfaction: acquisition, consumption, maintenance, disposition. Distributional effects: access, income, consumption; existence of inequity; power and agency. Resource allocation outcomes: (financial, social, etc.) knowledge. Culture and social change effects: positive, negative; adaptive, destructive; impacts on symbols and signs, on meaning, on structure and fragmentation Market and/or system failures, distortions, corruption, criminality. Market dysfunctional ties: by groups, segments; access, exploitation; vulnerable subgroups; pricing, information flows, access, assortment; Physical infrastructure: markets.</td>
</tr>
</tbody>
</table>

3.2.1 Environment, Boundaries, Inputs, and Conditions of Marketing Systems

The environment, boundaries, inputs, and conditions of marketing systems incorporate aspects of the cultural context, specifically demographics, religious beliefs and practices, levels of education of those within the marketing system, social structures and issues relating to social change (Layton 2007, 2009). The challenges of the physical environment, level of turbulence, complexity and perceived risk will also be influential in determining the nature of a marketing system. Many studies have shown that a key benefit of strong ties is that they support the transfer of knowledge (Ghoshal, Korine et al. 1994; Uzzi 1997; Hansen 1999) while the importance of weak ties is that they enable the diffusion of ideas (Granovetter 1982). Those communities with social networks will be in a stronger position,
for example, to confront poverty and vulnerability (Moser 1996; Narayan and Nyamwaya 1996) because of the support gained from the strong ties within those communities.

Within chronically poor communities the specific components of the marketing systems (see diagram 3.1 above) are shaped by “the social rules of power, symbol, convention, etiquette, ritual role and status” (Davis 1992 p 7) which form the basis of the social and cultural norms embedded within the social networks of the marketing systems (Mauss 1925 (1990 translation); (Popkin 1979; Davis 1992; Varman and Costa 2008; Layton 2009) These social and cultural norms determine the nature of exchange which operates in that marketing system and affects decision making and the nature of the exchange process, be it reciprocal or market driven, based on barter exchange or monetary transactions (Belk, Sherry et al. 1988; Davis 1992).

Some economists and philosophers have argued that while market models are applicable for western industrialised economies, other emerging economies need a different kind of model because these economies are based on different principles (Polanyi 1957; Dalton 1967; Godelier 1972; Sahlins 1972). Sahlins (1972), for example, argue that some economies are based on reciprocity and others on market exchange. Davis (1992) however argues that the nature of exchange in all types of societies can be defined by considering a continuum, where reciprocity, consisting of pure gift and barter is at one end of an exchange continuum and market based exchange, with no reciprocity, at the other. Reciprocity is defined here as people helping those who have helped them, and people not injuring those who have helped them (Gouldner 1960).

3.2.2. Social Networks

Understanding how social networks contribute to the economic and social fabric of life in developing countries is important (Collier 1998; Woolcock and Narayan 2000; Collier 2002; Clark 2006) because, as the World Bank (TheWorldBank 1999) argues "increasing
evidence shows that social cohesion is critical for societies to prosper economically and for development to be sustainable” (The World Bank 1999). It is the social networks in rural communities of developing economies that control the flows of information and resources throughout the communities (Burt 1992; Haythornthwaite 1996; Wellman 1997; Clark 2006) and consequently impact the economic climate.

Social networks, their structures and connectivity and the distribution of power within them are identified as key components of marketing systems (Layton 2009). Wasserman and Faust (1998) identified the interdependent nature of actors (where actors are the individuals within a network) as a key distinguishing characteristic of a social network. They also highlighted the significance of the linkages or ties between actors as channels for the flow of resources - both material and non-material. The ties are defined as either strong or weak. Strong ties relate to close family and community connections; weak ties refer to connections or bridges across social networks (Wellman 1988; Wellman 1997; Wasserman and Faust 1998). The strength of these connections and their impact on families and communities is emphasised in the psychology literature (Kahn and Antonucci 1980; Lewis 1984; Takahashi 1990; Takahashi 2004; Takahashi 2005). Rangan and Di Maggio (DiMaggio 1997; Rangan 2000; Di Maggio and Louch 1998) point to the interactive effects between the sociological and economic dynamics of informal social networks.

McPherson et al. (2001) describe the sociological dynamics of social networks using the phrase “birds of a feather flock together” (p415) to describe ‘homophily’ which they define as “contact between similar people, which occurs at a rate higher than among dissimilar people” (McPherson et al. 2001 p 416). This may be a reason why social networks or social relationships are formed, as well as why social connections can be maintained. McPherson et al. (2001) identify two types of homophily, status homophily and value homophily. *Status homophily* is where “similarity is based on informal, formal, or ascribed status” (McPherson et al. 2001 p 419). Similarity may be based upon a range of characteristics including age,
race, religion, or occupation whereas value homophily, is based on “values, attitudes, and beliefs” (McPherson 2001 p 419). Both types of homophily describe individuals who share common attitudes, beliefs, attributes and aspirations (Wright 1997; McPherson, Smith-Lovin et al. 2001). For example, people often gain satisfaction from doing better than their fellow community members (Diener, Suh et al. 1999; Luttmer 2005; Karnani 2009) and evidence of these same motivations are also among the members of poor communities (Fafchamps and Shilpi 2008).

The economic dynamics of the pre-established relationships within social networks have a significant influence on present and future interactions (Takahashi 2005) and this influence extends to financial decision making (Polanyi 1957; Granovetter 1973; Granovetter 1985; Granovetter 2005; Pires and Stanton 2005). The motivations for the financial decisions taken by family and community groups are key components of marketing systems as indicated in Table 3.1 above.

Granovetter (1985, 2005) highlights the manner in which economic and non economic activities of networks overlap and the significant impact on any economic activity that non-economic activities have. Granovetter refers to the 'social embeddedness' of economic activity (Polanyi 1957; Granovetter 2005) where economic action is related to action that is non economic in nature. Granovetter’s (1985; 2005) focus is primarily on the effect that close ties have on the quality of economic exchanges among buyers and sellers. One of the areas of informal social networking rarely researched is the effect of social embeddedness on financial decision making in chronically poor communities.

Key community members who are embedded in the complex social and economic relationships that exist in these communities (Portes and Sensenbrenner 1993) may have a central role to play in the dissemination of information and subsequent actions of the network members regarding decisions about money (or other financial equivalents) and on the subsequent processes and outcomes at the core of community life (Dyer 1989; Aaker and
Maheswaran 1997; Matin, Hulme et al. 1999; Beck, Levine et al. 2000; Rutherford 2000; Matin, Hulme et al. 2002; Rutherford 2002; Beck, Demirguc-Kunt et al. 2004). Establishing whether these dynamics are present in the chronically poor Matlab communities will assist researchers in their consideration of the influences on financial decision making in emerging markets.

3.2.3 Marketing Flows within a Marketing System

The concept of marketing flows within a marketing system is one of long standing in the marketing literature (Breyer 1937; Festinger, Schachter et al. 1948; Commons 1960; Alderson and Martin 1965; Fisk 1967; Bowerbox, Bixby Cooper et al. 1980; Dixon 1984; Bowerbox and Morash 1989). For example, marketing flows, identified as flows of products, information, money and risk within and across marketing systems, were discussed by Breyer (1937) and Commons (1960) and as early as 1948 Festinger, Schachter and Back argued that information flows emanating from close knit social networks means that ideas are more likely to be discussed repeatedly, become entrenched as norms, and those wishing to deviate from those norms are more likely to be ostracised.

Marketing flows of ownership and possession, finance and risk and, importantly, information flows (Fisk 1967; Layton 2007) are a reflection of attitudes and behaviours within the networks in poor communities (Hulme, Moore et al. 2001) and may have significant implications for the nature of financial decision making because underpinning these flows are elements of an economic, social, cultural, and physical infrastructure. Ownership may or may not transfer within the channel depending on the nature of the products involved.

Relationships are important for the acquisition of information (Granovetter 1973; Burt 1992) and the relationships within social networks are known to have a significant effect on information flows within and beyond the social network. These flows have implications for the quality of information given and received (Granovetter 2005). Borgatti and Cross (2003)
point out that an individual’s decision to seek information from another person is informed by “characteristics of the relationship between the seeker and a set of other people he or she might turn to” (Borgatti and Cross 2003 p 434).

However little consideration has been given in the literature to the significance of the marketing flows within the social networks operating in poor communities. For example in an early study on the marketing flows relating to possession in a developmental and cross-cultural context, Furby (1978) argues that the meaning of possession and the motivation for possessive behaviour varies, depending on the social and cultural context. Therefore the effects on financial decisions of behaviour relating to possession in the context of a chronically poor community may be significant and warrants further investigation. Marketing flows relating to risk in chronically poor rural communities centre on the management of income risk and associated vulnerability because of such frequent climatic shocks, such as cyclones, which affect cash crops. Rural households spend a considerable amount of effort developing risk mitigation strategies (Barnett, Barrett et al. 2008) and these strategies are closely linked to financial decision making (Kothari and Hulme 2003; Mosley, Garikipati et al. 2003; Hulme and Mckay 2005; Sen and Hulme 2006). These strategies form a fundamental part of the marketing systems operating in these chronically poor communities and deserve further investigation. to explore linkages that may exist between financial decisions taken and the influences of marketing flows (Alderman and Paxson 1992; Sebstad and Cohen 2000).

The information flows within the marketing system also warrant further exploration (Burt 1992; Haythornthwaite 1996; Wellman 1997; Clark 2006). Do problems arise as a result of there being asymmetric information in relation to financial decisions? Are some people in poor rural communities better informed than others? How does the diffusion of information through social networks of the rural poor influence their financial decision making (Collier 1998; Woolcock and Narayan 2000; Collier 2002; Barrett and Swallow 2003; Clark 2006)?
3.2.4 Outcomes of Marketing Systems

How will these pre-established relationships within marketing systems influence present and future interactions (Takahashi 2005) in relation to the acquisition, consumption, maintenance, and disposition of financial products and services?

What will the nature of cultural and social change effects be as indicated in Table 3.1 above? Will they have positive, negative, adaptive, or destructive impacts on the community? Will there be evidence of market system failures, distortions, corruption, or even criminality?

What will be the nature of close and weak ties? Will they be functional or dysfunctional? Will the communities be self sufficient financially and support their members in the traditional manner of providing loans from relatives and or friends within the network? Or will members choose to take up the micro credit offerings of MFI's and NGO's? The microfinance model, developed by such organisations as the Grameen bank in Bangladesh, leverages off the existing social network structures within poor communities by offering micro loans only to groups of village women for the purpose of entrepreneurial small business enterprises (Kabeer 2001; Guerin and Palier 2007; Premchander, Prameela et al. 2009). What prompts these groups of women to take up micro credit loans? What are the underlying processes influencing decisions to use microcredit? Examining the nature and effects of social capital on the financial decisions of individuals and families in these communities may provide some insights.

3.3 Social Capital

The concept of social capital reflects a predominantly sociological perspective on markets and the economic activity within them (Bourdieu 1979; Coleman 1988; Bourdieu, Newman et al. 1991). Bourdieu (1979) defines social capital as the "aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition" (Bourdieu 1985 p 248).
Portes and Sensenbrenner (1993) pick up on the behaviour of social groups in the context of a market and place emphasis on the socio-economic dynamics of social capital by defining it as “those expectations for action within a collectivity that affect the economic goals and goal-seeking behaviour of its members, even if these expectations are not oriented toward the economic sphere” (p 1323). Woolcock and Narayan (2000 p 225) also focus on “collectivity” when they define social capital as “the norms and networks that enable people to act collectively”. Fukuyama (2002 p 23) defines the concept more broadly including any “instance in which people cooperate for common ends on the basis of shared informal norms and values”. Fukuyama emphasises that social capital is a key ingredient of stable economic development by stating that “social capital is what permits individuals to band together to defend their interests and organize to support collective needs” (p 24). Woolcock (2001) further elaborates by distinguishing between ‘bonding social capital’ which he refers to as ties between people in similar situations, such as immediate family, close friends and neighbours; ‘bridging social capital’ which relates to ties of friendship and/or work relationships and ‘linking social capital’ which describes connections between members of the community with unlike people outside the community (Woolcock 2001).

The characteristics of social capital and the nature of the connections operating within the poor communities which are the subject of this research will have a significant influence on the approaches to financial decision making of rural farming families who are part of these networks.

Financial exchange requires at least some measure of security for those involved (Lyon 2000). Rural farmers in emerging economies such as Bangladesh have limited access to regulatory protection measures to provide security for financial dealings (Ashley and Maxwell 2001) and so poor people have to rely on other informal, socially generated measures such as trust, or even coercion, in order to establish some measure of protection and security for their financial dealings in response to perceived risk and vulnerability. There has been very
little research on the connection between the nature of social relations and the characteristics of marketing systems operating in poor communities.

3.3.1 The Dimensions of Trust and Social Capital

Welch, Rivera et al. (2005) identify trust as a basic component for building and maintaining social relationships, particularly in struggling communities (Hearn 1997; Wilson 1997; Welch, Rivera et al. 2005) and Krishna (2000) argues that the social capital built on trusting relationships is a facilitator for all types of economic exchanges. Both Welch, Rivera et al. (2005) and Krishna (2000) point to reciprocity as an important component of trust in market processes and contend that social capital is a derivative of trust. Trust has been further defined as being based on reciprocity, moral obligation, trustworthiness, social relations, cooperation, and familiarity (Lewis and Weigert 1985; Misztal 1996; Hearn 1997; Glaser, Laibson et al. 2000; Welch, Rivera et al. 2005) and as such can be a reducer of uncertainty and risk in the market (Welch, Rivera et al. 2005). Where a community shares a common set of moral values Fukuyama (1995) argues collective trust will arise (Fukuyama 1995) and Hearn (1997) suggests that loose ties of friendship or work relationships are strengthened where strong norms of reciprocity or trust exist and are recognized by members of that group.

Conceptualising social capital provides a frame for the social forces that influence economic development (Narayan 1999). Collier (1998 p iv), when studying social capital within a micro-economic context in developing economies, defined it as “the internal social and cultural coherence of society, the norms and values that govern interactions among people and the institutions in which they are embedded. Social capital is the glue that holds societies together and without which there can be no economic growth or human well-being”. Collier’s (1998) of social capital has been adopted for this study.
3.3.2 Social Capital and Social Networks in Poor Communities

Narayan (1999) emphasises the contribution both social capital and social networks make to the economic environment in developing economies, saying “cohesive family, clan or tribal groups lay the foundation for social and economic wellbeing, but it is only when these groups develop ties (both weak and dense) with other social groups that societies can build cohesive webs of cross-cutting social relations at all levels” (p 35). Narayan also pointed to the importance of both strong and weak ties within social networks; “When the networks of those excluded or disempowered, consist primarily of people like themselves, and are not linked to outside groups, information, power, and resources, the networks serve an important insurance and solidarity function. However, they do not become agents for transformation into high return production groups or into powerful social movements which challenge the powers of the state “ (Narayan 1999 p 35).

Bonding, bridging and linking (Woolcock and Narayan 2000; Woolcock 2001) social structures have a significant effect on the economic well-being of individuals and communities. Lin (2001) argued that within a social network, social capital could be considered an asset. In order to understand the nature of the social capital asset, Lin proposes first measuring the strength of the embedded resources within a social network (see Table 3.2 below). Lin refers to these embedded resources as the core of social capital within the social network and relates them to valued resources such as the wealth, power and status of individuals within the network. Lin reinforces Narayan’s (1999) emphasis on the significance of bridges and ties by highlighting that networks’ positions within a community can be identified and measured by the strength of bridges between networks (see Table 3.2 below).
Table 3.2 Social Capital as Assets in a Network (adapted from Lin 2001)

<table>
<thead>
<tr>
<th>Focus</th>
<th>Measurements</th>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Embedded resources</td>
<td>Network resources</td>
<td>Range, variety composition</td>
</tr>
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<td></td>
<td></td>
<td>Contact resources</td>
</tr>
<tr>
<td>Network Locations</td>
<td>Contact statuses</td>
<td>Contacts occupation and/or authority</td>
</tr>
<tr>
<td></td>
<td>Strength of Tie</td>
<td>Network bridge, or intimacy intensity, interaction and reciprocity</td>
</tr>
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</table>

Further, Coleman and Loury (Loury 1981; Coleman 1988) both point to the importance of close networks as a precursor to the development of social capital and Burt (1992) emphasises that weak ties can be the source of new knowledge and resources.

The core of the social capital concept is that family, friends and associates are a fundamental asset for individuals and family groups (Portes 1998; Lin 2001). Members of a social network with close ties can be relied on and the close ties can be leveraged for material gain as well as being enjoyed in their own right. Communities that have strong social networks are considered better able to deal with poverty and vulnerability (Moser 1996; Narayan 1999).

There is, however, significant evidence from development research in emerging economies, which indicates that strong social ties within communities do not necessarily lead to economic prosperity (Narayan and Nyamwaya 1996; Woolcock and Narayan 2000). This is because group loyalties can be so strong that members become isolated from opportunities for development and advancement. The theory of the ‘embedded’ nature of economic and non-economic activities within social networks conceptualised by Granovetter (1976, 1985, and 2005) highlights the importance of weak intercommunity ties that reach across the strong family and community social ties that are based on religion, class, gender and socioeconomic status and, in so doing, strengthen connections with other market systems.

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While trust is generally considered to be a positive influence on economic outcomes, Granovetter (1985 p 401) does suggest that trust can also be leveraged in order to restrict access to markets, isolate marketing systems and create cartels (Lyon 2000).

Woolcock (1998 pp 158-171) also warns of the problems associated with networks characterised by what he terms ‘amoral familism’ or very strong bonds of loyalty and close family ties which discourage advantageous economic connections outside the network based on community obligations. Duflo (2006) proposes there is a need to understand how the financial choices made by poor people are influenced by the needs of family members. Specifically there is a need to look at the influence of strong ties on trade-off processes (Payne, Bettman et al. 1988; Bettman, Johnson et al. 1990; Bettman, Luce et al. 1998; Luce, Payne et al. 1999) to understand how these might become distorted by stress and pressure from extended family members and neighbours. Further to this, Hammill, Matthew et al. (2008) reflect concerns about the consequences of the pressured financial choices poor consumers are making specifically with respect to credit offerings that have become increasingly available as a financial option from microfinance institutions.

The characteristics of ‘bridging’ as well as the ‘bonding’ social ties therefore can have a significant effect on the range of outcomes associated with social capital (Woolcock and Narayan 2000). Granovetter (1995) argues that economic development is achieved when individuals, having initially drawn on their close family social ties, acquire skills and resources to participate in networks that encompass the weak or bridging ties that move beyond the community and into other marketing systems and formal economic structures within societies (Woolcock and Narayan 2000). This study undertakes further exploration of the consequences of financial choices made by poor people under the social pressure of close family ties.
3.4 Summary

This section of chapter three has considered marketing systems, social capital and the nature of informal social networks in poor rural communities. Important definitions of marketing systems, social networks and social capital are given. The literature established that the 'within-network' exchange, identified by Di Maggio and Louch (1998), as linked to poor peasant communities, influences financial transactions (Belshaw 1965; Davis 1973; Granovetter 2005). Personal networking and community alliances is shown to have significant influence in both the social and business life of consumers in poor rural communities (Michaelova and Worm 2003). The strength of reciprocal relationships in social networks and their significant impact on families and communities was discussed (Kahn and Antonucci 1980; Lewis 1984; Takahashi 1990; Takahashi 2004; Takahashi 2005). Specifically, the effects of 'social embeddedness' of economic activity (Polanyi 1957; Granovetter 2005), on the nature and the quality of economic exchanges was discussed.

McPherson et al. (2001) argues that because personal networks are homogeneous with regard to many socio-demographic, behavioural, and intrapersonal characteristics, limitations occur in the way information is received and attitudes beliefs and values are formed. Therefore the 'small world' nature of these types of connections contribute to strong divisions with those outside these networks (McPherson, Smith-Lovin et al. 2001).

Yet questions remain: Do problems arise as a result of there being asymmetric information in relation to financial decisions? Are some people in poor rural communities better informed than others? How does the diffusion of information through social networks of the rural poor influence their financial decision making (Collier 1998; Woolcock and Narayan 2000; Collier 2002; Barrett and Swallow 2003; Clark 2006)?
This study makes a contribution by making sense of the role played by social networks and their embedded marketing systems in financial decision making strategies of chronically poor family groups (Belk, Sherry et al. 1988; Davis 1992) by answering Question 2.

Do the characteristics of community-based relationships influence financial decision-making processes and outcomes and if so how?

3.5 Decision-Making Theory

Academic interest in decision-making from a sociological perspective first came to light through a major review carried out by Ward Edwards (1954) for psychologists researching decision making behaviour. Edwards drew together earlier normative and predictive work on decision models by economists, statisticians and philosophers, arguing that this work should be important to psychologists interested in judgement and choice (Payne and Bettman 1992). At the same time, the economist Herbert Simon (Simon 1955) was pointing to the importance of the perceptual, cognitive and learning factors that influence decision-making behaviour and cause deviations from the concept of an 'economic man'. Simon (1972) argues that decision behaviour is significantly influenced by the complexity of the task environment and limited capacity of the decision-maker to process information. This 'bounded rationality' (Simon 1972) points to the limitations of information processing and counters the arguments of the predictive normative models that emerged during the 1960’s (Nicosia 1966; Engel, Kollat et al. 1968; Howard and Sheth 1969).

Considering choice within complex systems is the basis for economics. In the economics literature, choice is considered from the perspective of how choices are regulated within the economic system and in the manner in which individual choices are made in an environment where that choice is conditioned by the choices of many others (Loasby 1976). This concept has implications for the nature of decision making in poor communities where financial choices may be conditioned by others in the social networks that exist...
there. Cohesive family and clan groups affect the information, power, and resources which flow amongst members of networks (Narayan 1999).

Simon (1972) points to the limiting effect of interdependency with others’ choices and the lack of availability of important information needed to make choice. These interdependencies may be overwhelming for a poor decision-maker and consequently lead to the poor rural farmer and his family simplifying, making assumptions and guesses. The extent and characteristics of their bounded rationality and the implications for the nature of their financial decision-making is yet to be examined in the literature (Chakravarti 2006).

Decisions about consumption options in poor rural communities are subject to a constrained reality, unlike the freedom of choice and action that is assumed in many empirical studies forming the base for theories undertaken amongst people who are not poor. The exploration of consumer choice and decision-making undertaken here, acknowledges the contextual realities within which consumption choices are made by people who experience chronic poverty in developing economies. For example, the financial decision making environment of poor communities can be significantly affected by underlying cultural influences (Triandis 1972; Hofstede 1984; Briley, Morris et al. 2000; Weber and Hsee 2000; Rawwas 2001), perceptions of status (Podolny 1993) and emotional responses (Loewenstein, Weber et al. 2001; Loewenstein and Lerner 2003; Chakravarti 2006) brought about by coping with sustained high levels of risk and uncertainty (Alderman and Paxson 1992). This section critically examines current literature on decision theory as it relates to financial dealings in chronically poor rural communities and begins by providing an overview of decision theory.

3.5.1 Normative Decision Framework

The limits placed on individuals’ interpretative framework when making choices will vary widely and depend on the context in which the choice process occurs. Normative decision theory suggests how a decision maker should behave to achieve maximum utility (Edwards
1954; Simon 1955; Fischhoff 1983; Beach and Mitchell 1998), and assumes that behaviour is rational, “purposive and goal directed” (Einhorn and Hogarth 1981 p 54). There is no evidence in the literature to suggest that this type of decision-making behaviour is apparent within a context of poverty and deprivation.

Of these early normative models of decision-making, the Engel, Kollat and Blackwell model (Engel, Kollat et al. 1968; Engel, Kollat et al. 1973; Engel, Kollat et al. 1979) is the one most cited in the literature although there is little evidence to support its predictability (Rau and Samiee 1981). However, while the models are essentially conceptual in nature, they still remain the basis for much mainstream marketing thought and education (Sheth and Krishnan 2005; Kotler et al. 2007) despite significant critical discussion (Hunt and Pappas 1972; Lutz and Resek 1972; Farley and Ring 1970). Tuck (1976), for example, states that the models of Nicosia, Engel, Kollat, and Blackwell, and Howard and Sheth are un-testable and offer no evidence to support their theories. Foxall, (1981; 1999) questions the validity of the cognitive orientation of the Engel, Kollat Blackwell model and supports Bettman’s (Bettman, Luce et al. 1998) theory of constructive consumer choice processes. These early consumer decision models can be defined as a “description, application, and assessment of those elements of the theory of human behaviour which they believe to be essential in understanding the range of activities that they call ‘buying’” (Rau and Samiee 1981 p 307).

The basic linear model breaks decision-making down into five discrete but linked stages: problem recognition, information search, evaluation of alternatives, purchase decision, and post purchase behaviour.

The most recent version of this theory (Engel, Kollat et al. 1979) clarifies the need to account for contextual influences in decision-making, identifying a number of relevant exogenous variables. However, it falls short of providing a comprehensive explanation of the influences of social networks on decision-making or the effects of cultural influences which consist of
patterns of beliefs, attitudes and values which tend to establish patterns of buyer behaviour consistent with established cultural groups.

3.5.2 Behavioural Decision Framework

By contrast, Bettman conceptualised that the decision process is dynamic and interactive with contextual and environmental influences. This direction of research in relation to decision theory is classified as behavioural decision theory and describes consumers as adaptive decision makers (Payne, Bettman et al. 1988; Payne, Bettman et al. 1993) with their preferences being highly dependent on their personal context. Behavioural decision research draws on concepts and models from economics, social and cognitive psychology, statistics other fields. Behavioural decision theorists point to consumers’ adaptive or contingent decision-making behaviour (Payne 1976; Christensen-Szalanski 1978; Payne, Bettman et al. 1993) where consumers preferences are shaped by each consumer’s context and the specific decision task at hand (Edwards 1961; Tversky 1969; Lichtenstein and Slovic 1973; Simonson 1989; Slovic 1995; Luce, Bettman et al. 1997; Luce 1998; Swait 2001).

Behavioural decision theory suggests that information and strategies used by consumers to construct judgment or choice preferences are dependent upon the tasks involved and the context as well as on their individual differences. The construction of preferences is also affected by the limits on information processing (Simon 1978). Further, multiple and sometimes conflicting goals that are adopted in a poor rural environment of complexity can also affect the constructive nature of the decisions taken in that context (Einhorn and Hogarth 1981; Payne and Bettman 1992). The behavioural patterns of decision making amongst poor rural farmers, therefore, may have basic weaknesses and biases that are similar to those of people in other contexts, who are not poor. However, with poverty the same behaviours may manifest in ways that can lead to worse outcomes (Bertrand, Mullainathan et al. 2004).
Conflict among values can also emerge when poor consumers are confronted with having to make choices from various sub optimal options (Payne and Bettman 1992) and this can lead to tradeoffs, the nature of which are contingent on the contextual factors and individual differences. Individual differences refers specifically to consumers’ different capacities for processing information (Bettman, Johnson et al. 1990), their prior knowledge and their level of expertise (Shanteau 1988). In a developing economy, people who experience chronic poverty will both influence, and be influenced by, group and individual behaviour from within their communities and the nature of these influences on financial decision-making is yet to be examined in the literature. This thesis explores these issues.

3.5.3 Naturalistic Decision Framework

Naturalistic decision theory (Klein, Orasanu et al. 1993) proposes that decision theory should be derived from real life decision behaviour and should identify real life settings which are seen as central to the observation of decision behaviour (Beach 1998). The naturalistic theorists consider decision-making from both a process and an outcomes perspective. A naturalistic approach to decision-making begins with a 'situation assessment' and identifies many possible paths to a purchase decision depending on the consumer's assessment of that decision situation (Lye, Shao et al. 2005). Naturalistic decision theory has been used to explore the methods employed by experts, working as individuals or groups, to identify and assess their situations, their decision-making and subsequent actions (Zsambok 1997; Klein 1999). Klein (1999), for example, in his book Sources of Power, made many observations of people drawing on their personal power or agency when making decisions in real-life situations of constraint and pressure.

Naturalistic decision theory has not as yet been employed to explore the decision behaviours of poor consumers in developing economies. However, it may make a significant contribution to decision making theory regarding poor communities because of the attention given to the “perceptual, emotional and cognitive (decision) process which ultimately leads to the choice
of decision alternative” (Svenson 1979 p86) rather than making assumptions about levels of freedom of choice and action that are not part of poor consumers realities in poor rural communities. It is important for researchers to acknowledge the significance of the contextual realities within which consumption choices are made by people who experience chronic poverty in developing economies.

Naturalistic decision theory acknowledges that the consumer decision process may also involve multiple decisions within a single decision process before a choice is made. Consumers may eliminate unsuitable alternatives even before gathering information or comparing options. This behaviour, called ‘decision waves’ (Lye, Shao et al. 2005) has been identified as one way that consumers can attempt to reduce decision complexity to a more manageable level and acknowledges the multiple phases that can occur in the decision-making process (Beach and Mitchell 1978; Beach and Mitchell 1987; Beach 1990; Beach and Mitchell 1990; Beach 1993; Beach 1998). The naturalistic theorists recognise that many decisions are best understood as expressive behaviour, “that is, actions taken not as means towards desired ends but to express or actualize cherished values and ideals” (Lipshitz 1993) p 117) and this conceptualisation is a useful frame for the exploration of decision making in poor communities.

Accompanying this naturalistic model is an associated screening process which eliminates any decision alternatives perceived by the decision-maker as incompatible with ‘relevant images’. The eliminated alternatives are those images that “exceed the decision rejection threshold” (Beach and Mitchell 1998 p. 15). Researchers need to understand the criteria that poor decision-makers use to screen out these alternatives and how images are interconnected and organised in the mind of a decision-maker when considering consumption options in poor communities.

The attention given by naturalistic theorists to the perceptual and emotional and aspects of the decision making process (Svenson 1979) is in stark contrast to the decision theories
based on a conceptualisation of decision making as a rational and sequential and consequential activity. Loewenstein and Lerner (2003) argue that emotional reactions, particularly in risky situations, often diverge from cognitive assessments of those risks and when this occurs, emotional reactions often drive behaviour. They identify two types of emotional influences; expected emotions, which refer to anticipated emotions that will be experienced in the future after a decision is taken, and immediate emotions, which are experienced at the time of decision making and influence the decision process either directly or indirectly.

Decisions that are difficult to make and involve socially or culturally motivated tradeoffs, can produce negative emotions which influence the decision making process or cause people to avoid making a decision altogether (Luce, Bettman et al. 1997; Luce 1998; Luce, Payne et al. 1999).

3.5.4 Characteristics of Decision Making Under Conditions of Chronic Poverty

Poverty has a number of key characteristics which include the lack of physical and economic assets, but also psychological issues relating to feelings of ill-being and well-being (Chakravarti 2006). For example being a successful farmer, particularly of the staple crop, rice, in rural Bangladesh means being accorded prestige by the community (Sultana 2008) because “traditionally it is accepted that if a farmer has stored rice for the year that household is of higher social strata” (Sultana 2008 p 7). Being on higher social strata equates to status attainment which can be the source of feelings of well being.

The extended periods of constraint that chronic poverty engenders carries with it limited consumption options (Hulme and Shepherd 2003) and these limited options have an effect on decision behaviour (Duflo 2006). Specifically, the sustained nature of a chronically deprived state influences the boundaries and focus of family and community decision-making (Hulme and Shepherd 2003; Chakravarti 2006).
economists deviates from the neoclassic economic view that individuals are unbounded and rational (Duflo 2006). Mullainthan and Thaler (2000), for example, conceptualise that people’s ability to analyse information and remember is limited; their willpower is bounded and they do not always make choices that in the longer term are beneficial (Duflo 2006).

Chakravarti (2006) focuses attention on the implication of the physical effects of poverty on decision making. These physical effects include being weak and thin, often without adequate physical shelter or clothing, and lack of access to higher education and health care. Chakravarti (2006) speculates about the impact of these aspects of poverty on individuals’ feelings of well-being as well as on their consumption potential. He argues that extended exposure and adaptation to chronic poverty “may differentially train the perceptual and cognitive faculties/functions of the poor versus the affluent” (Chakravarti p 368) and thereby affects their perceptions of consumption opportunities. Chakravarti calls for social science research to explore and substantiate the psychological aspects of poverty and their impact on the realities experienced by poor people because “it would help to know how this lens excludes or includes, shrinks or magnifies, and/or otherwise distorts what is introduced into the mental maps that the poor draw of their consumption” (p 368).

Further, Duflo (2006) conceptualises that because the poor make choices that are influenced by the subsistence needs of family members, their trade off processes (Payne, Bettman et al. 1988; Bettman, Johnson et al. 1990; Bettman, Luce et al. 1998; Luce, Payne et al. 1999) become distorted by stress and pressure from extended family members and neighbours. Hammill, Matthew et al. (2008) specifically reflect concerns about the consequences of the pressured financial choices poor consumers are making with respect to credit offerings that have become increasingly available as a financial option from microfinance institutions. Hammill, Matthew et al. (2008 p118) point out that these loans have “the potential to increase rather than reduce vulnerability at the household and community levels because they are increasing the debt burden, i.e. risk, of individuals and families”. There is very little
in the literature to substantiate this idea and researchers need to understand how feelings of voicelessness and powerlessness, vulnerability and perceived high levels of risk, derived for a sustained state of poverty may affect consumption decisions. Therefore this thesis contributes to knowledge in this area by exploring how the effects of sustained poverty influence poor families and communities use of the various financial options available to them.

### 3.5.5 Temporal Perspectives of Decision Making in Chronically Poor Communities

People experiencing chronic poverty may often rely on a limited set of heuristics to determine decision parameters and as a result reduce complex decision tasks to simpler, intuitive decision outcomes (Simon 1972; Kahneman, Slovic et al. 1982; Chakravarti 2006). Drawing on Kahneman and Slovic’s (1982) prospect theory this study proposes that chronically poor people may assess their financial gains and losses from specific reference points rather than from final wealth positions (Camerer 1998) with underlying temporal perspectives affecting financial choices. These temporal perspectives may be derived from perceptual variations of present and future time (Chakravarti 2006) which could lead to impulsive decision-making for short term gratification and gain (Liberman and Trope 2000). Loewenstein and Lerner (2003) suggest that people making decisions with delayed but significant future consequences tend to exhibit more impulsive decision behaviours (Loewenstein and Lerner 2003). The motivations which give rise to this behaviour can vary widely with people displaying impulsive decision behaviour when they are hungry or thirsty or experiencing elevated emotional states such as fear or anger (Loewenstein and Lerner 2003). If financial providers understand that the emotional states brought about by chronic poverty, such as heightened fears relating to vulnerability or people’s feelings of ill being (Chakravarti 2006), have significant implications for the nature of financial decision making then they have the opportunity to help mitigate the risk of impulsive financial decisions.
Uncovering the extent to which financial decisions are affected by temporal perceptions existing under conditions of chronic poverty (Frederick, Loewenstein et al. 2003; Zauberman and Lynch Jr 2005; Chakravarti 2006) is also important in order to understand how chronically poor people weigh up immediate costs and benefits against future ones and potentially distort their financial decision processes (Liberman and Trope 2000; Frederick, Loewenstein et al. 2003; Zauberman and Lynch Jr 2005; Chakravarti 2006).

Lieberman and Trope (2000) propose that distant future decisions are driven by people’s moral principles and self-identities and when people are making decisions in the distant future they are more likely to demonstrate stable and coherent choices. For decisions with a short term time horizon, it is the contextual issues which are more likely to influence decisions and result in more complex and unpredictable outcomes.

Yet, Samuelson and Zeckhauser (1988) hypothesise that in some instances individuals disproportionately stick with the status quo employing a ‘do nothing’ approach to decision making. The possibility of this behaviour was raised early in the marketing literature by Kassarijian (1978), who proposed that choice processes may sometimes be attributed to consumers when no choice processes are actually occurring. This issue was further explored by Olshavsky and Granbois (1979). They concluded that many types of decision making are not preceded by search and evaluation and the assumption that they are may be inappropriate. Chakravarti (2006) argues that chronically poor people tend to procrastinate in relation to decision-making because of a lack of future orientation which is brought about by having to continually focus on immediate problems associated with sustained periods of deprivation. Yet there will be occasions where poor decision-makers may have to evaluate how to handle financial situations that will have significant future consequences.

Further, poor people’s particular perceptions of time may also relate to their management of risk. What is perceived as risky can vary widely but will strongly influence poor people’s perceptions of contextual threats or opportunities and, in turn, affect decision-making
behaviour in terms of tradeoffs between perceived short term and long term benefits (Brockhaus 1980; Vlek and Stallen 1980). In poor communities this can mean people may, for example, make decisions to smooth their income over time by saving money for use when income is low or nonexistent. This may be achieved by making the decision to borrow money through either formal and/or informal financial institutions (Matin and Sinha 1998; Rutherford 2000; Rutherford 2002). They could also decide to accumulate or sell assets, and store goods for future consumption (Alderman and Paxson 1992; Matin, Hulme et al. 1999; Rutherford 2000; Matin, Hulme et al. 2002; Rutherford 2002).

It is important for researchers to understand and evaluate the temporal issues influencing financial decisions under conditions of chronic poverty so that financial organisations are better able to serve these communities by providing appropriate information and support processes.

3.5.6 The Influence of Family Groups on Financial Decision-Making.

Examples of consumers adopting different decision behaviours in different decision contexts are found in studies of group decision making, some of which focus on decision making within a household or family (Corfman and Lehmann 1987; Sen 1992). Household or family groups are generally cooperative groups which may experience conflict during the decision-making process. A co-operative group is defined as “one whose members primary goals are compatible” (Corfman and Lehmann 1987 p 2). These primary goals are conceptualised as encompassing a goal of maintaining close ties of affiliation, security and trust between members of the family group.

In this context, the group decision process is strongly influenced by a number of factors.

- The identity of the decider (Sen 1992) and the power relations within the group.
- The manner in which the decider uses power to resolve conflict within the family group, where power is defined as “the ability of one person to change another
person’s attitudes, beliefs or behaviour in an intended direction” (Corfman and Lehmann 1987 p 3)

- The importance to the group of reputation and a desire to be perceived as credible
- The social commitment, moral beliefs and values of the group members
- The cultural norms of the group

McElroy (1990) found that issues outside the household impacted significantly on family decision making and Woolley (2000) found that control over the family's financial decisions is shaped by those family members with higher earnings.

Many purchase decisions are made by families or affiliated groups rather than by individuals. Early conceptual models were developed by Sheth (1974) and Webster and Wind (1972). Decision role structures were considered by Davis and Rigaux (1974) and Corfman and Lehmann (1987) looked specifically at a descriptive behavioural model of the family decision-making process. Their work focussed on how cooperative groups in conflict situations used power to resolve problems and make decisions, where power is defined as “the ability of one person to change another person's attitudes beliefs or behaviour in an intended direction” (Corfman and Lehmann 1987 p 2).

They theorise that amongst family groups, family members’ needs to win and control outcomes involved making choices based on emotions rather than rationality (Bettman et al. 1998; Etzioni, 1987; Loewenstein et al. 2001; Cabanac and Bonniot-Cabanac 2007). Bettman (1998) argues that a significant factor in the family decision making process is the desire to minimise negative emotions, and this behaviour subsequently has a strong influence over the social context within which the decisions are made. There is very little evidence to support this with regard to decision-making within family and community based groups in emerging economies such as Bangladesh and more work is needed in this area.

The group structure for the administration of microfinance has been widely adopted in the developing world where microfinance is available to poor communities (Dichter and Harper
2007) and is therefore important with respect to the nature of financial decision making in poor rural communities. Groups set up under the microfinance model, pioneered by the Grameen Bank in Bangladesh (Dichter and Harper 2007), have been providing access to finance for poor communities for over a decade. These microfinance groups, with up to thirty local community members, meet every week with a bank worker running the meeting. These groups fall into the category of co-operative groups as defined by Corfman and Lehmann (1987) where the stated aim of the group is “one whose members primary goals are compatible” (Corfman and Lehmann 1987 p 2). There is very little evidence in the literature to confirm that these groups manage to develop close ties of affiliation, security and trust between members.

3.5.7 Financial Decision-Making under Conditions of Risk and Uncertainty

Poor people’s approach to mitigating risk associated with an often variable income stream has a major impact on the nature of financial decision-making (Alderman and Paxson 1992). Households in developing countries employ many methods, often using informal financial arrangements, to at least partially limit consumption risk. Further examples of decisions taken in order to maintain risk management strategies in poor communities include farmers’ practice of crop and field diversification; households maintaining a diverse portfolio of occupations among family members, or family members seeking to work either in the city or overseas. The amount of diversification will depend on the household’s preferences towards risk, its ability to smooth consumption against income fluctuations, and the costs of diversification in the form of reduced average incomes (Alderman and Paxson 1992). An alternative risk coping strategy is to smooth consumption across households through risk-sharing. This spreads the effects of income shocks across households at any one point. However there is some evidence in the literature that poor households with variable income and which are more likely to be credit constrained in the future will be more willing make the decision to sacrifice income for less risk (Eswaran and Kotwal 1990; Morduch 1990;
Alderman and Paxson (1992). “If credit constraints are related to wealth, as seems likely, then poor households will be less willing to bear risk, even if they have risk preferences identical to those of wealthier households” (Alderman and Paxson 1992 p 5).

Kahneman and Tversky’s (1979) prospect theory concludes that when consumers frame situations negatively there is greater risk taking in decision-making. Many studies in organisational contexts have focused on either individual risk orientation (MacCrimmon and Wehrung 1986; MacCrimmon, Wehrung et al. 1990) or decision maker assessment of risk (Dyer and Sarin 1982; Tversky and Kahneman 1986). Some researchers have also shown that success in taking risks can increase the propensity for risk-taking in future decision-making. For example, the work of March and Shapira (1987), Osborn and Jackson (1988), and Thaler and Johnson (1990) found that decision makers persist in taking risks if prior risk-related decisions were successful.

Propensity for risk taking will influence an individual's perceptions of contextual threats or opportunities and leads to risk perceptions which are biased (Brockhaus 1980; Vlek and Stallen 1980). The straightforward intuitive basis for proposing that an individual's willingness to take risks (MacCrimmon, Wehrung et al. 1990) affects whether he or she will actually make riskier decisions makes extensive explanation unnecessary.

Many studies of risk in the literature also include the related concepts of uncertainty and ambiguity (Kahneman, Slovic et al. 1982). Uncertainty constitutes a major obstacle to effective decision-making (Brunsson 1985; Corbin, 1980; McCaskey, 1986; Orasanu & 1993; Thompson, 1967). Table 3.3 below illustrates the major contributors to the conceptualisations of uncertainty in decision theory.
Table 3.3 Conceptualizations of Uncertainty *(adapted from Lipshitz and Strauss 1997)*

<table>
<thead>
<tr>
<th>Authors</th>
<th>Terms</th>
<th>Conceptualisation</th>
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<tbody>
<tr>
<td>I. Behavioral decision theory Anderson et al. (1981)</td>
<td>Risk and Uncertainty</td>
<td>A situation in which one has no knowledge about which of several states of nature has occurred or will occur. A situation in which one knows only the probability of which of several possible states of nature has occurred or will occur.</td>
</tr>
<tr>
<td>Humphreys &amp; Berkeley (1985)</td>
<td>Risk and Uncertainty</td>
<td>The inability to assert with certainty one or more of the following: (a) act-event sequences; (b) event-event sequences; (c) value of consequences; (d) appropriate decision process; future preferences and actions; (f) one’s ability to affect future events.</td>
</tr>
<tr>
<td>Hogarth (1987)</td>
<td>Ambiguity</td>
<td>Lacking precise knowledge about the likelihood of events (second-order probability).</td>
</tr>
<tr>
<td>Organization decision theory 9. Thompson (1967)</td>
<td>Task uncertainty</td>
<td>The inability to act deterministically owing to lack of cause-effect understanding; environmental dependencies and internal interdependencies</td>
</tr>
<tr>
<td>March &amp; Olsen (1976)</td>
<td>Ambiguity</td>
<td>Opaqueness in organizations owing to inconsistent or ill-defined goals; obscure causal relations in the environment unclear history, and interpersonal differences in focus of attention.</td>
</tr>
</tbody>
</table>

Ruthven (2002) makes the point that financial interfaces in poor rural communities are frequently embedded in other social relations, reflecting the complexity surrounding financial interfaces in this context and highlighting the importance and extent of personal networks. She highlights the need for more work in this area in order to overturn the many weak assumptions made about the consumer behaviour of the urban and rural poor.
There is very little theory that covers conceptual frameworks to help describe how consumers make decisions about which financial products and services to buy (McKechnie 1992; Howcroft, Hewer et al. 2003). Purchasing financial products and services can involve substantial risk for the consumer. The perception of risk and uncertainty that consumers bring to the financial decision making process can have a significant influence over their choices (Guseman 1981; Bateson 1989).

This is understandable given that services have been defined to be different from consumer goods in that there are elements of intangibility, inseparability, heterogeneity and perishability (Guseman 1981; Zeithaml 1981). Zeithaml (1981) highlights how consumers’ evaluation of services is more complex because of the unique intangible elements of services. Zeithaml’s research shows that:

1. Consumers rely most on personal references when searching for information about services. The experience of friends and relatives is carefully considered.
2. Consumers rely heavily on the price of the service and the mode of delivery.
3. When faced with a number of different choices with regard to services, consumers are more likely to “satisfice by selecting the first acceptable alternative rather than maximise by considering and evaluating all alternatives” (Zeithaml 1981 p 188.
4. Purchasing services will be considered by consumers to entail greater risks than the purchase of goods (Guseman 1981; Zeithaml 1981).

These concepts have been applied to understanding more about the decision processes involved in purchasing financial services. There are other distinctive features about financial services that affect consumer financial decision making. Consumers are effectively buying future promises and entering into a potentially long term relationship with a two-way flow of information over time (McKechnie 1992).

Because of the highly intangible nature of financial services, consumers confront a number of specific difficulties when making a decision about which financial service to
purchase. Information is difficult to collect and assimilate, evaluation is complex because there are so many different products and services, and decisions are more likely to be based on recommendations relating to experience and credibility than on extensive information search (McKechnie 1992; Ennew and McKechnie 1998).

The literature on consumer buying behaviour identifies two key factors which are instrumental in directing consumer financial choices. They are ‘involvement’ and ‘perceived risk’ (Bateson 1989; McKechnie 1992; Harrison 1997; Ennew and McKechnie 1998).

Consumer involvement in the financial service purchase process is conceptualised as incorporating:

- Perceived control (Bateson 1989)
- Consumer participation and level of contact particularly at the point of delivery of the service (Chase 1978)

It has been argued that perceived risk is influenced by the level of consumer confidence about the product or service (Ennew and McKechnie 1998). In western economies the use of financial advisors is considered to be an important method of managing risk and uncertainty when making decisions about financial products and services (Ennew 1992). In Bangladesh and other emerging economies there is little information in the literature about the methods consumers adopt to reduce risk and perceived levels of uncertainty.

3.6 Summary

The decision making environment of this study is complex and the examination of the literature addressed in this chapter has considered how the nature and conditions of poor people’s agency is influencing their financial decision-making.
Very few studies in the literature provide information about the nature of these financial dealings from the consumer’s perspective (Shekh 2000; Ruthven and Kumar 2002; Rutherford 2004; Holvoet 2005; Karnani 2009). The literature acknowledges that much more needs to be done to understand the influencers of financial decision making under conditions of sustained poverty and deprivation (Matin, Hulme et al. 1999; Morduch 2000; Murray 2001; Cohen 2002; Dunn 2002; Ruthven 2002; Woller 2002; Rutherford 2004; Imboden 2005; Dichter and Harper 2007; Hulme 2007; Karnani 2007; Karnani 2008; Karnani 2009).

The literature on decision-making points to perceived risk as an important influencer which is affected by the level of consumer confidence about the product or service (Ennew and McKechnie 1998). In western economies, the use of financial advisors is considered to be an important method of managing risk and uncertainty when making decisions about financial products and services (Ennew 1992). In Bangladesh and other emerging economies there is little information in the literature about the methods consumers adopt to reduce risk and perceived levels of uncertainty when making financial decisions.

Some evidence was identified in the literature relating to poor households with variable income and who are more likely to be credit constrained in the future, being more willing to sacrifice income for less risk (Eswaran and Kotwal 1990; Morduch 1990; Alderman and Paxson 1992). “If credit constraints are related to wealth, as seems likely, then poor households will be less willing to bear risk, even if they have risk preferences identical to those of wealthier households” (Alderman and Paxson 1992 p 5).

This chapter also discussed the propensity for risk to strongly influence people’s perceptions of contextual threats or opportunities and leads to risk perceptions which are a distortion of reality (Brockhaus 1980; Vlek and Stallen 1980). This can lead to extreme risk avoidance and hoarding behaviours (Tripathi 1988; Chakravarti 2006). More work is needed
to understand how this occurs and what the effects on decision-making are (Payne and Bettman 1992; Chakravarti 2006).

These ideas about influences of chronic poverty on financial decision making in Bangladesh lead to the question three:

(i) What is the nature of the marketing flows linking those involved in making financial decisions in poor rural communities?

(ii) How do marketing flows influence financial decision-making within the rural community studied?

3.7 Conclusion

This chapter considered social capital and social network literature and, more specifically, the nature of informal social networks in developing economies. It included important definitions of social networks and social capital and it examined the socio-economic dynamics which influence financial decision-making in poor rural communities. Many studies have shown that a key benefit of strong ties is that they support the transfer of knowledge (Ghoshal, Korine et al. 1994; Uzzi 1997; Hansen 1999) while the importance of weak ties is that they enable the diffusion of ideas (Granovetter 1982). Those communities with social networks will be in a stronger position, for example, to confront poverty and vulnerability (Moser 1996; Narayan and Nyamwaya 1996) because of the support gained from the strong ties within those communities.

Within this chapter it has been established that a ‘client led’ study of financial decision-making within the context of chronic poverty will provide support for suitable financial products and services which meet the needs of poor consumers. Duflo (2006 P 371) summarises the need for “a deeper understanding of decision-making of individuals and groups” in order to “shed light on how important economic decisions are made and what
constraints are put on the household”. Very little has been written in the literature specifically about how rural communities gain access to financial information on which they base decisions and how the informal social networks that exist in these communities impact on those decisions.

This chapter has examined the nature and conditions of sustained deprivation and poor people’s agency and explored the ways in which conditions of sustained chronic poverty influence financial decision-making. Specifically, issues relating to perceived vulnerability, perceived risk and uncertainty experienced by the respondents as a result of their sustained state of chronic poverty were explored with respect to how these perceptions influence financial decision making. Issues that should be taken into account when defining poverty were also discussed at the levels of the individual, the family and the community.

3.8 Summary of Research Questions

The literature examined in Chapter 2 considered contextual issues related to financial decision making in a poor rural community. Gaps in knowledge were identified regarding the nature of chronically poor families’ agency as it impacts on their decision making capabilities and capacity. The financial dealings of the poor are complex and because very few studies in the literature provide information about the nature of these financial dealings from the consumers’ perspective this are a major area of focus for this thesis. This gave rise to the first research questions:

**Question 1:**

(i) In what ways do chronically poor rural community members express their conditions of their poverty state?

(ii) What effects do community members’ expressions of poverty have on their financial decision-making?
Chapter three has considered marketing systems, social capital and the nature of informal social networks in poor rural communities. Important definitions of marketing systems, social networks and social capital were given. The literature established that the ‘within–network’ exchange in poor peasant communities influences financial transactions. Personal networking and community alliances were also shown to have significant influence in both the social and business life of consumers in poor rural communities. The strength of reciprocal relationships in social networks and their significant impact on families and communities was discussed. Specifically, the effects of ‘social embeddedness’ of economic activity on the nature and the quality of economic exchanges were discussed.

Questions remain regarding the influence of asymmetric information in relation to financial decisions and the nature of the diffusion of information through social networks of the rural poor influence their financial decision making.

The study makes a contribution by making sense of the role played by social networks and their embedded marketing systems in financial decision making strategies that affect the well being of chronically poor family groups by answering the question below.

**Question 2**

Do the characteristics of community-based relationships influence financial decision-making processes and outcomes and if so how?

Chapter three has also discussed the decision making environment of this study which is complex. The examination of the literature addressed in this chapter has considered how the nature and conditions of poor people’s agency is influencing their financial decision-making.

Very few studies provide information about the nature of these financial dealings from the consumer’s perspective. The literature acknowledges that much more needs to be done to understand the influencers of financial decision making under conditions of sustained poverty and deprivation.
The literature on decision-making also points to perceived risk as an important influencer which is affected by the level of consumer confidence about the product or service. In western economies the use of financial advisors is considered to be an important method of managing risk and uncertainty when making decisions about financial products and services. In Bangladesh, and other emerging economies there is little information in the literature about the methods consumers adopt to reduce risk and perceived levels of uncertainty when making financial decisions.

Some evidence was identified in the literature relating to poor households with variable income who are more likely to be credit constrained in the future, being more willing to sacrifice income for less risk.

This chapter suggests that propensity for risk strongly influences people’s perceptions of contextual threats or opportunities and leads to risk perceptions which are a distortion of reality. This can lead to extreme risk avoidance and hoarding behaviours. More work is needed to understand how this occurs and what the effects on decision-making are.

These concepts in relation to the influences of chronic poverty on financial decision making in Bangladesh lead to the questions:

**Question 3**

(i) What is the nature of the marketing flows linking those involved in making financial decisions in poor rural communities?

(ii) How do marketing flows influence financial decision-making within the rural community studied?

The next chapter outlines the methodology used in the study.
Chapter 4

Research Methodology

4.0 Introduction

Until recently most studies on the effects of poverty on individual and families’ lives in emerging economies such as Bangladesh have tended to be quantitative in nature (Baulch and Hoddinott 2000; McKay and Lawson 2002; Baulch and Davis 2007) with a few exceptions (Hartmann and Boyce 1983; Davis 2007). Analyses of poverty have largely adopted quantitative methods for data collection and for analysis and while these studies have contributed to knowledge regarding such areas as monetary poverty, labour markets and land ownership patterns, complimentary qualitative studies are needed also in order to provide “a nuanced understanding of poverty dynamics at the household level and the complex social realities and drivers that lie behind these changes” (Baulch and Davis 2007 p 1).

There is an emerging argument (Chakravarti 2006; Baulch and Davis 2007; Davis 2007; Addison, Hulme et al. 2008) that qualitative research can assist in deepening understanding about people experiencing chronic poverty by bringing to light phenomena concealed by quantitative methods (Davis 2007) such as the structural processes that move people in and out of poverty (Du Toit 2007; Harriss 2007) or the consumption patterns of those enduring chronic poverty (Chakravarti 2006). This study takes an exploratory approach, examining thick, rich data collected at the level of the individual and the household about the financial decision making of people who are experiencing chronic poverty in a developing economy. The study develops a conceptual consumer driven map of financial decision flows under conditions of chronic poverty highlighting how these decision flows affect the marketing
systems in which they operate (which is a significant outcome of the financial decisions being taken).

Chapter 2 and Chapter 3 reviewed the relevant literature on *Influences on Financial Decision-making among the Rural Poor in Bangladesh* and concluded with four research questions to be explored. This chapter outlines the major aspects of the research methodology applied during the study. This includes a discussion on the rationale for the qualitative research methods chosen, the unit of analysis and an examination of the analytical tools used.

This chapter consists of eight major sections; it begins with a rationale for drawing on two naturalistic paradigms, critical theory and social constructivism section in 4.1. A discussion of the justification for the study follows in section 4.2; issues of the research design in section 4.3; the research context in section 4.4; the execution of the research is discussed in section 4.5; research ethics are discussed in section 4.6; limitations of the research are discussed in section 4.7 and concluding remarks are in section 4.8.

**4.1 Rationale for the Naturalistic Paradigms Chosen for this Study**

A naturalistic or phenomenological frame has been adopted for this exploratory study which aims to discover the key influences on the financial decision making of a small group of people in three villages of rural Bangladesh. The study focuses on qualitative, subjectivist, humanistic and interpretative methodologies where the researcher acknowledges their personal bias (Hussey and Hussey 1997; Holden and Lynch 2004; Denzin and Lincoln 2005). Naturalistic inquiry can be defined as discovery orientated research (Lincoln and Guba 1985; Patton 2002) that “minimises investigator manipulation of the study setting and places no prior constraints on what the outcome of the research will be” (Patton 2002 p 39). This worldview has been described as systemic, holistic, relational, feminine and experiential (Reason and Bradbury 2007) and in contrast to a positivist, quantitative approach, this naturalistic inductive study begins with detailed observations and moves
towards theory building through abstract generalisations (Neuman 2004; Denzin and Lincoln 2005). The naturalistic approach to this research has also been chosen because it supports the objective of exploratory research which is to understand phenomena in a context-specific real world setting (Patton 2002) where the “phenomenon of interest unfold naturally” (Patton, 2002 p 39).

The naturalistic paradigm plays out in the twenty first century in a post modern environment where an array of approaches to naturalistic inquiry exist side by side (Richardson and St Pierre 2008). The post modern thinking has its roots in the work of Derrida (1973) and Foucault (1979, 1981,1986) and while post modernist thinking has many streams, the common thread is its focus on language through which meaning is formulated; subjectivity which can be explained as the sense of self and individuals’ perception of situations (Bristor and Fischer 1993); and to the historical, social and political elements of language, which cause discourse to be inherently subjective (Derrida 1973; Derrida 1976; Bristor and Fischer 1993). Richardson and St Pierre (2008) hold the view that postmodernism is an expression of “the doubt that any method or theory, any discourse or genre, or any tradition or novelty has a universal claim as the right or privileged form of authoritative knowledge” (Richardson and St Pierre 2008 p 476).

This study was conducted in a chronically poor rural area of Bangladesh and in this research environment it is important to acknowledge, and take into account in the research design, the inequalities of gender, social standing, age and education that exist in the poor, predominantly Moslem rural communities of the Matlab district. Particularly sensitive are the issues of vulnerability and powerlessness that accompany lives lived in chronic poverty, and of issues relating to gender, because most women in the study area are living traditional secluded lives, (Narayan and Nyamwaya 1996; Chakravarti 2006).

The naturalistic paradigm can manifest in social science research literature (See Table 4.1 below) as social constructionism (Heron and Reason 1997; Guba and Lincoln 2005).
Identifying the philosophical idea underpinning the methodological approach for this thesis is important because of its influence on the practice of the research undertaken (Creswell 2009). This influence is evidenced in the interconnection between the broad philosophical idea which governs the methodological approach to this study, the strategies of inquiry and the research methods used (as represented in Diagram 4.1 below).

Diagram 4.1 Interconnection of Paradigms, Strategies of Inquiry and Research Methods Used in this Study (adapted from Creswell 2009)

4.1.1 Social Constructionism

Social context is the focus of social constructionism which reflects the view that meaning is constructed by people as they engage with their specific social context, interpreting its meaning by drawing on historical, social and cultural perspectives (Creswell 2009) and further, it is the interactions and beliefs of people that create reality (Berger and Luekmann 1967; Lincoln and Guba 1985). Berger and Luekmann (1967) said "a sociology of
knowledge will have to deal not only with the empirical variety of knowledge in human societies, but also the processes by which any body of knowledge comes to be socially established as ‘reality’” (p 15). Social constructionist research focuses on understanding the sense that people make of the social world in their everyday lived reality and so aligns with the key objectives of this research.

‘Reality’, according to the social constructionist, is the product of social processes (Neuman, 2003). “In general, people act as if things that are socially created have a fixed reality, but in truth what people see and experience is socially constructed” (Neuman 2003 p 63).

Social constructionism pays particular regard to the manner in which social phenomena is viewed in particular social contexts, acknowledging human relationships as the origin of meaning (Crotty 1998; Patton 2002; Turnbull 2002) and should not be confused with ‘constructivism’ which focuses on “the meaning-making activity of the individual mind” (Crotty 1998 p 58). It is the social constructionist paradigm that informs this research where the researcher and the research subjects are seen to share the power in the construction of meaning and the number of interpretations or theoretical possibilities is expanded as a result (Alvesson and Skolberg 2000). “Reality is not fixed or given; you partake in its creation and must ensure that reality does not become rigidified. Hence, keeping the options open and the alternatives fresh” (Baburoglu and Ravn 1992 p 97) and this applies also to the researcher’s preconceptions of reality (Bourdieu and Wacquant 1992; Kincheloe and McLaren 2008). Social constructionist researchers use the direct accounts of those being researched and remain as close to the data as possible, reviewing where their own views are being incorporated (Turnbull 2002).

4.2 Justification

A naturalistic paradigm (Lincoln and Guba, 1985) has been adopted for this study because
the research is exploratory, discovery orientated research (Lincoln and Guba 1985; Patton 2002) that “minimises investigator manipulation of the study setting and places no prior constraints on what the outcome of the research will be” (Patton 2002 p 39). The chosen research paradigm and its linkages to this study are outlined in table 4.1 below.

**Table 4.1 Chosen Research Paradigm: Link to Research Objectives**

Adapted from: (Guba and Lincoln 1994)

<table>
<thead>
<tr>
<th>Social Constructionism</th>
<th>Inquiry Aim</th>
<th>Nature of Knowledge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Constructionism</td>
<td>Understanding of the constructions that people (including the inquirer) hold, and aiming for new interpretations built on new information</td>
<td>Multiple concepts of knowledge co-existing with respect to social, political, cultural, ethnic and gender factors or realities in specific contexts. Constructions are subject to continuous review.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Research Objectives</th>
<th>Nature of Knowledge</th>
</tr>
</thead>
<tbody>
<tr>
<td>This study aims to reveal the lived reality of chronically poor rural farmers in Bangladesh and also intends to recommend actions for positive change in that context</td>
<td>This study aims to reveal contextual specifics of the relevant research issues, emphasising sensitivity and responsiveness to multiple perceptions of lived realities in actual social contexts</td>
</tr>
</tbody>
</table>

While social constructionism is the underpinning paradigm for this study, the research methods used within this frame could be described as a “bricolage” (Denzin and Lincoln 2008 p 5); that is “a pieced together set of representations that is fitted to the specifics of a complex situation” (p 5) and adopted in order to be better able to shape a research design for the specific context of poor rural Bangladesh. The bricolage facilitates interpretation, critical thinking and theory building (Kincheloe 2001; Denzin and Lincoln 2005; Kincheloe and McLaren 2008) and it is applied in this research because there are complex issues to explore within a specific situation; such as being sure to take into account specific characteristics of the conservative Islamic third world that manifest as issues of social inclusion and exclusion in the research area. The research aims to accommodate and reveal chronically poor rural farmers’ lived experiences of social and economic exclusion in context (Mohanty, Russo et al. 1991; Bannerji 1995; DeVault 1996).
The social constructionist world view also supports interpretation of the socially constructed realities of financial decision making in rural Bangladesh with the acknowledgment that those realities may “develop and change, influenced by context and time” (Turnbull 2002 p 318). The researcher, having adopted the social constructionist paradigm and after reflecting on the observed realities, then extrapolates in order to develop a theoretical framework that makes a contribution to knowledge in the social world (Schwandt 1997).

A social constructionist approach to theory building argues that “theories are interpretations made from given perspectives as adopted or researched by researchers” (Strauss & Corbin, 1998 p 171) and that “as conditions change at any level of the conditional matrix, this affects the validity of theories—that is their relationship to contemporary social reality” (p 171). For this study the proposed social constructionist theoretical framework will consist of “plausible relationships proposed among concepts and sets of concepts” (Strauss & Corbin 1998 p 168) derived inductively from the data collected in the rural villages of Matlab.

The authenticity of this approach to theory building may be seen to be problematic because knowledge is being constructed situationally through social interaction within specific villages in the Matlab district (Berger and Luekmann 1967 p 25). However, the social constructionist world view focuses on understanding the sense that people are making of their perception of their social world. Corbin and Strauss (1997) argued that theoretical frames built by social constructionists, “are interpretations made from given perspectives as adopted or researched by researchers” (p 171). The theory building approach adopted in this study is expressed by Alvesson and Deetz (2000 p39) in their argument that “few theories are failures with regard to specific situations; all theories ultimately fail if applied far enough outside of the specific conditions for which they were developed. Theories thus differ more in the size of their domain and the realistic nature of the parameters than in correctness” The chosen approach is intended to provide a depth of understanding of individual experience and, in focusing on depth rather than breadth, direct attention to the lived realities and
experiences of the poor rural families in the villages of the Matlab district with the aim of enabling useful responses within that limited domain.

This epistemological bricolage is used to answer the research problem and research questions.

The key research problem being addressed in this research is:

How do people in chronically poor rural communities in Bangladesh make financial decisions; what are their perceptions of major influences on their financial decision processes and what are key outcomes of these decisions?

In order to answer the research problem posed above, the following sub questions are asked.

These questions are outlined in Chapter 2 and Chapter 3, where key gaps in the consumer behaviour, social network, and development literature are addressed.

**Question 1:**

(i) In what ways do chronically poor rural community members express their conditions of their poverty state?

(ii) What effects do community members expressions of poverty have on their financial decision-making?

**Question 2**

Do the characteristics of community-based relationships influence financial decision-making processes and outcomes and, if so, how?
Question 3

(i) What is the nature of the marketing flows linking those involved in making financial decisions in poor rural communities?

(ii) What are the implications for financial decision making, of the marketing flows within the rural community studied?

In summary, qualitative research strategies are rarely used in their pure forms (Denzin and Lincoln 1994; Turnbull 2002). Denzin and Lincoln (2005; 2008) have conceptualised the piecing together of context specific qualitative research strategies and methods as creating a ‘bricolage’ and the researcher as the ‘bricoleur’. The study is guided by a social constructionist paradigm and is carried out within the context of poor rural subcultures in Bangladesh. It explores consumers’ financial decision-making behaviour under conditions of sustained poverty and deprivation. Cultural beliefs are also a focus of this study, particularly with respect to the meanings that rural community and family members attribute to money and financial exchange. Social relationships and networks within marketing systems, inter-temporal discounting behaviours with respect to financial decision-making, and an exploration of the associated perceived levels of risk and uncertainty which may influence financial decision-making are explored.

4.3 Research Design

The research design for this thesis relies on qualitative methodology to explore the specific issue of influences on financial decision-making among the rural poor in Bangladesh and supports an in depth consideration of the contextual specifics (Patton 2002) relating to financial decision processes and outcomes. The research is designed to produce detailed data on a relatively small number of people and in order to overcome the potential for assumptions and bias, multiple data collection methods are used including ethnographic
observation, focus group discussions and semi structured interviews over two periods, January and June/July 2008 (Kellner 1995; Madriz 2000; Kincheloe 2001; Denzin and Lincoln 2005; Guba and Lincoln 2005; Saukko 2005).

The research design also incorporates the approach suggested by Saukko (2008) of adopting the practice in qualitative research of establishing validity during the process of the data collection and analysis (Saukko 2008 P 458).

4.3.1 Designing in Validity

The term validity is usually applied in social research to mean truthfulness and accuracy and as “a contingent construct, inescapably grounded in the processes and intentions of particular research methodologies and projects” (Winter 2000 p 1). Many qualitative researchers have developed their own concepts of validity (Golafshani 2003) using terms, such as quality, rigor and trustworthiness (Lincoln and Guba 1985; Seale 1999; Stenbacka 2001; Davies and Dodd 2002). Seale (1999) discusses the term ‘quality’ as a substitute for validity and reliability in order to better reflect “interpretivist qualitative conceptions” (p 465). Stenbacka (2001) argues that the concept of validity should be redefined as ‘rigor’ for qualitative research purposes while Davies and Dodd (2002) apply the notion of rigor in qualitative research to exploring subjectivity, reflexivity, and “the social interaction of interviewing” (p 281). Lincoln and Guba (1985) support these arguments adopting the term ‘trustworthiness’ as a replacement for validity (Lincoln & Guba, 1985).

Saukko’s (2008) concept of multiple validities, constructed as part of this research design framework, is adopted as a means of ensuring the quality and trustworthiness of the research (Saukko 2005; Saukko 2008) (see table 4.2 below). Saukko argues that by creating a matrix as outlined below, each ‘validity’ takes on a multidimensional aspect.
Table 4.2 Integrated Research Design ‘Validities’ (adapted from Saukko 2008 p 458).

<table>
<thead>
<tr>
<th></th>
<th>Contextual Validity</th>
<th>Dialogic Validity</th>
<th>Self–Reflexive Validity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Context</strong></td>
<td>Social Reality</td>
<td>Local Realities in Social Context</td>
<td>Research shapes ‘real’ social processes</td>
</tr>
<tr>
<td><strong>Dialogue</strong></td>
<td>Local repercussions of Social Processes</td>
<td>Local Realities</td>
<td>Local awareness of social shaping of reality</td>
</tr>
<tr>
<td><strong>Reflexivity</strong></td>
<td>Research shapes social processes or reality</td>
<td>Local Realities and Socially Shaped</td>
<td>Social Shaping of reality</td>
</tr>
</tbody>
</table>

4.3.2 Context and Contextual Validity

“The contextual dimension of research analyses local social and historical processes” (Saukko 2008 p 461) and “naturalistic inquiry preserves natural context” (Patton 2002 p 62) and “elevates context as critical to understanding” (p 63). The definition of context adopted for this thesis is “the physical, geographic, temporal, historical, cultural, aesthetic-within which action takes place. Context, is the framework, the reference point and it is used to place people and action in time and space and as a resource for understanding what they say and do and the context is rich in clues for interpreting the experience of the actors in the setting” (Lawrence Lightfoot and David 1997 p 41).

The contextual elements of this research are one of the key fundamental elements of this study; specifically, the need for a clear and comprehensive explanation of the contextual issues relating to chronic poverty in the Matlab district. The validity of the contextual dimension of this research will be measured by how thoroughly and defensibly this information is presented (Lawrence-Lightfoot and Hoffman Davis 1997). Chapter 5 of this thesis is devoted to the physical, geographic, temporal, historical, cultural, demographic and social contextual perspectives of the Matlab district of Bangladesh and describes the three villages in this district where the data collection took place.
4.3.3 Dialogue and Dialogic Validity

The dialogic aspects of this study relate to the importance of effectively capturing the point of view that the respondents have of themselves within their own contextual reality (Malinowski 1961; Alasuutari 1998; Saukko 2008). The research participants in this study are involved in designing and commenting on the research as well as contributing to the study by sharing their own experiences in their own words (Lincoln 1995). In so doing the study aims to give voice to experiences that the participants may have had relating to their financial decision-making and that have not so far been expressed in the academic literature. This needs to be done within the social context that shaped their experiences (Saukko 2008).

4.3.4 Local Realities

Because the research design for this study aims to acknowledge and explain the socio-historical conditions which are significant contextually, an interpretative analysis of the data is undertaken (Miles and Huberman 1994) taking into account the discursive and cultural norms within the social context in which the data was produced. The data analysis was undertaken progressively, and the sense-making processes continuously revisited as meaning was iteratively constructed from within the cultural framework of the discourses within which they are positioned (Mishler 1986; Bishop 2005). Culturally preferred terms and the contextual idiom were preserved in the translations of the transcripts in order to appreciate how meaning is constructed in the discourses because words take on “specific and contextually grounded meanings within and through the discourse as it develops and is shaped by speakers” (Mishler 1986 p 65).

4.3.5 Rapid Ethnography in a Rural Setting

Rapid ethnography plays an important role in the qualitative research design (Sandhu, Altankhuyag et al. 2007) of marketing and consumer research (Arnould and Wallendorf 1994; Mariampolski 2006) and has been chosen for this study for this reason. Blomberg,
Burrell et al. (2003) describe ethnographic research as taking place in natural settings, being holistic by encompassing aspects of the wider social context of the research setting, being descriptive, and taking the perspective of the research participants.

Rapid ethnography has been adopted because, although it is unrealistic to conduct long-term fieldwork for this study, the aim is to provide a rich understanding of people in context and from their own perspective. The extant marketing and development research literature points to the particular relevance of rapid ethnography for research such as this (Arnould and Wallendorf 1994; Squires and Byrne 2002; Mariampolski 2006; Rosenthal and Capper 2006) when there are practical and financial time constraints which affect the amount of time available to be in the field (Jaspal, Altankhuyag et al. 2007).

Ethnographic inquiry enables a deep and rich understanding of people’s lived realities, in context and from their own perspective, and is used in this study in order not only to explore the context and subjective significance of financial decision-making among the poor rural farmers in Matlab, but also to interpret the cultural and contextual significance of the associated processes and outcomes (Denzin 1989; Miles and Huberman 1994; Denzin and Lincoln 2005; Creswell 2009).

Ethnography has also been adopted for this research because the ethnographic research process, while flexible, provides structured methods, such as observation and interviews, for collecting data about the lived realities of the respondents in their natural setting, (Arnould and Wallendorf 1994; LeCompte and Schensul 1999; Creswell 2009). These multiple-method ethnographic research techniques are employed actively in this study in order to make sense of the financial decision making behaviours in the poor rural areas of the Matlab district (Agafonoff 2006).

Ethnographic inquiry is supported by the chosen paradigm for this thesis as set out in table 4.3 below. Social constructionism, as has been discussed in section 4.1 of this chapter, is a
A world view that seeks to understand the constructions that people (including the inquirer) hold, and aims for new interpretations built on new information (Guba and Lincoln 2008). Multiple concepts of knowledge and multiple realities co-exist with respect to social, political, cultural, and ethnic and gender factors in specific contexts. Constructions are subject to continuous review.

**Table 4.3 Interconnection of Paradigm and Research Design**

<table>
<thead>
<tr>
<th>Social Constructionism</th>
<th>Inquiry Aim</th>
<th>Nature of Knowledge</th>
<th>Research Design</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Understanding of the constructions that people (including the inquirer) hold, and aiming for new interpretations built on new information (Guba and Lincoln 1994)</td>
<td>Multiple concepts of knowledge co-existing with respect to social, political, cultural, ethnic and gender factors or realities in specific contexts. Constructions are subject to continuous review (Guba and Lincoln 1994)</td>
<td>Ethnography that studies communities from the inside (Hammersley 1990; Kinchin and McLaren 2008). Data is collected through stories, first-person accounts within a limited context as well as through interviews and focus groups, emphasising sensitivity and responsiveness to multiple perceptions of lived realities in actual social contexts (Turnbull 2002)</td>
</tr>
</tbody>
</table>

Rapid ethnographic techniques incorporate short, intensive periods of participant observation combined with other qualitative methods of data collection, such as focus groups discussions and one-on-one interviews with participants (Jaspal, Altankhuyag et al. 2007; Mariampolski 2006; Arnould 2001). The aim of rapid ethnography is to utilise these short, intense periods in the field to achieve the deep understanding of participants in their natural setting that is usually the preserve of long term fieldwork.

One key criticism of this method has been that the holistic ambitions and the participants perspectives are not fully realised because of the need to operate within these constraints (Jaspal, Altankhuyag et al. 2007). Ethnographic research is typically aligned with long term fieldwork and this study offsets the potential shortcomings of limited time in the field by ensuring longer engagements with participants in interviews and focus groups (Van Maanen
For this to be achieved the research design for this study involves having two teams of two researchers conducting sequential, short-term (4-6 days) participant observation and multiple focus groups and one-on-one interviews with participants.

The need for parallel teams is driven by the significant time investment to physically reach the village research sites which are not easily accessible. There is also a need for local research assistants to accompany the researcher on each team in order to help with language and local cultural issues (Millen 2000) because the researcher and participants have very different cultural backgrounds and the researcher is not familiar with the context or the language (Agar 1980; Spradley and Baker 1980).

This approach to rapid rural ethnography is similar to Sanjek's (1978) 'network-serials' in urban ethnography. Sanjek used intensive interviewing of participants and also leveraged connections with 'informants' as 'anchors' to gain access to the local communities (Jaspal, Altankhuyag et al. 2007) which is a technique also used in this study.

In order to ensure the collection of rich and meaningful data, extensive amounts of time were spent in the field during January and June of 2008, where the researchers were embedded with the research subjects (Creswell, 1998). Further, because of the complexity of the social structure in the rural villages of Matlab and the challenges of collecting reliable data from predominantly illiterate respondents using interpreters and multi-dimensional research questions, a reflexive approach to data analysis was adopted for the research, integrating the three qualitative research methods; ethnographic observation, focus group discussion and semi structured interviews.

The data collection methods of observation, focus groups and semi-structured interviews were carried out in an overlapping manner (Fricke 1997; Edin 1999; Kertzer and Fricke 2005; Axinn and Pearce 2006) during the two periods in the field. This approach was used because it:
1. Provided overlapping sources of data to ensure information is not lost.

2. Lowered the risk of bias coming from one data source. This was of particular importance given the cultural and language translation issues to be addressed (Axin and Pearce, 2006).

3. Enabled progressive reflection across all three data collection methods simultaneously.

4.3.6 Theory Development

Bagozzi (1984) in his article *Prospectus for Theory Construction in Marketing* acknowledges that knowledge development depends on theory construction. This study, in adopting the process of theory formation, recognises the linkages that exist between empirical data analysis and resultant conceptualisation of theory. The researcher adopts the role of instrument in order to observe, select, coordinate, and interpret the data (Sanday 1979; Spiggle 1994); the goal being to build theory that is supported by data (Glaser and Strauss 1967; Strauss 1987; Strauss and Corbin 1990). The object of constructing theory is to produce “complex, conceptually woven, integrated theory; theory which is discovered and formulated developmentally in close conjunction with intensive analysis of data” (Strauss 1987 p. 23).

This research makes a contribution to theory building by developing a conceptual model specifically for understanding the key influences and financial decision making in poor communities.

The data analysis methods used to achieve theory building is as follows:

i) *Comparison*; systematic comparisons are used to make inferences from data by categorising and noting general similarities, then labelling them as representing the same category (Spiggle 1994). This process initially occurs implicitly and unsystematically but as analysis proceeds comparisons are developed more systematically as constant comparisons continue to be made (Glaser and Strauss
ii) **Integration**; involves clustering certain conditions, contexts, strategies, and outcomes. Selective coding (Strauss and Corbin 1990) such as this has been adopted in order to specify relationships, and identify key themes that relate to one another. Relationships between themes are mapped in the form of causal linkages (Bergadaa 1990). One such theme, for example, relates to perceptions of time, how the individuals and communities involved view time and how this affects their decision making patterns.

iii) **Interpretation**; interpretation and translation can be defined as “the transfer of meanings across texts, objects, or domains”. This perspective can be useful in understanding interpretive processes in consumer research (Spiggle 1994 p 497).
4.4 Research Context

The first stage of the methodology framework (Diagram 4.2 above) focuses on familiarisation with, and analysis of, the research context and is discussed fully in Chapter 2. This work began before the commencement of primary data collection in the field because of the specific cultural contextual issues to be considered relating to the local history, socio-economic issues and political structures of power within the villages and within the families who were part of the research process (Saukko 2005). Preliminary secondary data about the location, cultural sensitivities, practices, history, social stratification (Axinn and Pearce, 2006) was collected and analysed to provide a socio-economic profile of people in the areas to be researched. Detailed direct observation, outlined in Chapter 5, supplemented the documented evidence where it was not available (Fletcher and Fang 2006; Craig and Douglas 2006).
4.4.1 Target Population

The target population for this study is defined as poor rural village dwellers that are located in the rural subculture of Matlab in Chandpur, Bangladesh who are engaged in formal and informal financial dealings such as participating in barter exchange, borrowing money and monetary substitutes such as rice from friends and relatives as well as taking micro loans from NGOs. For the purposes of this study poor village dwellers are those living on $2 US per day or less. They may or may not have a relationship with a microfinance provider. The per capita income to the families is approximately $700-800US per annum (Rutherford 2004).

In the rural area of Matlab in Bangladesh, which is typical of 80% of the country (Bangladesh Bureau of Statistics 2000) natural disasters such as annual floods, river erosion and cyclones adversely affect the lives of poor households. Resultant endemic poverty has meant that this area has been a focal point for micro-finance programs aimed at alleviating the poverty that is perpetuated by the environmental and economic conditions. There are a number of significant NGO’s operating in the area including the Bangladesh Rural Advancement Committee (BRAC), Grameen Bank, Association for Social Advancement (ASA) and Krishi Bank (ADB 2008; Rutherford 2009).

The rationale for selecting people in the delta area of Matlab in Chandpur as the target population for the research was because:-

- It is representative of the typical poor village subculture of Bangladesh (Bangladesh Bureau of Statistics, 2000). The region is predominantly rural, with traditional agriculture being the most common form of occupation.
- Microfinance activity is known to exist in the area (Hoque 2008) and while there are very few reliable sources of data about the extent of use of micro-finance anywhere in Bangladesh, the 1996 Matlab Health and Socioeconomic Survey: Overview and
User’s Guide (MHSS) survey does provide data for the Matlab district on microfinance loans in 1996.

### 4.4.2 Unit of Analysis

The purpose of identifying the unit of analysis for the research is to provide a definition of the object/s of study (Axinn and Pearce, 2006). The primary unit of analysis for this study has been identified as the ‘bari’ which is the basic unit of social organization in rural Bangladesh (MMHA, 1999). Baris usually consist of a cluster of extended family households in close physical proximity (see Diagram 4.3 below).

**Diagram 4.3 A Common Bari** (source: Rahman 1999).

![Diagram of a common bari in Matlab](image)

In Bangladesh the bari has a “central role in enabling, constraining and differentiating its member’s participation in the economy and society at large” (Kabeer 1994 p 283). Although there is only limited theory to support the bari as an appropriate unit of analysis for research
in Bangladesh (Foster 1993; Kabeer 1994; Axinn and Pearce 2006), there is strong supportive literature for the concept of close family ties being central to financial decision-making and therefore provides a theoretical frame for this choice of unit of analysis. As discussed in the literature review, Bettman (1998) argues that consumers, in the process of constructing their choice preferences, draw from strong contextual influences. Contextual influences can be further defined as socio-cultural influences (Briley and Aaker 2006) and culture is defined as including the knowledge, beliefs, art, morals, customs, language and habits and perceptions of the social environment shared by members of society (Triandis 1972). Within that social environment, many purchase decisions are made collectively by families and other close knit community groups (Corfman and Lehmann 1987). This ‘within-network’ exchange has been directly linked to poor peasant communities (DiMaggio 1997; Chakravarti 2006), such as the poor consumer groups in Bangladesh, the focus of this study. Therefore, because members of a bari tend to avoid search and deal instead through strong ties of family and/or friendship (Okun 1981; DiMaggio 1997), the bari has been chosen as the unit of analysis for this research.

4.4.3 Sampling

As mentioned above, the cultural, social, political and economic landscape of Bangladesh offers a challenging and significantly different reality for the western researcher and therefore requires the adoption of research sampling techniques that go beyond those normally adopted in a Western context. Consideration of cultural issues was important and the Social relations Framework (Kabeer 1998) detailed in the next section of this chapter was employed during the initial stages of sampling. This was to ensure that culturally constructed rules around distinctive patterns of behaviour, norms, values, traditions, laws, and customs were taken into account before the sampling process commenced. For example, it was important for the researcher to visit a Matlab district government official to gain permission to visit the villages and collect research data. After approval was gained
from government officials and local religious leaders, it was then necessary to visit a large number of villages accompanied by local leaders who, as the local social culture demanded, made introductions and requested permission from the village elders to collect research data. Once these local customs and traditions had been observed, the way was cleared for the research to continue.

The sampling frame adopted for the research included people from all the villages in the rural area of Matlab. A sampling strategy for gradual definition of the sample (Flick 2005) was chosen, (see Table 4.4 below) based on ‘theoretical sampling’ as developed by Glaser and Strauss (1967). “Theoretical sampling is the process of data collection for generating theory whereby the analyst jointly collects, codes and analyses his data, and decides what data to collect next and where to find them, in order to develop his theory as it emerges. This process of data collection is controlled by the emerging theory” (Glaser and Strauss 1967 p 45). This method is not based on the standard techniques of statistical sampling but fits the exploratory, theory-building purpose of the research. Sampling decisions were taken iteratively, and were based on developing insights from previous knowledge and data collected (Flick 2005).

**Table 4.4 Theoretical vs. Statistical Sampling** (adapted from Flick 2005 p 66)

<table>
<thead>
<tr>
<th>Theoretical Sampling</th>
<th>Statistical Sampling</th>
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</thead>
<tbody>
<tr>
<td>Extension of the basic population is not known in advance</td>
<td>Extension of the basic population is known in advance</td>
</tr>
<tr>
<td>Features of the basic population are not known in advance</td>
<td>Distribution of features in the basic population can be estimated</td>
</tr>
<tr>
<td>Repeated drawing of sampling elements with criteria to be defined at each step</td>
<td>One-shot drawing of sample following a plan defined in advance</td>
</tr>
<tr>
<td>Sampling is finished when theoretical saturation has been reached</td>
<td>Sampling is finished when the whole sample has been studied</td>
</tr>
</tbody>
</table>

Baris were selected using the process described below.
Initial selection of participant villages and baris was adapted to local conditions and the limited information available (Srivastava 2005; Weiss 2005) using census data from the Bangladesh Bureau of Statistics (BBS) (2000; 2004). Monthly household expenditure was used as an initial sample criteria which indicated those households below the official poverty line (over 80% of all those in the Matlab area (BBS, 2000). While this indicator was helpful, final selection of the villages and baris to participate in the research was made through intuitive common sense and as a result of the initial interaction with people in the chosen areas.

Given the unlimited possibilities of recruitment using the theoretical sampling method, it was necessary to define criteria for limiting the sample. The process adopted was the identification of ‘theoretical saturation’ (Glaser and Strauss 1965), where saturation meant that no additional data was being found and research data collected from the villagers was sounding the same.

The baris in three villages were selected for the study because their leaders gave permission and they fitted the criteria for living on or below the poverty line (as defined in Chapter 2), they were exemplars for the typical bari structure of extended family groups with very close social networks in a rural environment. Six focus groups were conducted across the three villages, three with women and three with men. There were fifty four one-on-one interviews conducted within the villages and two interviews with the local research assistant who stayed for six months in the area conducting observations, interviews and focus groups with people who lived in the three villages.

4.5 Execution of the Research Using Qualitative Research Method

“Qualitative research is a situated activity that locates the researcher in the world. It consists of a set of interpretative, material practices that make the world visible. These practices transform the world. They turn the world into a series of representations,
including field notes, interviews, conversations, photographs, recordings and memos to the self.

At this level, qualitative research involves an interpretative, naturalistic approach to the world. This means that qualitative researchers study things in their natural settings, attempting to make sense of, or interpret, phenomena in terms of the meanings people bring to them” (Denzin and Lincoln, 2005 p 3).

The qualitative research methods used for this study included ethnographic observation, focus groups, ethnographic and semi-structured interviews. Creswell (1998) describes the qualitative research process metaphorically as “an intricate fabric composed of minute threads, many colours, different textures and various blends of the material” (p 13). In this section the threads of the qualitative techniques incorporated into this study are explained. Ethnographic observation, focus groups and semi-structured interviews were used to identify the nature of financial decision-making and the influences of close knit families and rural communities on decision processes and outcomes. “Like the loom on which fabric is woven” (Creswell 1998 p 13) qualitative frameworks and progressive analytical tools are utilised to provide the means to bring the research findings together.

Reflexive interpretation (Alvesson and Skoldberg, 2000) was used progressively throughout the research in order to avoid potential distortions and inaccuracies by progressively reflecting on what the respondents had to say and ensuring they were truly “speaking for themselves” (Said 2003 p 33).

4.5.1 Ethnographic Observation

Ethnographic observational fieldwork methodology was applied to the research in order to understand the close knit family groups in the Matlab baris; how they interacted and communicated and how these interactions affected financial decision-making. (Fetterman 1989 p 11) describes ethnography as the “art and science of describing a group or culture”;
Neuman (2004), elaborates by saying that ethnography means understanding another culture or way of life from the “native point of view” (p 366). Ethnographic observation has its critics and the criticism has mostly related to bias (LeCompte and Goetz 1982; Alvesson and Skolberg 2000). For example, readers may question the extent to which the research data is coloured by the researcher’s own attitudes, values and beliefs. While ethnography has become a somewhat controversial methodological choice (Hammersley and Atkinson 1995), this research adopted an interpretative ethnographic approach to data collection (Denzin 1999) because of the value it provided to the assessment of the culturally sensitive and meaningful material. Moving beyond a descriptive form of ethnographic observation, the research drew on critical theory to concentrate the focus of the study in order to make interpretations from the body of data (Hammersley and Atkinson, 1995). Interpretative ethnographic data collection specifically posed questions at the margins between two cultures. Van Maanen (1988) described the interpretative ethnographer’s role as “decoding one culture while re-coding it for another” (p 4). The research recognises that these interpretations while providing useful insights may also be coloured by the particular experiences of the researcher and may also be shaped by the perceptions of those who receive and read the research.

The research aims for “an interpretative ethnography…. that is simultaneously minimal, existential, vulnerable, and critical” (Denzin 1999 p 510). Further, the ethnography employed in this research “refuses abstractions and high theory. It has a way of being in the world that avoids jargon and huge chunks of data. Viewing culture as a complex process of improvisation, it seeks to understand how people enact and construct meaning in their daily lives, it asks how power is exercised in concrete human relationships” (Denzin 1999 p 510).

The interpretative ethnographic approach to this study was to engage at intervals with the data in progressive reflection in order to “lessen gaps between the known and the unknown, illuminating and exploring the lived practice of others, and bridging geographical and social
distances through vivid description, narration and embodiment-helping readers/audiences to see possibilities through the visualisation of experience” (Denzin and Lincoln 2005 p 419)

The essence of the ethnographic epistemology for this research, therefore, is the interpretation of meaning from what is heard and observed.

While ethnography is commonly associated with anthropology and is assumed to require long periods of being immersed in a community, briefer periods in the field of study are also categorised as ethnography (Atkinson and Hammersley 1994). This research adopted “anthropologically orientated methods, based on close contact with the everyday life of the studied society or group” (Alvesson and Skoldberg 2000 p 45) for limited but intensive periods of time in January and June 2008. The researcher spent those periods of time on the ground in close contact with the people and communities being researched (Geertz 1988) . Ethnographic techniques during those periods provided rich data about the intra and inter-group behaviour, the social relationships and networks of the people living in the baris (Cresswell, 1995; Hammersley and Atkinson, 1995). The researcher became aware of the close-knit nature of the family ties that exist within these groups by associating closely with them over this time. Data was collected about the cultural and conceptual phenomena that related to financial decision-making of these groups. Portraits of the subjects’ behavioural patterns around financial decision-making were developed, along with data about the processes, outcomes and the context within which financial decisions are taken.

A reflective, progressive ethnographic diary was kept, where incidents and learnings were recorded. For example, the researcher noted in the journal, after observation, that women were more likely to communicate freely when they were doing their normal daily chores, like walking to the well to collect water or washing clothes in the river, whereas the men became more communicative when sitting in the local tea shop after finishing work for the day. These learnings were built upon to ensure rich and thick ethnographic data was collected.
4.5.2 Focus Group Discussions

Focus group discussions are an interactive method of data collection used in this research in combination with ethnographic observation and semi structured interviews. They developed as a result of research methods designed by Paul Lazarsfeld and Robert Merton, and colleagues at the Bureau of Applied Social Research at Columbia University, to gauge audience responses to propaganda and radio broadcasts during World War II (Lazarsfeld and Merton 1954).

The theoretical background of this method of research relates to the joint creation of reality (Flick, 2005). In particular, Madriz’s (2000) critical feminist model of focus groups which emphasises the feminist ethic of empowerment and emotional engagement, provided the theoretical underpinning for this method of data collection for this study. “The hallmark of focus groups is the explicit use of the group interaction to produce data and insights that would be less accessible without the interaction found in a group” (Morgan 1988 p 12). A key objective of the analysis of focus group data is to identify areas of agreement and controversy to better understand how perspectives arise and are modified in a group (Morgan 1988; Reed and Payton 1997).

Because of the exploratory nature of the research, the focus groups were particularly useful for orienting the researcher to the new field of study and enabled progressive reflection based on the subjects’ insights (Morgan, 1988). The focus group discussions in this research were used specifically to provide an opportunity for the women of the baris in Matlab to voice their thoughts and ideas; many being too shy to meet one-to-one with the researcher. They became a way of reducing the distance between the researcher and the research subjects and enabled an expression of the women’s social group dynamics within the bari, enabling an exploration of the critical interactional dynamics that constitute much of social practice and collective meaning making in the villages (Denzin and Lincoln, 2005).
Like many tools in social science, focus group research has been the subject of criticism. A major concern relates to the nature of the data not being representative of a larger sample (Robson 2002). In this research efforts to reduce the potential for the data to be biased and non representative focussed on careful preparation of the interview guide and the environment in which the focus groups were constructed (see Appendix 3).

The benefits of running focus groups were that the researcher was able to interact with a particular group of respondents, the women of Matlab, in a manner that was pleasing and comfortable and natural to them, because it was a replication of the group nature of their lived experience in the bari. Preparation for the focus groups included long discussions with Bangladeshi researchers who were proficient in English, western research methods and who understood the culture of the Matlab area (this was possible because the Matlab district has been the focal point of government research projects for many years and a strong group of expert researchers was available). This active participation of expert representatives of the local Bangladeshi culture was undertaken to ensure the discussion guide was relevant and effective with a strong focus on maintaining meaning cross-culturally (Elder 1976; Berry, Poortinga et al. 1992; Henderson, Sampselle et al. 1992; Okazaki and Sue 1995). This very important step was taken to address concerns about achieving conceptual and semantic equivalence (van de Vijver and Leung 1997; Schaffer and Riordan 2003).

4.5.3 Interviews

In the context of qualitative field research, participant observation is usually the main source of data. However in this study interviews with participants, as well as the use of ethnographic observation and focus groups, were used to enrich the fabric of the study (Spradley and Baker 1980; Flick 2005). Ethnographic interviews recognise that the interviewer is an active participant in the interview process. Interviews are “negotiated accomplishments of both interviewers and respondents that are shaped by the contexts and situations in which they
The ethnographic approach taken in interviews for this study was presented to participants as a series of friendly conversations where the researcher and assistants slowly introduced new elements allowing the participants to comment on them (Flick, 2005). The interviews could be viewed as a type of discourse between the interviewer and the respondent where the meanings and contexts of the questions and responses are grounded by the context and jointly constructed by participants (Schwandt 1997). The specific approach taken in order to build rapport with participants was as follows:

1. A specific request was made to each participant to hold the interview which was based on the research propositions.

2. The project was explained in an informal way to the participant through a local research assistant who could speak Bengali.

3. Questions were put to the participants in the interview situation. Descriptive questions were used that were open and spontaneous in the way they were structured.

Semi-structured interviews were also conducted. Open ended questions in a discussion guide were brought to the interview situation. In most cases the participants answered the questions freely. To ensure the questions were relevant, and well understood by the participants the translation and validation checks and balances were the same processes as those described above for the focus group discussion guide (Flick, 2005) (see Appendix 4).

4.5.4 Translation of Data from Bengali to English

The data collection for this research, of necessity crossed language and cultural research boundaries. The findings from data collected from predominantly illiterate Bangladeshi rural communities are brought into an English speaking social research environment. It is important to acknowledge here that the data collected was analysed recognising that the languages used, Bengali and English, form part of the context of interpretation (Spivak
1992). Specifically, the relationships between the Bengali and English languages and the researcher and translator are an important component of the process of constructing meaning because translated text of research findings cannot be separated from the translator’s reality (Temple 2005). The data translation was by an interpreter employed during data collection and a translator. The research acknowledges that the written account of the data is influenced by everyone involved in the research.

Researchers in the disciplines of sociology, psychology, anthropology, philosophy and related fields have become increasingly interested in how language is used to construct representations of peoples’ realities (Foucault 1972; Bourdieu 1991; Spivak 1992; Bhabha 1994; Hall 1997; Roberts 2001). Further, cross-disciplinary approaches to language and representation in research conceptualise how cross disciplinary research can be enriched by considering the use of sociolinguistics (Coupland, Sarangi et al. 2001; Munday 2001) . However the literature from a range of disciplines including sociolinguists, and anthropologists and writers in translation studies acknowledge that there can be no single correct translation of a text (Derrida 1976; Harding 1987; Derrida 1987; Venuti 1993/2000; Venuti 1995; Venuti 1998; Temple 2005).

The epistemological position taken for this research, as discussed earlier in this chapter, acknowledges the data collected and translated reflects the researcher’s and translator’s own accounts and makes no claims to providing objective knowledge from outside of the researcher’s position in the social world.

The choices of interpretation made by the translator are central to being able to tie the language to the social realities of life of the villagers who are the subjects of this research (Venuti 1993/2000; Venuti 1995; Venuti 1998; Temple 2005). “Translators must constantly make decisions about the cultural meanings which language carries, and evaluate the degree to which the two different worlds they inhibit are "the same". These are not technical difficulties; they are not the domain of specialists in obscure or quaint vocabularies. They
demand the exercise of a range of intelligences. In fact the process of meaning transfer has less to do with finding the cultural inscription of a term than in reconstructing its value” (Simon 1996 pp 137 - 138).

Spivak (1993; 2000) argues that meaning transfer in translation needs to encompass a reconstruction of the original contextual nuances and gives an example of how difficult it is to translate gender into Bengali (Spivak 1992 p186 from a western feminist context. She argues that “the history of the language, the history of the author’s moment, the history of the language-in-and-as-translation, must figure in the weaving [of the translation] as well” ( Spivak p 186).

The semi-structured interviews and focus groups of this research were translated and transcribed to word files by a Bengali whose family home is in the area of the study and so was able to ensure the inclusion of the cultural and contextual nuances and subtleties of the conversations and, while provided verbatim, added explanatory notes and commentary on local vernacular and social practices.

4.6 Ethical Considerations

Ethical issues (also called axiological issues) are the “concerns, dilemmas and conflicts that arise over the proper way to conduct research” (Neuman 2004 p 116). They can affect the research participants, professional colleagues and the sponsors of the research. The ethical issues in this study were approached using the guidelines of the University of Western Sydney Human Research Ethics Policy and these guidelines were adhered to. The guidelines conform to the National Statement on Ethical Conduct in Research involving Humans. Steps were taken to safeguard participants.

Particular attention was paid to David Turton’s admonishment (Turton 1996) that because this research examines aspects of people’s poverty and deprivation, and considers aspects
of people’s suffering, means of alleviating that suffering must be an outcome of the research (Turton 1996 p 96).

4.7 Limitations

The limitations that have been identified in this study are:-

- The risk of research bias, particularly where important facts may be hidden by the respondents or the locally selected researchers. Careful recruitment of the local research team was very important.

- The recruitment methods for participants in the research were partly dependent on the input of local people in each of the research areas. There was a possibility of local vested interests, such as NGO’s or local politicians influencing the choice of participants in order the skew the findings. In an attempt to limit this possibility, information from the participants about their circumstances and why they agreed to be interviewed was collected and reviewed during the selection process.

- It is acknowledged that cultural issues may well have arisen, particularly with regard to differing values between the researcher and the predominantly Islamic areas where the research took place.

4.8 Concluding Remarks

This chapter described the selection and justification of the research paradigm, the qualitative data collection methods, the target population, unit of analysis and the sample identification process. The next chapter presents the findings from the observational and interview data. Implications from these findings are presented and areas for further research are proposed.
Chapter 5
Qualitative Data Analysis and Preliminary Discussion

5.0 Introduction
This chapter reports the results of the qualitative data analysis of this study which has drawn on naturalistic decision making theory and marketing systems theory in structuring the methodology for data collection and analysis (Lipshitz and Strauss 1997; Lipshitz, Klein et al. 2001; Layton 2007; Shultz 2007). Even though naturalistic decision making theory has been adopted most often in organisational settings it has guided the approach to data collection and analysis because it is anchored in exploratory methodologies such as ethnography and aims to understand decision making from within “complex natural environments” (Lipshitz, Klein et al. 2001 P 343). While few previous studies have applied this approach to poor rural communities in emerging markets, naturalistic decision making theory supports this study of financial decision making from within what is proposed to be a complex natural environment (Kabeer 1998; Romero and Stewart 1999; Baulch and Davis 2007; Dichter and Harper 2008) where understanding of decision processes are context bound (Lipshitz, Klein et al. 2001).

Real life decision behaviour is studied in a real life setting (Beach 1998). In line with the naturalistic approach to studying decision-making, this research begins with a situation assessment which looks at the characteristics of chronic poverty in the villages engaged with this study. The expressions of chronic poverty within this context are also considered and many possible paths to a purchase decision are identified (Lye, Shao et al. 2005), giving attention to the “perceptual, emotional and cognitive (decision) process which ultimately lead to the choice of decision alternative” (Svenson 1979 p186) rather than making assumptions about levels of freedom of choice and action that are not part of the realities of poor consumers in poor rural communities.
The naturalistic theorists recognise that many decisions are best understood as expressive behaviour, “that is, actions taken not as means towards desired ends but to express or actualize cherished values and ideals” (Lipshitz 1993 p 117) and this conceptualisation is a useful starting point in the exploration of decision making in chronically poor communities where poverty “almost certainly affects the way people think and decide” (Duflo 2006 p 376).

The study also draws on a market systems theoretical framework for examining financial decision making because marketing systems theory emphasises the connections between the “social and material entities” (Araujo and Kjellberg 2010 p 202) of market systems within a specific context with the aim of contributing to the shaping of well functioning and beneficial community and societal outcomes. It thereby fits with the stated objectives of this research and provides a useful lens for considering the data collected for this study. This theoretical framework for making sense of the data and exploring the influences on financial decision making in this context has been derived from the marketing systems literature as detailed in Chapter 3 of the literature review (Layton 2007; Varman and Costa 2008; Layton 2009).

The research is guided by three research questions. Question one (i) In what ways do chronically poor rural community members express their conditions of their poverty state? (ii) What effects do community members expressions of poverty have on their financial decision-making? Question two, do the characteristics of community-based relationships influence financial decision-making processes and outcomes and if so how? Question three, (i) what is the nature of the marketing flows linking those involved in making financial decisions in poor rural communities? (ii) what are the implications for financial decision making, of the marketing flows within the rural community studied?

Details of the interpretive techniques adopted in this thesis are discussed in Chapter 4. Taking on the role of a qualitative research instrument (Belk, Sherry et al. 1988; Sherry
the role of the researcher has been to observe, select, coordinate, and interpret the data (Sanday 1979; Spiggle 1994).

A complete review of all the materials from the data (i.e. participatory observation, interviews, focus group discussion) was carried out and data was coded using Leximancer (2005). The exploratory analysis by the researcher included recording insights, meanings, patterns, themes, connections, and a conceptual framework was derived as a contribution. This interpretive approach was applied to the analysis of the data in an attempt to understand meanings of the major themes found in the data and the linkages between these themes (Lincoln and Guba 2000; Patton 2002; Denzin and Lincoln 2005; Denzin and Lincoln 2008; Cannella and Lincoln 2009). Relationships between themes were progressively mapped using Leximancer (2005) and the theoretical framework and causal linkages were identified (Bergadaa 1990).

Systematic comparisons were used to make inferences from the data by categorising and noting general similarities, then to identify them as representing the same category (Spiggle 1994). This process initially occurred implicitly and unsystematically but as analysis proceeded, comparisons were developed more systematically as constant comparisons were made (Glaser and Strauss 1967; Guba and Lincoln 1982; McCracken 1988; Spiggle 1994; Guba and Lincoln 2005).

Due to the nature of the study, the discourses were captured in the body of the chapter. The indexed discourses were kept in a ‘theoretical framework box’ because of their importance and relevance to the research objectives. It will help the reader to be involved in the text and clarify the meaning of the themes.

This chapter is presented in five major sections. The following section 5.1 illustrates how the qualitative data was processed and examined; sections 5.2, 5.3, and 5.4 analyse concepts found within the data and present a relational and interpretative analysis of the influence
found to be impacting financial decision-making in rural Bangladesh. The final section, 5.5, summarises the findings of the analyses discussed in this chapter.

5.1 Preparations for Rapid Ethnographic Data Collection

Ethnographic observation of participants was conducted in three rural farming communities in the Matlab district of Bangladesh. Data was collected through participant observation and in-depth ethnographic interviews and focus groups. The ethnographic stance adopted was in order to uncover how the socio cultural dynamics of these communities and their decision making processes and outcomes were being challenged by the emerging financial decision making options opening to them, a significant component of which has become the opportunity to adopt microfinance loans. The ethnographic observations of the lived reality of these communities was also undertaken in order to promote “future orientated” (Holmes and Marcus 2005 p 1110) thinking that can generate new knowledge and precipitate action with regard to the financial services and products available to these communities, and to encourage alignment between the financial offerings provided and the needs, wants and demands of the members of these communities with regard to financial services (Shultz 2007; Layton 2009; Araujo and Kjellberg 2010).

The methods used to ensure the selected villages fell within the defined parameters of poverty and deprivation are discussed fully in Chapter 4. The villages where the data was collected are identified only as Villages A B and C (see Table 5.1 below). Six focus groups were conducted across the three villages, three with women and three with men. There were fifty four one-on-one interviews conducted within the villages and two interviews with the local research assistant who stayed for six months in the area conducting observations, interviews and focus groups with people who lived in the three villages.
Table 5.1 Data Collection Information

<table>
<thead>
<tr>
<th></th>
<th>Focus Group</th>
<th>Interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Village A</td>
<td>2 (One female focus group with 6 participants and one male group with 6 participants)</td>
<td>20</td>
</tr>
<tr>
<td>Village B</td>
<td>1 female focus group with 10 participants</td>
<td>7</td>
</tr>
<tr>
<td>Village C</td>
<td>3 (One female focus group with 8 participants and two male groups, one with 6 participants and one with 7 participants)</td>
<td>27</td>
</tr>
<tr>
<td>Local Research Assistant</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>6 focus groups</td>
<td><strong>54 Interviews</strong></td>
</tr>
</tbody>
</table>

The research field preparations are now outlined in an endeavour to be “critically conscious through personal accounting of how the researcher’s self-location (across for example, gender, race, class, sexuality, ethnicity, nationality), position, and interests influence all stages of the research process” (Pillow 2003 p 178). The objective of this approach was to produce better, less distorted research (Hertz 1997) and to push past a subjective yet straightforward story about participants and move towards an ongoing critique in order to challenge the representations of meaning (Pillow 2003.)

5.1.2 Getting Started in the Field

This study aims to accommodate and reveal the realities of chronically poor rural farmers’ lived experiences in context (Mohanty, Russo et al. 1991; Bannerji 1995; DeVault 1996). Social context is a key area of attention for the social constructionism paradigm that underpins the approach of this study. The data analysis in this chapter reflects the view that meaning is constructed by people as they engage with their specific social context, and the aim is to interpret meaning by drawing on specific, local social and cultural perspectives (Creswell 2009) while acknowledging that it is the interactions and beliefs of people that create reality (Berger and Luekmann 1967; Lincoln and Guba 1985).
The focus is on sense making of contextual specifics of the relevant research issues in a manner that is sensitive and responsive to the multiple perceptions of the rural villagers’ lived realities as has been discussed in Chapter 4 (Guba and Lincoln 1994), “preserving natural context” (Patton 2002 p 62) and acknowledging context “as critical to understanding” (Patton 2002 p 63). “Context, is the framework, the reference point and it is used to place people and action in time and space and as a resource for understanding what they say and do and the context is rich in clues for interpreting the experience of the actors in the setting” (Lawrence Lightfoot and David 1997 p 41).

The field notes which are included in some sections of this chapter provide an account of the manner in which the researcher’s self-location in the field unfolded. The researcher was always aware of the need to be “critically conscious through personal accounting of how the researcher’s self-location (across for example, gender, race, class, sexuality, ethnicity, nationality), position, and interests influence all stages of the research process” (Pillow 2003 p178).

5.1.3 Analysis of the Qualitative Data Scripts

The ethnographic analysis of social phenomena is a holistic enterprise which Fetterman (1989) described as the “art and science of describing a group or culture” (p 11).

The analysis of these qualitative, ethnographic data was focussed on describing and interpreting patterns that emerge from the day-to-day lived reality of the research participants and forms the basis for interpretation and the development of theory (Miles and Huberman 1994). The primary purpose of the analysis was to make sense of the themes emerging from an inductive process of analysis. A picture is built of rich connections found in particular settings and meaning is derived. Attention has been paid to the systemic relationships between the “orders of talk, representational orders and organized properties of material culture” (Atkinson and Delamont 2006 p 836). The analysis process follows Miles
and Huberman’s (1994) flow of activity, simultaneous data reduction, data display and conclusion drawing and verification (Miles and Huberman 1994 p 10).

5.1.4 Computer Based Analysis Using Leximancer (2005)

The software package Leximancer (2005) was used for text analysis. Leximancer (2005) has been developed over recent years and its use is becoming more widespread throughout the research community (Smith and Humphreys 2006; Hine and Carson 2007; Michael, Fusco et al. 2008) as it allows for systematic and comprehensive analysis (Gephart 2004) and, unlike conventional text analysers, it targets intra-textual ‘interactivity’ and this introduces hermeneutic possibilities unavailable in other text analysis programs (Petchkovsky, Cord-Udy et al. 2007). A key benefit of this tool for an exploratory study such as this is that it does not entail any pre-coding of data by the researcher and therefore the coding of the text by the Leximancer (2005) software is free from researcher bias. The researcher can then analyse and interpret the data in order to add meaning. It also helps the researcher to avoid fixing on particular anecdotal evidence, which may be atypical or erroneous (Smith and Humphreys 2006). The global context and significance of concepts can be identified using Leximancer, however it is important to note that a schematic graph is the commencing point of the analysis, not the end point in itself.

Using Leximancer (2005) assisted in the organising and pre-coding of data by identifying direct links between concepts. "The text is classified using these concepts at a high resolution, which is every three sentences. This produces a concept index for the text and a concept co-occurrence matrix. By calculating the relative co-occurrence frequencies of the concepts, an asymmetric co-occurrence matrix is obtained. This matrix is used to produce a two-dimensional concept map via a novel emergent clustering algorithm. The connectedness of each concept in this semantic network is employed to generate a third hierarchical dimension, which displays the more general parent concepts at the higher levels” (Smith and Humphries 2006 p 262).
The approach taken in this study has been to submit all the transcripts of interviews and focus group discussions to a Leximancer (2005) analysis; make minor modifications to the concept list generated by combining singular concepts with the equivalent plural then save this concept set and associated thesaurus. Each interview and focus group was then submitted to a Leximancer (2005) analysis on the basis of the saved concept set and thesaurus.

The analysis tools produced by Leximancer (2005) create a two dimensional matrix labelled along each axis with the names of all concepts found. The main diagonal contains the number of occurrences of each concept within in the body of the text, while the remaining cells of the matrix contain the number of pair-wise co-occurrences of concepts.

The transcripts were analysed using both conceptual and relational content analysis. Content analysis is a research technique for breaking down text into categories based on explicit rules of coding (Krippendorff 2004). Conceptual analysis, the most common form of content analysis, involves the detection of explicit and implicit concepts in the text. Relational analysis considers the relationships between concepts.

The recommended analysis procedure was followed (Leximancer, 2005), using ‘discovery’ mode to see what concepts were automatically generated by Leximancer (2005) without intervention. A ‘concept’ is a set of words that is used in conjunction with each other by participants. The components of each concept are placed in a ‘thesaurus’ that contains the set of associated words and weightings which indicate the words’ relative importance in the concept generation. The tool provides a visual representation of the major themes within the data, the links between them, and what concepts were contained within the themes identified. This schematic diagram displays five items of information about the text: the main concepts discussed in the document set, the relative frequency of each concept, how often concepts co-occur within the text, the centrality of each concept, and the similarity in contexts in which the concepts occur (themes) (Leximancer Manual 2005).
The interview and focus group guides were developed iteratively. i.e., the insights of early informants were incorporated into the questioning of later informants. This is an accepted procedure in qualitative research (Gephart, 2004). Interviews and groups were as non-directive as possible, i.e. were conducted as explorations, to maximize the emergence of informants’ views (as suggested by Alvesson, 2003).

Table 5.2 below illustrates that the concept ‘money’ is the most frequently occurring concept in the data, with 413 direct mentions within the text. If we turn to concept 15, ‘husband’, we see it has occurred eighty seven times within the data and has 21% of the number of occurrences of the concept money. The concept ‘loan’ is the next most frequently occurring concept in the data, after money, with 273 direct mentions within the text.

**Table 5.2 Most Frequently Occurring Concepts**

<table>
<thead>
<tr>
<th>Concept</th>
<th>Absolute Count identifies how many times a concept is mentioned in the text</th>
<th>Relative Count which relates concepts to each other. Identifies the % of relationships of concepts in text</th>
</tr>
</thead>
<tbody>
<tr>
<td>money</td>
<td>413</td>
<td>100%</td>
</tr>
<tr>
<td>loan</td>
<td>273</td>
<td>66.1%</td>
</tr>
<tr>
<td>maize</td>
<td>183</td>
<td>44.3%</td>
</tr>
<tr>
<td>pay</td>
<td>170</td>
<td>41.1%</td>
</tr>
<tr>
<td>people</td>
<td>129</td>
<td>31.2%</td>
</tr>
<tr>
<td>land</td>
<td>125</td>
<td>30.2%</td>
</tr>
<tr>
<td>give</td>
<td>125</td>
<td>30.2%</td>
</tr>
<tr>
<td>family</td>
<td>122</td>
<td>29.5%</td>
</tr>
<tr>
<td>BRAC (Bangladesh Rural Advancement Committee, a local NGO)</td>
<td>115</td>
<td>27.8%</td>
</tr>
<tr>
<td>rice</td>
<td>114</td>
<td>27.6%</td>
</tr>
<tr>
<td>year</td>
<td>106</td>
<td>25.6%</td>
</tr>
</tbody>
</table>
The data analysis of this study considers how connected these concepts are with each other when this is relevant for interpretation of meaning with regard to the research questions. The connection between concepts is measured by examining how often two concepts are discussed within the same passage of text (which in this analysis is defined as within three sentences of the same paragraph) in order to establish relationships and intra-textual ‘interactivity’ which provides opportunities for hermeneutic evaluation (Petchkovsky, Cord-Udy et al. 2007). For example, Table 5.3 below identifies the concepts most often connected with the concept called “money” which, as noted above, is the most commonly occurring concept in the data.

Table 5.3 Top 5 Concepts Connected with the Concept of ‘Money’

<table>
<thead>
<tr>
<th>Concept</th>
<th>Absolute Count</th>
<th>Relative Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>loan</td>
<td>100</td>
<td>24.2%</td>
</tr>
<tr>
<td>pay</td>
<td>88</td>
<td>21.3%</td>
</tr>
<tr>
<td>borrow</td>
<td>81</td>
<td>19.6%</td>
</tr>
<tr>
<td>give</td>
<td>51</td>
<td>12.3%</td>
</tr>
<tr>
<td>BRAC</td>
<td>46</td>
<td>11.1%</td>
</tr>
</tbody>
</table>

In all the transcripts from focus groups and in depth interviews, when talking about money the discussions were associated with ‘loan’ 24.2% of the time and ‘pay’ 21.3% of the time. ‘Borrow’ was a word often used interchangeably with ‘loaned’. The relationships among
these three concepts are co occurring with ‘money’ 65.10% of the time and are all associated with the borrowing of money in one form or another.

Concepts that occur in very similar semantic contexts tend to form clusters. The map is used to present an overall picture of the data and to guide interpretation. Diagram 5.1 below shows how the concepts related to money are connected. Concepts that occur in very similar semantic contexts tend to form clusters. The map is used to present an overall picture of the data and to guide interpretation. The maps are acknowledged as being a subjective interpretation tool because of the qualitative nature of this study. The circles represent the thematic groups of concepts. These groups are drawn together from the textual data by the Leximancer software without any user input. How these thematic groups of concepts are positioned relative to one another is based on their contextual similarity. This means that concepts appearing in the same context within the source text will group together within the Leximancer output. The size of concept point indicates its connectedness to other concepts, with larger concept points indicating greater connectedness.

Diagram 5.1 Concepts Connected with the Concept of ‘Money’
The brightness of a concept is related to its frequency (i.e. the brighter the concept, the more often it appears in the text). Nearness in the map indicates that two concepts appear in similar conceptual contexts. The brightness of links relate to how often the connected concepts co-occur closely within the text as can be seen in Diagram 5.2 below.

**Diagram 5.2 The Strength of Links Between Concepts related to ‘Money’**

5.1.5 Setting up the Study

It took five hours to travel by car to the research area from the capital city of Bangladesh, Dhaka. The researchers were housed in the homes of local Matlab community members or in the family compounds of research assistants whose families lived in the area.
To comply with the local socio-cultural expectations, as outlined in Chapter 2 and Chapter 3, approvals were sought from religious leaders, local government officials and the elders in the villages to carry out the research. This was a very important first step for the data collection process. Gaining these approvals facilitated open access to participants, acceptance for the presence of the researcher in the chosen villages and the villagers' cooperation for data collection. These approvals were obtained by leveraging the connections of local community ‘anchors’ (Sandhu, Altankhuyag et al. 2007 p 616) who were respected people from the Matlab community supporting the research effort and acting as ‘research anchors’. They assisted with access into villages, introducing the researchers to local officials and villages elders, smoothing the way for the expeditious collection of data.

The local anchors had spent time informing the local community of the proposed research. One such anchor, indentified as ‘Z’, whose family has lived in Matlab for many years and is a local business leader with extensive local connections, was used for introduction to the local government official for the Matlab district. Another anchor, identified as ‘H’, whose family owns land in the area and has a strong family business connection in the district over generations, explained the purpose of the research to the local Muslim mullahs. He gained their approval for the presence of the research team in the area and for the data collection.

The visit to the government official was in the form a formal meeting in his district office. “Z” accompanied me to this meeting on my second day in Matlab. The official’s office was in a large room and he sat behind a desk, but there were twenty or so men representing the rural communities in the area, lining the walls of the room. Tea was served first and then I was requested to outline the nature of the research, how long I intended to stay and the discussions were translated for everyone to hear as the meeting progressed. When “Z” assured everyone that I was indeed a researcher from the University of Western Sydney, and produced my documentation, everyone relaxed and the government official then spoke to the men in the room, asked them to support my effort (translated by “Z” to me
concurrently). In the ensuing weeks I was given an escort of some of these men who then brought the research team to meet the elders of the baris that fitted the profile I had specified. They explained the purpose of my visit and smoothed the way for me to begin. Being able to establish an element of trust in this way was the beginning of the establishment of a good rapport. Both trust and rapport are paramount if the information provided by participants is to be a true reflection of their perceptions (Fontana and Frey 2008).

Baris in three villages were selected after these initial visits to discuss the research with the village elders. When asked if they would give permission for the research to be conducted, all agreed to allow the research to proceed. Once these permissions had been received the research team was able to move freely and safely in the district and the people interviewed were relaxed and spoke openly in front of me and the research assistants. The village residents were welcoming when the research team visited. Chairs were produced for participants and researchers and what little food was available in each household was offered as a gesture of hospitality.

Two extracts from my daily journal records my observations of the environment in which the data for this study was collected.

*Extract 1 January 12 2008.* This morning we are using one of the narrow tracks that run between the three villages. These tracks are perched on the top of high levee banks. The river meanders below, with narrow bamboo bridges across it every now and again. The weather is cold in the morning but the sun is out and there is a mist that will burn off later in the morning. The women are washing clothes in the river and spreading them to dry on the banks and on the low bushes beside the road. Fisherman are standing in the shallows trying their luck; a rickshaw comes by, the passenger leaning slightly forward to balance the weight and enable the rickshaw wala to go faster. The trees are old, branches overhanging, their roots holding the levee banks together. They provide shade across our path in places. We
pass a roadside tea shop; no more than a wooden shack, leaning precariously towards the river, with a couple of wooden planks outside. The customers nod and wave as we go by. They are all men, farmers, mullahs and a few little boys; scarves wound around their necks in the cold morning air.

Most of the houses in the compounds of the villages we visit are made of corrugated tin, walls and roof, with packed earthen floors. A bed and a couple of chairs are all there is inside, unless there is a bit more money coming from remittances from overseas, then there will be the occasional oversized lounge chair and maybe a sideboard with some plates and cups. Almost no one has electricity.

The hospitality is always generous, and if we stop at a house, small wooden stools or some wooden chairs are immediately brought for us by the children, the mothers carefully wiping them off and inviting us to sit. They offer whatever they have to eat and drink, which sometimes is only water or a little cooked rice. In some houses, out will come the local pickles or puffed rice. Everyone gathers around to look at us and listen to what we have to say.

Extract 2 January 15 2008. I met Salima, who was about 11 years old, when we came to her village to speak to the elders about conducting research in her bari. Salima always wore her one dress, it was maroon and made of cotton. She was barefoot. I first noticed her carrying her little sister who was about three. Her sister had been injured in the fields, badly cutting her foot and she was crying and couldn’t walk because of the subsequent infection. There being no money for antibiotic cream the research team gave some to the mother and the injured child recovered quickly and was all smiles on our next visit.

To get to this village we had to walk across a narrow concrete bridge and down a steep gully that would be submerged during the monsoon season. We then proceeded across the fields that were full of peanut and potato crops at this time and then up a rough embankment,
hanging onto tree roots for balance, before reaching the elevated compound of the bari where Salima lived.

Salima’s parents had no money to keep her at the local school. She had a year 1 education and was now helping her mother at home with the smaller brothers and sisters. She was very keen to learn about what we were doing.

Each time we came to visit her village; she would be waiting for me by the bridge. She would take my hand to help me as we scrambled down the embankment before walking across the fields. She also helped to pull me up the steep incline into the bari compound, laughing usually. During our female research focus group and interviews, which took place in her mother’s house, she sat on the bed between me and my female research assistant, carefully holding the recorder. She is a curious, intelligent child.

Salima’s parents had borrowed so heavily from a number of NGOs and MFIs, they told us they did not know how they were going to pay back the loans; their crops had failed and they had no money at all for seed for next season. They said that they had no money to educate their children.

Did Salima’s family understand the rules related to the loans they took from “outsiders”? Did they understand the implications for them into the future of taking on such loans from NGOs? What effect is the increasing indebtedness of rural farming families like Salima’s having on the social cohesion within their family and community?

Men and women were interviewed separately in order to comply with the local custom of women living in seclusion and therefore being separated from men in society unless their heads, and often faces, are covered and they are in the company of a male relative.

The local male research assistant and anchor (Sandhu, Altankhuyag et al. 2007), H, whose family had lived in the district for generations, conducted the focus groups and semi structured interviews with the men. These discussions were carried out in a natural setting at
the local tea shops where the men gathered at the end of each day. H was briefed beforehand on the nature of the research and recorded the discussions with the men in the tea shop. He also made useful observations, which were very rich because of his local knowledge. His observations were recorded in two interviews with me during the course of our time in the field. He also subsequently returned to the area during the mid year monsoon season of 2008. He spent more time in the villages, using a boat to get here because of the annual floods. He would often wade in chest deep water across the flooded fields to get to the villages in the study. The female researchers did not attend these male focus groups. The socio-cultural norms would have inhibited the men from speaking freely.

Because of their predominantly secluded lifestyle the women were interviewed by our female research assistant, who is identified as ‘J’, and I. J was another important anchor for this data collection process. She was trusted by the women from the baris because she was known to be the wife of H. She understood the village life very well and together we spent a considerable amount of time in the villages just chatting with the women, about their families, their children, and the success or otherwise of the seasonal crops. These focus group discussions and one-on-one interviews with the women were only carried out after gaining permission from husbands or the senior male relative in each household, as is the custom.

During my stay in these rural communities I always provided tea and snacks during friendly exchanges after the focus group discussions. The participants were not paid but offered refreshments as rapport developed, and a good mutual understanding regarding the purpose of the research was reached. An example of the cooperation and friendliness experienced while the research was being conducted can be found in an excerpt from my filed notes of the first female focus group in village C.
The photograph 5.1 above shows me, outside the house of one of the villagers where the first focus group with 15 women was conducted. One woman, Anwara, in the green and white sari, agreed to hold the focus group in her house (pictured). The women brought their small children with them and all crowded into this small space with me and local female research assistant, some sitting on the bed, and others sitting on some old benches brought there for the occasion. The men and boys of village were very curious about what was being discussed and all leaned against the closed door (bolted from the inside with an old wooden slide bolt) to try and hear what the conversation was all about. At one point, their pressure against the door caused it to burst open and the men and boys tumbled into the room, only to be shooed out by the women, with much laughter. A stray chicken came in and noisily laid an egg under the bed also during the taped discussions. The women provided rich experiences and were open and co-operative.

This research commencement process demonstrates how this study, in finding a beginning point for understanding and participating in local socio-cultural systems, was supported by local participants and their knowledge of the important social behaviours to be addressed, such as gaining permission for the research, and gaining appropriate introductions to the elders of the villagers. Using the knowledge and reputation of locally known research assistants as anchors involved gaining prior agreement with them on the most important and culturally sensitive components of the research process for the community and the most important potential problems or constraints (Galt 1985; Beebe 1995).
Interviews were thirty minutes on average, and focus groups averaged sixty minutes. Focus groups and interviews were recorded and transcribed verbatim, allowing the interviewer to concentrate on questioning and listening, to provide an accurate record, to enable the use of direct quotes in subsequent analysis (as suggested by Saunders, Lewis and Thornhill, 2003) and as the necessary input into the computer-based analysis described in the previous section.

This data analysis of this chapter is divided into three sections. The research question 1 is analyzed in section 1. In section 2, the data analysis of research question 2 is discussed, and question 4 is discussed in section 3.

Data Analysis Section 1

5.2 Introduction

The first research question is (i) in what ways do chronically poor rural community members express their conditions of their poverty state? (ii) What effects do community members expressions of poverty have on their financial decision-making?

This question relates to chronically poor people’s expressions of their poverty state, and draws on the broad definition of chronic poverty which is discussed in full in Chapter 2. This broad definition encompasses the notion that what defines the lack of resources at the core of chronic poverty differs according to particular social and cultural norms in a given time and place (Anderson and Broch-Dur 1999). Therefore expressions of chronic poverty can encompass a multiplicity of perceived deprivations including social, cultural, moral and psychological (Anderson and Broch-Dur 1999; Hulme and Mckay 2005; Chakravarti 2006; Woolcock 2008).

This section answers question one by considering the environment, boundaries, inputs, and conditions from the perspective of the physical environment, socio-cultural context and the characteristics of the marketing systems environment which may be changing, turbulent,
complex, and uncertain (Layton 2007). In order to introduce the findings relating to how poor rural community members express their conditions of their poverty state, this section begins with a discourse among farmers in a local tea shop. It is an example of the participants’ expressions of their conditions of poverty and highlights the dominant themes and concepts occupying the minds of the farmers. These themes and concepts are repeated throughout the data.

5.2.1 Discourses in Tea Shops and in the Fields: Major Themes and Concepts in the Data

The rural farmers from the Matlab community gathered at a local tea shop at dusk after work in the fields was finished for the day. As they sat there they spoke to H, the male research assistant, about their perceptions of the conditions under which they lived and how these conditions influenced their financial decision making. They discussed the successes and failures and potential problems of switching from traditional methods of farming to trialling maize as a new way of trying to achieve more income through successfully farming a cash crop. Most farmers in this group were keen to try to grow maize because they had heard about the extra money it might bring to their families. One NGO, the Bangladeshi government run BRAC, had been promoting the growing of maize and had been offering more micro loans to farmers who would buy genetically modified hybrid maize seeds and trial it (Mannan 2009).

The following discourse among farmers in a local tea shop has embedded in it significant themes and patterns which begin to crystallise during further analysis of the data. The Leximancer (2005) map in Diagram 5.3 below, which is inclusive of all the discourses and narratives in the data, represents visually through the use of brightly coloured interlocking circles the strong linkage between the dominant themes and concepts of money and land.
Leximancer (2005) co-occurrences of concepts in the data are shown in a table format as laid out in table 5.4 above. This table also indicates a linkage in the data between of the concept money with three other significant concepts; ‘loan’, ‘pay’ and ‘borrow’ in the discourses with ‘loan’ appearing ninety times or 23.8% of the time with ‘money’, and ‘pay’ appearing seventy seven times or 20.4% of the time and ‘borrow’ appearing sixty two times or 16.4% of the time.
The concept ‘land’ is also linked in the data through co-occurrences with three other significant concepts; ‘money’, ‘loan’ and ‘maize’ as identified by Leximancer (2005) in table 5.5 above.

In both major themes identified by Leximancer, money and land, the concept of loans is significant. The significance and implications between these concepts and critical analysis of the data surrounding them are now discussed in this section of this chapter. The following discourse is an example of the linkages found between concepts of money, land, and loans identified above in tables 5.4 and 5.5 and has embedded in it significant themes and patterns found throughout the data. Farmers have gathered after work in a local tea shop and are chatting with the male research assistant.

5.2.1.1 Discourse among Farmers in a Tea Shop (1)

Farmer 1: *The potato-maize is good combination but it requires high level of chemical fertilizer. Yes, we are giving sufficient fertilizer, but long maize root taking natural nutrition from the soil. This condition is pushing us to apply more fertilizer next year. The great danger of this practice is that there will be no natural nutrition in the soil. We have to fully relying on chemical fertilizer."

Old retired farmer: *The young farmers only know how to make money. They have been growing potato-maize every year. It takes high level of nutrition and left very little for the next crop. Every year they are applying more fertilizer. God forbids, there will be no rice grown in this soil."

Farmer 2: *The marginal farmers, who have nothing to do but cultivation, are usually rent land expecting high yield and profit. Their rent has increased from 7000 taka to 16000-17000 taka per
shatangsha. The calculation is simple: even if the yield is optimum it is impossible to make profit because he had already spent double in fertilizer and land rent. On the top of that the seasonal storm had destroyed one-third of the crop. It is impossible to make profit."

I have been in agriculture for the last 30 years. I haven’t seen such dramatic increase of land rent. The maize has caused this situation. The farmers are doing it because they have nothing else to do, so they have to cultivate crops. It is better to rent land than growing crops. The old farmers are doing the right thing. They are renting their land and don’t worry about farming.

Farmer 3: I work in a cinema hall, and cannot make enough money to feed my big family. I borrow huge money from the agents (NGOs) and grow potato-maize. I have hardly any land of my own except very few in the low land. I return their money once I sell all the crops. Now I earn more respect in the village."

Farmer 4: Now I grow potato-maize, and sell the crops to the market. I buy rice selling these crops.

When I used to do kufashali (multicropping), I did not sell any crops. I and my family consume everything. When I need money, I borrowed from NGOs and pay it back working in other’s field.”

Farmer 3: To tell you the truth, taking loan from NGO is a kind of earning. You take loan from one NGO and you start another loan another NGO, and also take loan from relative. I am a daily labourer which helps me to buy daily necessities. I pay the NGO loan from the money taken from relatives because they do not take interest. The income comes from delaying the payment. Last year I bought roof shed for my house it was taken away by cyclone. So, I had to take loan from NGOs. I actually shuffle (naira-chaira khai) the loans and somehow pass my days in rainy season. Everybody is doing this in rainy season when they have nothing to do, but nobody will disclose it to you. This year I take .25 acre of land, I will grow maize and rice’ growing maize in November is safe, the flood or storm do not take place in winter.”

Farmer 5: Don’t you think the NGOs know our trick, of course they do. They know we are using our wives to get loan from them and using these money to buy rice and clothes. But it’s a kind of ‘they use us and we use them’. They know we will pay the money on time because we borrow from
everywhere. It is our bad nature. We should not do this but when your kids and family is hungry you have no other alternatives.

The discourse demonstrates how the concepts of money, land and loans are interlinked throughout the data. The reasons for the linkages begin to be seen as the farmers discuss their concerns about their current situation because of financial decisions they have taken to borrow from NGOs in order to grow a cash crop, maize. The farmers revealed the pressures on their traditional values that are outcomes of increasing their debt by deciding to take loans from NGOs. They know we will pay the money on time because we borrow from everywhere. It is our bad nature. We should not do this but when your kids and family is hungry you have no other alternatives.

The farmers also demonstrate in this discourse, an awareness of some significant factors influencing the nature of their financial decision making. They are concerned that the farming practices many have adopted in order to farm cash crops of maize are unsustainable in the longer term because of the way they leech nutrients from the soil and require increasing amounts of expensive fertilizer each season. The farmers highlight the implications of a change from farming the staple crop, rice, to attempting to farm the cash crop, maize, for profit. They understand that rising prices of rent on land is a consequence of these changing patterns of farming and they discuss the deceptions and degradation of long standing social and moral values which have crept in to their financial dealings with NGOs. They see these changing values particularly reflected in the behaviour of the younger farmers who “only know how to make money”.

A significant pattern in the data which is indicated in this discourse is that changing farming practices are occurring in this area with a shift from growing crops of the traditional staple food, rice to attempts to grow the cash crop maize. This changing agricultural pattern has significant social cultural and financial implications for the characteristics of the marketing systems operating within this community. These are now explored.
A significant theme emerging here which is found throughout the data concerns the consequences of financial decisions farmers have taken to borrow from NGOs in order to grow maize. There is evidence here of an emerging debt cycle amongst borrowers from NGOs; “they know we will pay the money on time because we borrow from everywhere. It is our bad nature”. “We should not do this but when your kids and family is hungry you have no other alternatives”.

These farmers revealed the pressures on their traditional values that are outcomes of increasing their debt by deciding to take loans from NGOs

5.2.1.2 Discourse among Farmers in a Tea Shop (2)

The discourse below further substantiates the emerging pattern and theme identified. It reflects important aspects of the nature of the environment and cultural context contributing to expressions of chronic poverty in this area and provides further insights into the reasons why many farmers are going into debt by taking out micro credit loans. The older, experienced farmers voice their concerns about the risks associated with the changing farming practices, such as using greater amounts of costly fertilizer while trialling hybrid maize crops.

In the Matlab district earning an income through farming is critical for the wellbeing of the community members because there are limited off-farm work opportunities due to a lack of skills, and low levels of education (Asadullah and Rahman 2005).

Climate change in the area surrounding the three villages where the research took place is also becoming a major concern for the farmers with respect to their success in harvesting good crops. Changing weather patterns such as increased flooding and more frequent cyclones, are now a regular occurrence (Streatfield and Karar 2008) which means farmers have to adapt to shorter planting and harvesting cycles. Many of the farmers’ fields are under water for several months each year, providing only a short window for them to make
money and grow food to feed their families. This situation has given rise to strategies which attempt to mitigate the environmental, physical and financial risks that are a part of this rural existence.

*Farmer 1:* The winter season is becoming shorter and shorter. We have had rain water logging since late October that has remained still till this early November, but look now, it is late November, supposed to be prime winter, but can you feel any cold……..potato needs chilling cold, otherwise it won’t get enough food”.

Look at me I am wearing only a shirt on a winter morning and it is 9 in the morning. You will never get a good yield of potato if the winter is not cold enough. If I have to plant potato in December then when will I harvest maize? It will be all rainy and cloudy by the time of maize harvest, all too difficult to dry maize then.

*Farmer 2 Village C:* All we can do is pray to God to stop this devastating air, I have lost huge yields because of it, and it is increasing every year. Agriculture is no longer the simple way of life. You have to have sufficient cash in hand.

The increased incidence of crop failure and dwindling opportunities to earn a good income puts pressure on the farmers’ ability to maintain even a basic food supply for their families and these pressures lead to financial decisions to take more micro loans from NGOs and try to improve their situation by trialing the cash crop, maize. The trend of farmers in these areas to switch to growing maize instead of rice has led to shortages of rice and consequently the price of rice, the staple food for this region, has risen steeply in the past few years. It rose from 40tk a kilogram to 75tk a kilogram between 2007 and 2008 (Asian Development Bank 2008).

This situation is linked to the financial decisions of farming families to borrow money available to them from NGOs in order to make up the widening gap between market prices for the staple food (rice) and their incomes. The average amount of rice consumed by a family of four or five in the Matlab district during the study period was five kilos per day. With
the average daily income per day being 200-300tk, if rice had to be purchased for consumption, then there was a significant income shortfall.

Further evidence of this ‘pressure cooker’ of contextual issues has led to an increasing reliance on micro debt and other forms of credit at high cost (Karnani 2007; Dichter and Harper 2008; Premchander, Prameela et al. 2009) is outlined below in table 5.6. Key discussion points from the data discourses and narratives provide examples which again demonstrate the linkages between the key concepts of money and land as identified using Leximancer (2005) and the emerging theme of the concerning cycle of debt amongst borrowers from NGOs and the related pressures on their traditional values that are outcomes of increasing their debt by deciding to take loans from NGOs. Comments from the data in table 5.6 provide insights into the motivations for this debt accumulation behaviour. Farmers have taken micro credit loans in an attempt to mitigate the risks and vulnerability brought about by increasingly harsh climatic conditions;

*I had to take loan from NGOs. I actually shuffle (naira-chaira khai) the loans and somehow pass my days in rainy season. Everybody is doing this in rainy season when they have nothing to do, but nobody will disclose it to you or because of their desire for improved status which would be earned by profitable crops of maize. “I borrow huge money from the agents (NGOs) and grow potato-maize. I have hardly any land of my own except very few in the low land. I return their money once I sell all the crops. Now I earn more respect in the village.*
| Themes | Money: Multiple borrowings of micro loans are occurring and evidence of debt spirals is emerging | Land: Agriculture is no longer the simple way of life. More money needed because of the increasing climatic volatility. Micro loans motivated by desire for improved status by harvesting profitable maize crops |
| Concepts | Loan | Money |
| | You take loan from one NGO and you start another loan another NGO, and also take loan from relative | When I need, I borrowed from NGOs and pay it back working in other’s field. |
| | Money | Agriculture is no longer the simple way of life. You have to have sufficient cash in hand. |
| | Pay | Loan |
| | They know we will pay the money on time because we borrow from everywhere. It is our bad nature. | So, I had to take loan from NGOs. I actually shuffle (naira-chaira khai) the loans and somehow pass my days in rainy season. Everybody is doing this in rainy season when they have nothing to do, but nobody will disclose it to you. |
| | Borrow | Maize |
| | I borrow huge money from the agents (NGOs) and grow potato-maize. I have hardly any land of my own accept very few in the low land. I return their money once I sell all the crops. Now I earn more respect in the village.” | Yes, we are giving sufficient fertilizer, but long maize root taking natural nutrition form the soil. This condition is pushing us to apply more fertilizer next year. It will be all rainy and cloudy by the time of maize harvest, all too difficult to dry maize then. |

5.2.1.3 A Personal Expression of Financial Burdens by a Young Farmer’s Wife:

**Discourse in a Field**

The women too, particularly the younger wives involved in making financial decisions to take up micro loans, expressed their concern regarding the effects of increasing debt from micro loans on the lives of their families.

For example, Moni, aged 25 and the wife of Nabir Hossain in Village C, young farmer trialling maize, tells her story about what financial decisions her family has made the reasons for those decisions and some of the outcomes. She took time out from planting her field to talk about the family’s significant reliance on multiple loans and her story exemplifies the
identified emerging theme in the data of financial decisions to take up microcredit loans exacerbating the poverty state because of accumulated debt.

*Last year I have loaned (borrowed) 79000 taka ($1,267 Aus).*

*Grameen Bank 20000, taka ($ 320 Aus) ASA Shamiti 24000 taka ($385 Aus), Village usury 35000 taka ($562aus)*

*I have to repay 25 taka per 1000 taka interest to Grameen Bank; ASA shamiti the repayment rate is also 25 taka per 1000 taka as interest*

*The village usury has asked for one mound (40kg) of maize for each 1000 taka. I have repaid 10 mounds but the initial amount and interest is yet to be paid*

*I had borrowed the money for agriculture specifically for cultivating maize*

*The NGO worker gives us various information regarding loans*

*The main sources of financial assistance is from various NGOs*

*In every walk of life we need money*

*At present, I have no source of income. My husband was a rickshaw puller, his rickshaw got stolen since then he is unemployed*

*Whenever we need cash, we need to loan because; our daily or regular income is very low. We can hardly make both ends meet with such a low income, so we are bound to take loans*

*Our savings plan is aimed to meet our demands for hard times. My husband plans to make jewellery for our daughter from the saved money. The money secured from the loans is spent by my husband, but both do consult. I have not benefitted much from the loans because the crops were not as good as expected. So, we are not being able to repay the loans. On top of all, the rickshaw got stolen, so now we are quite broke. If we want to restart, we will have to loan again. O, the loans have become burden to us.*

Key discussion points mentioned by Moni are highlighted below in table 5.7 which relates them to the linked concepts of money and land identified using leximancer (2005). Moni’s story is about her family’s reliance on multiple micro loans from NGOs creating a debt spiral which is exacerbating the chronic poverty state of her family. Concern for the financial well being of people such as Moni, who has only limited capacity to act in ways that further her
families interests (Narayan and Kapoor 2005), must prompt further investigation of the implications for this chronically poor community of the increasing use of microcredit as a core component of financial risk management strategies (Matin, Hulme et al. 2002).

**Table 5.7 Examples of Key Leximancer Themes in the Young Farmer’s Wife’s Story about Her Expressions of Poverty**

<table>
<thead>
<tr>
<th>Themes</th>
<th>Money: We can hardly make both ends meet with such a low income, so we are bound to take loans</th>
<th>Land: I have not benefitted much from the loans because the crops were not as good as expected. So, we are not being able to repay the loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concepts</td>
<td>Loan</td>
<td>Money</td>
</tr>
<tr>
<td></td>
<td>Whenever we need cash, we need to loan because; our daily or regular income is very low. We can hardly make both ends meet with such a low income, so we are bound to take loans</td>
<td>In every walk of life we need money</td>
</tr>
<tr>
<td></td>
<td>Pay</td>
<td>Loan</td>
</tr>
<tr>
<td></td>
<td>I have to repay 25 taka per 1000 taka interest to Grameen Bank; ASA shamiti the repayment rate is also 25 taka per 1000 taka as interest</td>
<td>I have not benefitted much from the loans because the crops were not as good as expected. So, we are not being able to repay the loans. On top of all, the rickshaw got stolen, so now we are quite broke. If we want to restart, we will have to loan again. O, the loans have become burden to us.</td>
</tr>
<tr>
<td></td>
<td>Borrow</td>
<td>Maize</td>
</tr>
<tr>
<td></td>
<td>Last year I have loaned (borrowed) 79000 taka ($1,267 Aus)</td>
<td>I had borrowed the money for agriculture specifically for cultivating maize</td>
</tr>
</tbody>
</table>

**5.2.1.4 Discourse among Farmers in a Tea Shop (3)**

In another tea shop discussion among farmers who had not borrowed money for cultivation from the NGOs, they also voiced their concerns about the escalating debts for farmers who had borrowed money from NGOs, often in order to trial maize in the hope that it might rescue them from their debt burdens.
Farmer 1 Kalu thinks that expansion of potato-maize cultivation will help him overcoming from loans that he and his family borrowed from the NGOs and the money lenders (shood bebshayee). There will always be the natural disaster, hot wind and high price of fertilizer. These will cause loss in potato crop, and it will be so high that good maize will not recover the loss. I don’t know why they are doing this. They are not farmers, and they have not farm before, I really do wonder why they are taking huge loan. One of Sadek’s brothers is in hiding because he failed to pay NGOs loan. He borrowed money from four NGOs. I am very worried about this family.’ (Mr Kalu and Mr Sadek were subsequently interviewed individually to follow up on this information. Mr Sadek’s interview is below in 5.2.3.1 and Mr Kalu’s interview is also discussed briefly in 5.2.3.1 and his story continues in Section 2 of this chapter).

Farmer 2: This year many families have taken new loan from new NGOs. They are hoping that maize will give them enough money to pay these loans. They use the money buying rice and cloths, and blamed the crop loss for not paying the loan. These families have borrowed money from their relatives, local lenders and from many NGOs. I don’t think they will make enough money to pay this loan.’

Farmer 3: My in-law in Daudkandi has lost all his land because he borrowed too much from many sources. Last year, he made huge loss due to bad weather and storm. He had sold all his land to pay the loan. He is still in huge debt. It is impossible to pay loan growing crops.

Farmer 4: I will never grow maize if the land is not owned by me. My brother-in-law have been grown maize for the last three years in Purba Haushdi (Daudkandi). He rent land (to others) because he has plenty of land of his own. He told me to grow maize in own land if money is borrowed for cultivation. He tried many times and always made loss because there is always bad weather in every year.’

Much of this data also reinforces the theme that many community members are borrowing from NGOs and relatives beyond their capacity to repay, with the expressed hope and desire of using their maize crop profits which would pay off the loans. Generally, however, it appeared from observations and interviews that the efforts to successfully produce a profitable maize crop were being thwarted, often because of a lack of information in how to
effectively achieve their goals for successfully growing maize in this region. Information flows within the marketing systems of the villages is explored further in section 3 of this chapter.

The decisions taken to borrow extensively in order to achieve these goals could often be seen to be motivated by a strong desire for improved well being for themselves and their families which supports Aldefer’s (1969) argument that lower-level satisfaction needs are not necessarily a prerequisite for the emergence of higher-order needs as conceptualised by Malsow (1942,1968).

5.2.2 Mr Sadek’s and Mr Kalu’s Personal Expressions of Chronic Poverty Lead to a Search for Improved Status

Mr Sadek’s story highlights the complex set of motivators that prompted him to take the financial decision to borrow money from multiple sources and to invest in growing potatoes, maize and jute. His decisions to do this were based on his desire to better the economic position of his family and ensure their food security but also because he wanted to be seen as a successful farmer, which in this area would provide him with improved status within his community. Successful farmers are looked up to and respected for their ability to produce good crops under the very difficult climatic and economic conditions they constantly face.

Mr Sadek has a strong desire for status which has overridden any hesitance for taking considerable financial risk and utilising multiple loans from various sources in order to attempt to become a successful farmer and improve his status in the village.

Mr Sadek is a twenty eight year old farmer from Village C

*I am a rickshaw driver, the lowest profession in our village. In 2005-2006, I borrowed 65000 taka and paid the loan on time and made marginal profit. I cultivated potato and jute. In 2006-2007 I decided to do more agriculture and remove the label of rickshaw wala from my life. In 2006-2007, I borrowed 50000 taka (from a landholder) on the agreement that I had to return 125 sacks of potato upon fixed rate of 400 taka per sack (50,000tk). I intentionally gave 28,000tk worth of potato and keep the rest. Otherwise he may not give me loan next year.*
In 2007-2008 I borrowed 290000 taka from different people. I grew potato and maize and nothing else.

Mr. Sadek got 600 sacks of potato in this season of which he gave away 170 sacks. He sold the rest to pay the actual amount borrowed. In total he had a deficit of 82,000 taka.

He was asked about the deficit, and he said:

I have to keep money for maize cultivation. They gave the money only for potato not for maize. I tell them that the fertilizer price was double, and the yield was not satisfactory because of cyclone and hail. Farmers cannot do agriculture without borrowings. I believe that maize is a blessing, and will bring fortune for us. Last year I was new had no experience and cyclone made it worse. This year I took one more acre of rent. I will be able to pay the loan.

The researcher asked about his financial future and he replied;

I told you before, it is about getting respect. I will always be a rickshaw driver but people will respect me for my expertise in potato, maize, and trade dealings with big traders. Now people stop me and ask me question about maize, its price, when to sell, how to store, these make me proud.

The researcher asked him if he would stop borrowing, he said;

I grow potato in November and maize in March. I keep one and half mound of potato and three mound of maize at home, and consume for six months. I purchase rice from the market with NGOs money and return money driving rickshaw. I borrow money from potato agent and pay them back after harvest. If the yield is satisfactory, I can recover cost.

I am a rickshaw driver. I have been in cultivation from this year hoping that I can make money from this and change my poor status driving rickshaw. I have very less idea but I will learn quickly.

I could not sell potato. They (potato agents from whom he took loan) come to the field when I harvest potato. They observe the whole harvesting period and take their share. After giving away their entire share, I have nothing to sell to anybody, and failed to pay the full loan. So, I give my full effort in maize cultivation, and sell my crops to my partner who gives the best price for it.
Mr. Sadek shared information on his intention to not pay the borrowed money on time. He mentioned that,

*I lied to the lenders that I will pay their loan on time. But I intentionally delayed the payment otherwise they might not give me the loan next year. They will give me loan next year to recover the previous year’s loan.*

The result of Mr. Sadek's increased borrowings from NGOs was that he had less money available to buy the fertilizer he needed after making the required payments to the NGOs and this has a direct negative effect on the yield from his crops. Mr. Sadek said:

*The NGOs money is must pay money. Even though we don’t give collateral to NGOs against borrowing, but their swearing in front of other villagers makes you to pay the instalment in each week. I had no choice not to spare some of the money that I borrowed from Mr. M for potato-maize. Now, I have less money to buy fertilizer. I will definitely have fewer yields. I may struggle to pay the loan to Mr. M because I have to spare more for the NGO payment.*

The consequences of Mr. Sadek's financial decisions become apparent when the planting is finished and Mr. Sadek has no more money left for weekly payments. Mr. Sadek requested that his mother and wife borrow more from another NGO which is a little more flexible than the existing NGO's weekly payment. Mr. Sadek's motivations for taking the financial risks that he does are complex and include a need for recognition, respect and status within his community.

While the development literature remains focused on 'things' it is perceived people need in order to have a sense of well being (Veenhoven 1994; Copestake and Camfield 2009), this study has found that influences on financial decision making can also be responses to personal internal perceptions of how their lives are going.

Mr. Sadek and Mr. Kalu both stated in their interviews that neither of them was happy with their personal social standing within their community. Mr. Sadek is a rickshaw driver and he
felt people looked down on him because this work is perceived as demeaning in this village.

Mr. Kalu works in a cinema hall and this work, although supplying him and his family a regular income, is perceived to be demeaning in the context of Islamic religious beliefs. They both have subsequently borrowed heavily in order to become farmers and, in so doing, to improve their social standing and conform to cultural norms in their community.

*Mr. Sadek said:* Even if I have million taka debts, I will still cultivate potato-maize and will become a renown farmer in this region. People will know me because of my farming techniques and success in farming. End of the day, people don't look at how much money people owe from me but what I do for living. My children will see me getting respect from others......they will not like me to be called 'rickshawala' (rickshaw driver). It will earn respect to my children and they can mix with children from respected family. Next season, I will give my 100% effort to do well, and I will rent more land, Insha’Allah (god blessing) I will be successful.

*Mr. Kalu says:* I am serious about my new profession. I will become the largest farmer in this area. I will give advice to many people who had hardly talked to me before because of my profession. People will come to me for advice, and it gives me immense pleasure and respect. I may not take this risk if maize did not come to my village. Now lenders (NGOs) come to my home or send people to convince me to do more farming. They see the good yield of maize, they are happy to give me loan. Now I relate (utha bosha) to rich people and they me by my name. You will see me cultivating potato-maize in double land than this year. The underlined text signals potentially very significant factors that are external to the community, influencing Mr Kalu’s financial decision behaviour. He says *I may not take this risk if maize did not come to my village. Now lenders (NGOs) come to my home or send people to convince me to do more farming.* The implications of this statement by Mr Kalu suggest he had decided to take more risk because the local NGO agents came to him, encouraging him to borrow more and try farming maize. The role of the NGO agents in the financial decisions in this community is explored further in section two of this chapter where Mr Kalu’s story is continued.
Despite initial losses from their attempts to produce a successful cash crop of maize, both Mr Sadek and Mr Kalu are eager to rent more land. The above discussion exemplifies the theme of the desire for social status being a major influencer for taking offered NGO loans. Key discussions points mentioned in the farmers’ discourse (3) are highlighted below in table 5.8 which shows again how the concepts of money and land are linked by Leximancer (2005).

Table 5.8 Examples of Key Leximancer Themes Relating to Expressions of Poverty in Discourse (3) among Farmers

<table>
<thead>
<tr>
<th>Themes</th>
<th>Money: Borrowed money from relatives, local lenders and many NGOs. They will not make enough money to pay this loan</th>
<th>Land: This year many families have taken new loan from new NGOs. They are hoping that maize will give them enough money to pay these loans.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concepts</td>
<td>Loan</td>
<td>Money</td>
</tr>
<tr>
<td>I need to loan when I am in trouble...but if I had a regular income then there is not many problems...and if there is no daily income...the loans becomes a big burden. End of the day, people don’t look at how much money people own from me but what I do for living.</td>
<td>These families have borrowed money from their relatives, local lenders and from many NGOs. I don’t think they will make enough money to pay this loan.’</td>
<td>My in-law in Daudkandi has lost all his land because he borrowed too much from many sources. Last year, he made huge loss due to bad weather and storm. He had sold all his land to pay the loan. He is still in huge debt. It is impossible to pay loan growing crops.</td>
</tr>
<tr>
<td>Pay</td>
<td>One of Sadek’s brothers is in hiding because he failed to pay NGOs loan.</td>
<td>Loan</td>
</tr>
<tr>
<td>There will always be the natural disaster, hot wind and high price of fertilizer. These will cause loss in potato crop, and it will be so high that good maize will not recover the loss. I don’t know why they are doing this. They are not farmers, and they farm before, I really do wonder why they are taking huge loan. This year many families have taken new loan from new NGOs.</td>
<td></td>
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</tr>
<tr>
<td>Borrow</td>
<td>He borrowed money from four NGOs. I am very worried about this family.’</td>
<td>Maize</td>
</tr>
<tr>
<td>Even if I have million taka debts, I will still cultivate potato-maize and will become a renown farmer in this region. People will know me because of my farming techniques and success in farming.</td>
<td>They are hoping that maize will give them enough money to pay these loans. I will never grow maize if the land is not own by me. My brother-in-law have been grown maize for the last three years in Purba Haushdi (Daudkandi). He rent land because he has plenty of land of his own. He told me to grow maize in own land if money is borrowed for cultivation. He tried many times and always made loss because there is always bad weather in every year. I may not take this risk if maize did not came to my village. Now lenders (NGOs) come to my home or send people to convince me to do more farming. They see the good yield of maize, they are happy to give me loan. Now I relate (utha bosh) to rich people and they call me by my name. You will see me cultivating potato-maize in double land than this year.</td>
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</tbody>
</table>
Here is a theme that reflects determination to take whatever financial risk is necessary in order to improve social status and respect, not just for the borrower but also for the family of the borrower. Financial risks are taken by many by taking on micro credit loans with little regard for the longer term consequences if the loan money cannot be repaid. The longer term consequences of those decisions were found often to be have been made through clouded or distorted trade off processes (Payne, Bettman et al. 1988; Bettman, Johnson et al. 1990; Bettman, Luce et al. 1998; Luce, Payne et al. 1999).

**5.2.3 Expressions of Poverty Relating to Aspirations for Land Ownership and Related Issues of Landlessness**

"I will never grow maize if the land is not own by me" said one experienced farmer in the discourses above. Most of the farmers in the Matlab district are in marginal situations, owning less than two acres of land and 40% of them are completely landless (Razzaque, Streatfield et al. 2007). One of the main contributors to the poverty in this area is low agricultural productivity and associated landlessness. Despite the fact that land is the major source of wealth and livelihood in rural Bangladesh, the ratio of land per person is one of the lowest in the world; estimated to be 0.12 ha (FAO 2001; Rahman and Rahman 2008) and the ratio continues to decline because of population pressure and land fragmentation (Ali 2005; Rahman and Rahman 2008).

The co-occurrence of the concepts money and land, within these discourses reinforces the central place that land has in the lives of rural families as indicated in table 5.8 above. Land, a significant concept in the data as identified using Leximancer (2005), is an important expression of status, relative wealth and well being, and a core component of the marketing systems operating in the study area.
The data in Table 5.8 above indicates that land is an emotive issue and the cause for feelings of ill being by the farmers who were landless or owned little land. Land is mentioned in the data predominately in terms of the money it generated, the loans needed to buy it or work it and the potential to use it for profit through the growing of maize crops. Another important theme emerging from the data therefore relates to the desire for land ownership and the social, cultural and psychological implications for financial decision making in relation to landlessness and loss of land.

As detailed in Chapter 2, agriculture forms the key source of income in this area and rice has traditionally been the main crop because it is the staple food in Bangladesh. However, approximately 50% of the households in the district are landless and fragmentation of landholdings is on the increase as the population grows (Asadullah and Rahman 2005). This was explained by Respondent 1 in the male focus group from Village C,

*The father divide the land, he divide the land into to two ways. One is crop land; one is land for building house. So when the number of population (grows), and the family extended, then the last generation has to go and pick that crop land for living for his house*

The men expressed strong feelings of frustration and concern regarding their lack of land or the need to sell their land because of their economic conditions. Because land is one of the few assets of value owned by people in this area it holds a very important place in their view of their own economic worth and their personal status within their village and the wider community.

Another respondent in this focus group talked about how he had to sell land to pay back an NGO loan. This was obviously affecting him emotionally, but he said he decided to trade off his land ownership “for a few good days”.

*I had to sacrifice my land to pay the loan but I can spend few good days if I borrow.*

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Further evidence of this financial decision making behaviour of selling land to pay back micro loans was found across all three villages, and particularly seemed to be an issue for both men and women in Village A.

Respondent 1 Village A said:

*At times people even sell land to pay back the big loans.*

Female respondents from Village A focus group said:

*Researcher: How did you get the money (to pay back the micro loan)? Respondent 4: Sold land - We don't have land, nothing but this homestead.*

The Male Focus group from Village A also discussed this issue:

*Took loan from NGO, 20000 tk, 550/week, 40 weeks. Agrani Bank, gave land document of 20 shatangsha, three years back, 12000 tk, still need to pay, interest is increasing, have to sell land, always on loan, no peace to farmers.*

These disclosures by the interviewees indicate increasing levels of landlessness as a contributing factor to sustained levels of poverty in rural areas of Bangladesh (Quisumbing 2007). The reasons for increasing landlessness are complex and related to many economic issues which fall outside the scope of this study. However the personal expressions of poverty found in the data relating to financial decision making were very often tied to issues of landlessness and farming by sharecropping and spiralling debt as families tried to maintain their lifestyle. Mr Ismail’s story is an example.

5.2.3.1 Mr Ismail’s Personal Expressions of Poverty: A Story of Sharecropping, a Daughter’s Wedding and Micro Debts.

Mr. Ismail is a farmer who has no land of his own but rents land and borrows extensively from NGOs, relatives and neighbours who are local money lenders to support his farming endeavours. Mr. Ismail is new to growing maize and he has heavily borrowed but failed to
manage the loan repayments. His lack of experience in growing maize may be the major reason for his increasing costs. His motivation for doing this was to raise money for his daughter’s marriage. He has now become a loan defaulter because instead of investing all his borrowings in agriculture, he spent a lot of the money on his daughter’s wedding. He borrowed 240,000 taka from NGOs, relatives and neighbors and paid an average of 35% interest on the loans for the cultivation season of 2007-2008. He was kind enough to disclose his overall cost structure which can be seen below in Table 5.9.

<table>
<thead>
<tr>
<th>Crops</th>
<th>Land Acre</th>
<th>Fertilizer</th>
<th>Land rent</th>
<th>Interest*</th>
<th>Seeds</th>
<th>Pesticide</th>
<th>Irrigation</th>
<th>Plant vitamin</th>
<th>labor</th>
<th>Total cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maize and potato</td>
<td>14</td>
<td>140000</td>
<td>9000</td>
<td>84,000</td>
<td>85650</td>
<td>4200</td>
<td>3800</td>
<td>15500</td>
<td>9100</td>
<td>351,250</td>
</tr>
</tbody>
</table>

*He borrowed 240,000 taka from different agents and paid an average of 35% interest rate for the cultivation season of 2007-2008.

He said: *I had to borrow money to do agriculture; I saw everybody is doing it and making profit. I had to give marriage to my daughter and need money. So I borrowed too much. I did not bargain well in renting thus I got ripped off. God willing, I will do well next season. Now I have huge loss. But I had to give marriage to my daughter."

Key discussions points mentioned in discourses relating to land and landlessness, and the interview with Mr Ismail are highlighted below in tables 5.10 and 5.11 below. Mr. Ismail admits he has “borrowed too much”, because of the emotional issue of ensuring his daughter’s dowry was adequate by local social and cultural standards. He also demonstrated lack of experience about the rental agreement; “I did not bargain well in renting thus I go ripped off”. He made some significant tradeoffs as part of this decision-making process. He made the financial decision to become a loan defaulter because he spent the money he made from his crops for his daughter’s dowry.
Table 5.10 Mr Ismail's Losses for 2007-2008

<table>
<thead>
<tr>
<th>Crop</th>
<th>Yield</th>
<th>Price/mound</th>
<th>Revenue</th>
<th>Cost</th>
<th>Profit/loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potato</td>
<td>600 mounds</td>
<td>370</td>
<td>222000</td>
<td>285450</td>
<td>(63450)</td>
</tr>
<tr>
<td>Maize</td>
<td>170 mounds</td>
<td>380</td>
<td>77770</td>
<td>64400</td>
<td>13370</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(50080)</td>
</tr>
</tbody>
</table>

Mr. Ismail made 50080 taka loss in the season of 2007-2008. He said:

“I had to sell one portions of my backyard, sold the fish in the pond, and my son's rice field to pay the loan. I am a farmer and I have to do farming I have no other profession. I will make profit next year”.

However, from the evidence in this study there is a pattern emerging that growing levels of landlessness in this district can be linked to over borrowing and the subsequent demands from NGOs for repayment of micro debt. The financial decision to sell land to pay off micro debt was observed to be a relatively common last resort practice adopted in order to repay micro debt. This is an issue which needs to be researched further.

Table 5.11 Examples of Key Leximancer Theme Land and Co-Occurring Concepts

<table>
<thead>
<tr>
<th>Theme</th>
<th>Land: The father divides the land two ways. One is crop land; one is land for building house. So when the number of population (grows), and the family extended, then the last generation has to go and pick that crop land for living for his house. Less land to cultivate.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concepts</td>
<td>Money: I had to borrow money to do agriculture, I saw everybody is doing it and making profit. I had to give marriage to my daughter and need money. So I borrowed too much. I did not bargain well in renting thus I got ripped off. God willing, I will do well next season. Now I have huge loss. But I had to give marriage to my daughter.”</td>
</tr>
<tr>
<td>Loan: Still need to pay, interest is increasing; have to sell land, always on loan, no peace to farmers. I had to sacrifice my land to pay the loan but I can spend few good days if I borrow. At times people even sell land to pay back the big loans.</td>
<td></td>
</tr>
</tbody>
</table>

5.2.4 Expressions of Poverty Lead to More Farmers Trialling Maize Crops with Hopes for Profits

The government has been encouraging farmers to grow maize as a cash crop and during the period of data collection hybrid maize was being trialled by farmers in the Matlab district. This increased interest in maize cropping was leading to rapidly escalating farming costs as
highlighted in previous discourses. Maize production has been expanding because of increasing demand from the growing poultry industry for feed. However, the majority of the trials had been occurring during the pre-monsoon (Kharif) period when there is quite a bit of rain and farmers found that maize crops grown during this period of the year are at significant risk of water logging and post-harvest drying problems (Ali, Waddington et al. 2008). Maize has loomed large in the discourses with farmers in this study. Leximancer (2005) identified the concept ‘maize’ as the third most significant concept in the data with 183 mentions of it. See table 5.12 below.

Table 5.12 The Concept ‘Maize’

<table>
<thead>
<tr>
<th>Concept</th>
<th>Absolute Count</th>
<th>Relative Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>money</td>
<td>413</td>
<td>100%</td>
</tr>
<tr>
<td>loan</td>
<td>273</td>
<td>66.1%</td>
</tr>
<tr>
<td>maize</td>
<td>183</td>
<td>44.3%</td>
</tr>
<tr>
<td>pay</td>
<td>172</td>
<td>41.6%</td>
</tr>
<tr>
<td>people</td>
<td>129</td>
<td>31.2%</td>
</tr>
<tr>
<td>land</td>
<td>125</td>
<td>30.2%</td>
</tr>
</tbody>
</table>

The decisions by farmers to grow maize as a crop were observed to be having significant implications for the financial well being of farmers and their families. Examples of these issues were raised during a discourse with four farmers from Village A.

5.2.4.1 Discourse with Farmers in Village A: Hopes and Concerns about Planting Maize

Farmer 1 has land in a low area so he can only grow one crop in a year because of annual flooding.
He said: *I am in a very critical condition. Borrow 20000 tk from ASA, 550 tk per week 46 instalment.*

Everybody is thinking how to earn extra money, whatever it is in the future we will do anything that will give us money.

Farmer 2 owns sixteen hectares of land and has traditionally grown jute, rice and vegetables but has tried growing some maize for the first time with very low yields.

He said: *Hopefully will do well, less labour intensive so that profitable. Took loan from bru-tangail, 20000 tk, 550/week, 40 weeks. Agrani Bank, gave land document of 20 shatangsha, three years back, 12000 tk, still need to pay, interest is increasing, have to sell land, always on loan, no peace to farmers.*

Farmer 3 owns no land, and has rented 1 acre and trialled growing maize.

He said: *too expensive at the end, 700 tk kg seed, most of the farmers got lower yield. Last year the price of maize crop was higher than rice so people selected to grow maize for the first time. This simple calculation, many farmers follow that (grew maize for the first time) made a terrible loss and lost everything, due to bad weather and less demand.*

Farmer 4 has income from agriculture and irrigation because he owns his own water pump, and sells water. He recently took a 10000 tk loan, 300 tk /week to build a house (not for agriculture), but has no problem paying the loan because of this regular income.

He said: *We never eat maize. We are not habituated to it, we eat rice, and maize is animal food. The demand may go up if our country make cooking oil out of it, if could make it then we did not need to import soybean oil. This year we cultivate maize not rice so have to eat maize, smiling, we have to live, we have to practice eating maize, smiling. I am practicing it (smiling); I have to learn eating maize.*

An emerging pattern for this data appears to be that the traditional farming practices, barter exchange and traditional forms financial dealings within the villages were increasingly being
challenged by attempts by many farmers to grow maize for profit, encouraged by NGOs with loans for maize seeds. Some NGOs offered seeds with loans.

The contribution of NGOs to the growing of maize was the reason some traditional practices of farming were being abandoned with encouragement from the NGOs.

"I introduced maize in this area. I have never thought of such jagaron (revolution) of maize in this community. I used to grow potato and mustard, and since last season I started maize. Participant 19 in Village C.

The concept of price being determined by demand did not seem to have been understood and soon because of the hope for a profit and on the advice of neighbours, many farmers made the decision to plant maize again for the next year.

Table 5.13 below highlights discussions points mentioned in discourses relating to maize.

Table 5.13 Examples of Key Leximancer Theme Maize and Co-Occurring Concepts Relating to Expressions of Poverty

<table>
<thead>
<tr>
<th>Theme</th>
<th>Maize: They are hoping that maize will give them enough money to pay these loans.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concepts</td>
<td>Money: Everybody is thinking how to earn extra money, whatever it is in the future we will do anything that will give us money.</td>
</tr>
<tr>
<td>Loan:</td>
<td>I may not take this risk if maize did not come to my village. Now lenders (NGOs) come to my home or send people to convince me to do more farming. They see the good yield of maize, they are happy to give me loan. Now I relate (utha bosha) to rich people and they call me by my name. You will see me cultivating potato-maize in double land than this year</td>
</tr>
</tbody>
</table>
5.2.4.2 Women’s Expressions of Poverty lead them to Support their Families in Trialling Maize Crops with Hope for Profits

The increased interest in maize crops in the study area was also strongly supported by the women of the villages, particularly those in Village C. This is demonstrated in the discourses with female respondents and are summarised in Table 5.14 below which shows that the Leximancer (2005) ranking of concepts from the interviews and focus groups with women identifies the concept of ‘maize’ as the second most important after money.

**Table 5.14 Women’s Dominant Interest in Maize**

<table>
<thead>
<tr>
<th>Concept Ranking of Women</th>
<th>Absolute Count</th>
<th>Relative Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>money</td>
<td>207</td>
<td>100%</td>
</tr>
<tr>
<td>maize</td>
<td>127</td>
<td>61.3%</td>
</tr>
<tr>
<td>loan</td>
<td>97</td>
<td>46.8%</td>
</tr>
<tr>
<td>pay</td>
<td>88</td>
<td>42.5%</td>
</tr>
</tbody>
</table>

Interviews with women and the female focus group discussions and observations support the emerging pattern of traditional farming practices being challenged by attempts by many families to grow maize for profit. The discussions with the women from the three villages concerning their interest in maize can be seen in Diagram 5.4 below which shows the Leximancer concept map for the women participants in the study and focuses on the key linkages of concepts that are most important to the women, ‘money’, ‘maize’ and ‘husband’. The focus on growing maize and its link to money is clearly evident. The women in the village were found to be focused on growing maize crops as a means of acquiring more income and with the hope of improving the well being of their families. The implications of
this focus for the women in the villages and their families were that it was beginning to take
them outside of their traditional roles in the family.

Diagram 5.4 Females Conceptual Map Identifying Key Concepts

5.2.4.3 The Reasons for Women’s Increased Interest in Maize Crops

1. NGOs offer incentives of new loans to female borrowers if they trial maize and buy the
maize seed from the NGO. Mrs S’s mother from Village C said:

_I requested the NGOs to give me 20,000 taka loan last year but they did not. This year they saw my
son grow maize and see maize stocked in my premise, now they are happy to give me loan. The
NGOs will give them more money if you grow maize. Even the NGOs have their own maize seeds. My
in-laws from Daudkandi told me that NGOs give high amount of loan if their seed is grown._

2. The women are realising that maize can provide nutritious food for their families, even
though it is not their traditional cereal of choice.
Young Mrs M from Village C said: *Believe me, I have no problem giving morning breakfast to my family. It saves money not buying wheat flour from market. Look now, everybody is eating maize. They feel shame but I think everybody should consume maize. It saves money.*

Respondent 5 from Village C also said: *I am happy with maize because we can eat maize in the sense that we can keep the maize and make chapatti and that sort of thing. That's why I will grow maize next year.*

Female Focus group in Village C: *I make maize flour and mix it with rice or wheat flour. I make chapatti (local bread) and give it to my kids. They never ask for food before lunch.*

3. The women have decided maize can be used as a monetary substitute and they are beginning to barter with it.

Respondent 18 from Village C said: *I have enough maize to provide morning breakfast to my family. I don't have enough rice. Last month, I gave three kilograms of maize flour to my neighbour and she gave me two kilograms of potato*

Respondent 20 from Village C said: *I saw my mother-in-law exchange rice with vegetable, and we never have shortage of food. It was stopped for a while. Now it started again because of maize*

4. Working in the field to grow and harvest maize is becoming an acceptable part of the work that women can do to be more productive for their families.

Female Respondent 20 in Village C: *This is the new trend in the village that if you grow maize female can work. Now I grow maize. Me and my neighbours sow seed and collect fruit from the field, my neighbours are very helpful.*

Respondent 2 in Village C said: *Anyway, in harvesting the thing that I found in maize is female do the harvesting. But if you grow rice it is not a female job. The man does that.*

5. Although making a profitable return is problematic, maize will continue to be grown because it is providing another source of food for the family.

Respondent 8 from Village C in discussion with the research assistant said: *We'll not be able to pay the loan because we are not getting a better price for maize. They keep maize for whole year*
consumption. Borrow money from a neighbour. They make loss of 700tk growing maize. And this research says nobody made profit out of growing maize. That means that year of cultivation is a loss.

Respondent 4 from Village B said: Everybody tried maize this year. This is the first time they have it, just to give it a go. Everybody made a loss but they are still going to grow maize. Yes, but she says it’s just a break even. She did not make any profit. They eating maize, they will cultivate maize next year.

Switching to maize crops is a significant example of how the marketing systems within the villages are being altered by the intervention of NGOs with their incentive programs to buy maize seed using NGO micro credit. These trials of maize crops are closely associated with the farming families’ attempts to lift themselves from their state of chronic poverty and are identified as a significant example of the out workings of expressions of poverty.

5.2.5 Expressions of Poverty Affect the Nature of Financial Exchanges

Money in exchange can also affect its meaning within different contexts (Carruthers and Espeland 1998). Within the context of the poor rural villages who were part of this study, the status of money was observed to vary; influenced by its place in the complex network of monetary flows that exist within and among the families in these villages and with the agents of NGOs from outside the villages as well. The financial decision making processes and outcomes observed were also found to be significantly influenced by social and cultural expressions of the men and women who participated in the study. These issues are now examined.

Reciprocal exchange was observed to be the traditional form of financial exchange in the villages among family and extended family members. Villagers exchanged money or its equivalents, freely, as they were able, with close kin. Co-existing with these financial exchanges among family members was evidence of an increasing level of market based exchanges occurring with NGOs and these financial dealings were observed to be based, not on trust’ but more on expediency and a short term need for cash.
Another pattern was observed which related to the variation in the status and value ascribed to money in different types of financial exchanges; depending on where the money has come from and to whom it is given. There was evidence of “people distinguishing money based on its source” (Carruthers and Espeland 1998 p 1384). The consequentiality of financial exchange was observed to be “located not in the working of economic laws but in the social rules of power, symbol, convention, etiquette, ritual role and status” (Davis 1992 p 7). The nature of the financial exchanges in the villages appeared to be strongly linked to people’s perception of agency, and social convention (Blau 1964; Klein 1999; Thye 2000). These patterns are now discussed.

5.2.5.1 Expressions of Poverty: Poor People’s Agency and Financial Exchange in the Villages

In order to gain a perspective on the socio-cultural meanings of money and its substitutes for the people of Matlab in Bangladesh in the various contexts within which monetary exchange occurs as a result of financial decision making, the study made observations concerning the nature of financial exchange as it is operating in villages of the respondents. Exchange has been defined for this study as “the chief means by which useful things move from one person to another” (Davis 1992 p 1). Davis’s argument that exchange is “an important way in which people create and maintain social hierarchy; it is a richly symbolic activity and all exchanges have social meaning” (p 1) was found to be of particular relevance in the poor rural communities where data was collected.

The findings indicate that the financial exchanges which took place among the extended family members within the bari tended to take on a longer term perspective and in essence were a reflection of the family values of obligation to reciprocate equitably (Weber, Roth et al. 1978; Davis 1992). However, in financial exchanges that occurred beyond the family boundaries, which involved NGOs or others external to the groups, as Mauss (1925) and Popkin (1979) suggest, a different set of values were seen to be in operation which reflected
more short term and expedient perspectives on the financial exchange relationship. These findings are elaborated in the remainder of this section.

Some economists and philosophers have argued that while market models are suitable for western industrialised economies, other economies need different financial models because these economies are based on different principles (Polanyi 1957; Dalton 1967; Godelier 1972; Sahlins 1972). Sahlins (1972), for example, conceptualized that some economies are based on reciprocity and others on market exchange. Davis (1992) argues that the nature of exchange in societies can be defined by considering a continuum, where reciprocity, consisting of pure gift and barter is at one end of an exchange continuum, and market based exchange with no reciprocity at the other. The monetary exchanges observed in this study area varied significantly with respect to reciprocity depending on whether the exchanges took place within the family framework or outside of it. Reciprocity can be defined as people helping those who have helped them, and people not injuring those who have helped them (Gouldner 1960) yet here in the baris of Matlab there was an observable pattern of reciprocal exchanges among family members being value laden and shaped by long held moral beliefs relating to the strength of family ties.

Clearly, the kinship among the members of this extended family group or clan was the dominant influence on decisions relating to money. Todd (1913, 1916) was among the first anthropologists to identify in some societies that the individual sense of self is often subordinated to the extended family, the ‘clan’. These early conceptualizations by Todd rested on observations of the way in which these communities operated, sharing work, having some common ownership, and sharing food and the preparation of it. Observations within the villages which were part of the study identified these expressions of collective thinking and behaviour amongst members of the baris as forming the basis of their way of life and the related power relations that existed among members of the clan (Blau 1964; Klein 1999; Thye 2000). Significant variations in the nature of financial decision flows have
been identified and these were found to be contingent upon the nature of the power roles taken by close family members and other agents, such as NGO representatives, in the financial exchange process.

The findings indicated that the financial exchanges between NGOs and respondents within the villages were generally much closer to the market exchange model (Mauss 1925 (1990 translation); Popkin 1979); short term, expedient, and with different values observed to be in play with regard to repayment of the loan. The many financial exchanges observed in the villages were complex and many families were making financial decisions based on expressions of long standing social and cultural norms governed by “the social rules of power, symbol, convention, etiquette, ritual role and status” (Davis 1992 p 7) in operation within the baris.

The nature of the financial transactions varied, moving from purely reciprocal financial exchanges among close family members to market exchanges, depending on where the money has come from and to whom it is given. These financial exchanges were observed to be operating all along the financial exchange continuum outlined in Diagram 5.5 below.

**Diagram 5.5 Financial Exchange Continuum**

![Diagram 5.5 Financial Exchange Continuum](image_url)

Reciprocal exchange was observed to be based on the traditional rules governing social and cultural norms, governing traditional forms of financial exchange in the villages among family
and extended family members. Villagers generally gave freely, as they were able, to close kin. Co-existing with these financial exchanges among family members was evidence of a market exchange model occurring between some families and NGOs and these financial dealings were observed to be more open to, expedient financial decisions by unscrupulous village members because the borrowers were dealing with people who were beyond the bounds of kinship and familial control. In these cases self interest appeared to dominate and the financial decisions were oriented towards short term gains for the borrowers. The benefits for the NGO agents in this situation fall outside the scope of this study but warrant further research.

Rokeya Begum, 45 in Village B had followed the path of borrowing only from relatives. She said:

*I have loaned (borrowed) 90000 tk within the last one year from my relatives without any interest*

*I had loaned the money to send my son abroad ……it has been three months he gone to Dubai …..he has not sent any money back*

*I have not loaned from any NGO …….I do not like to loan from the NGO …..if necessary I will loan from my relatives. There are different sources to loan money ….. My purpose is best served by interest free loan from relatives …..because you do not have to pay interest and ….. if you are a little late (to pay back the loan) it’s not a problem*

The researcher asked the farmers’ focus group from Villages A and B:

*How would you proceed when and if it (the family financial need) is beyond your budget?*

The farmers in the village B male focus group said:

*At times there is social conflict regarding the pay back of loans with family/neighbours. But even then, this is a better option as there is no interest.*

Farmer 1 in the male focus group in Village A said:
Talk to extended family members for personal loan.

Farmer 5 said:

*In sickness, we had to loan from family/friends for treatment.*

With respect to financial dealings with the NGOs the responses demonstrated the different values operating in these financial exchanges.

In the female focus group discussion in Village B the women truthfully talk about their pragmatic approach to their financial dealings with NGOs.

*Researcher; Do they (NGO) provide loan, but do they tell what/ how to do with this money?*

*Answer: -They ask about: what you do with this money -We tell them whatever they want to know -We have several loans, we borrow form one and pay to others -We have few loans -when we are in deep trouble, borrow 10-20,000tk s, we eat less and pay back.*

Respondent 19 from Village C elaborates:

*Don’t you think the NGOs know our trick, of course they do. They know we are using our wives to get loan from them and using these money to buy rice and cloths. But it’s a kind of ‘they use us and we use them’. They know we will pay the money on time because we borrow from everywhere. It is our bad nature. We should not do this but when your kids and family is hungry you have no other alternatives.*

This comment is reflective of a recurring theme in the data with reference to the behaviour of NGO agents. The borrowers seemed resentful of the behaviour of the NGO agents who demonstrated poor and unprofessional practices in the operation in their financial dealings.

Respondent 1 from Village B said, in talking of the recent funeral of a relative:

*His dead body was in front of the house and the family was shedding tears in sudden dead. In the mean time, the field rep. (for the NGO) was asking to pay his (who is already dead) loan and suggesting the relatives to collect the money for him. Then the people get very angry and he left.*
Reciprocal financial exchanges within family groups among kin were observed to be based on within-group trust where there was also found to be deep loyalty arising from the belief that there is a community-based safety net with regard to financial exchanges that has been built on long-term relationships which tend to be more loyal (Sawady and Tescher 2008). In contrast, trust and loyalty were found to be problematic in the majority of the financial exchanges with NGOs where both parties, the micro loan giver and recipient, demonstrated pragmatic and expedient behaviour during the financial exchanges as depicted in Diagram 5.6 below. That trust is the cornerstone of long-term relationships and a key determinant of relational commitment is well established in the literature (Sirdeshmukh, Singh et al. 2002). This important finding is explored in detail in the next section of this chapter.

Diagram 5.6 Loyalty is the Cornerstone of Reciprocal Financial Exchange

5.2.5.2 The Influence of Client and Patron Relationships on Financial Dealings

The influences of traditional client and patron relationships in financial dealings also played a part in the nature of the financial exchanges occurring within the villages in the study.
Hossain (2003) identifies specifically the roles of client and patron, defined by Platteau (1995 p 767) as “asymmetrical, long-term and multifaceted relations that comprise a strong element of affection and stretch over a wide and loosely defined domain”.

This study supports Hossain’s (2003) suggestion that these relationships remain an influence on financial exchanges with patrons providing loans in crises, grants or cash transactions, and other financial benefits in kind such as favourable land or house tenure. The findings indicate that the cultural patterns of client/patron relationship were broadly still operating through informal financial exchanges (Platteau 1995) amongst village members and relatives.

The relationship of client and patron are explained as; “To be a client is to defer and obey as a means of attracting protection against crisis, or for help with investment in the future. To be a patron is to have control over clients’ labour, lives and leisure. This includes the responsibility to offer protection against crisis and for the less poor client, for help with investing for the future” (Hossain 2003 p 11).

For example: One family in village C had grown only maize in the season of 2008, but could not sell the crop because the rain had prevented the crop from drying out. The financial decision taken was to borrow 5000tk from the village cooperative (shamiti) which is run by a community member held in high regard for his compassion and community spirit. He had spent many years overseas and had returned to his village to offer financial assistance and support to his community.

Farmer 5 from Village C said:

*The person who run the village shamiti he is very compassionate man and he’s says, “why we have to take loan from NGO when we can do it?”; this kind of attitude. Money we can ask, and we look after each other. So people have some kind of sympathy. People who borrow money, they feel that is their responsibility to utilise the money properly and pay it back.*
That’s why this village shamiti is still running, because you get the money whenever you want to. If you don’t want to continue you don’t have to.

Researcher: I found, older women especially want to live a life with respect. Don’t want people (from NGOs) to come to their house and swear at them because they can’t pay loan back. This kind of mother they are the client of village shamiti.

By contrast the majority of relationships between respondents and their NGOs were not subject to the social and cultural behaviour that governs the traditional patron/client relationships. The findings reveal that in the three poor rural villages studied, their traditional way of life is increasingly “buffeted by the forces associated with the expansion of a global capitalist economy” (Keyes 1983 p 753), an integral part of which in this context is the substantial and growing presence of NGOs offering microcredit.

There were some villagers, however, who expressed their appreciation of the availability of NGO loans, and had benefited from them.

Mohammed Khorshed’s story from Village C is typical of a very small subgroup of those families interviewed who had benefited from borrowing. He said he had borrowed from relatives, friends and neighbours but also from an NGO (BRAC). He had taken the loans in order to build a house for his family and to grow rice for his family and for profit. The BRAC loan was connected to a rice growing scheme that he wished to participate in. He did not consider borrowing from multiple sources, including an NGO, as a problem if he can use the money to ensure his return is higher. However, he talked about the huge sacrifice required to repay the loans. He said that because he had a good reputation for repaying loans he is able to borrow high amounts from any NGO.

Mr Khorshed’s major source of earning money to repay his loans came from being able to cultivate rice on land that he owned, so there is no need to pay for land rent. He sold 4000
taka worth of rice to repay the NGO loan and he also works as a daily labourer earning 220tk per day.

The majority of experiences of borrowing from an NGO, expressed by respondents, were not as positive as Mr Khorsheed’s in terms of either the process or the outcomes. In the majority of interviews, respondents described the NGO’s behaviour in disparaging terms. For example Respondent 1 in the Female focus group from Village A said:

My cousin died. NGO people came to me and told me to pay the money on behalf of the deceased person as he cannot pay. They are making big money, the field worker built houses, the managers built big houses, people make money for them otherwise how they get high salary.

Respondent 17 Village C (Husband) said: They come in every Mondays and Wednesdays to collect weekly payment. If you ask for extension they get very angry and use bad language. This is shame to me and my family, when the toll collectors keep sitting in my homestead for the whole day and use bad language. I am a human and I cannot drive rickshaw the whole day. I had to borrow from others to pay these immediate payments.

Respondent 17 (wife) said: These people are very stubborn and heartless. They can see my husband working day and night but never stops coming. It is easy him (husband) at least he is working outside but it is me who is taking all the bad words from these NGO people. My father borrowed money from NGOs to help my husband, and now they are also in trouble. They are losing their face too.

Respondent 7 from Village B said:

NGO should be more flexible in instalment payment even though they are doing a great favour by giving loan. NGO should not use bad words to the housewife in front of other neighbours.

Respondent 2 from Village C also reflected these expectations in his comments; he said:
The NGO workers never pay heed to whatever problems you may have ...they demand and recover the instalments amounts by hook-or-by crook ....they do not listen to any of your problems ...if necessary they will make you borrow from relatives .. to pay back the instalment

Respondent 7 and Respondent 2 have expectations that NGOs would listen to problems and be flexible, as would a patron in a traditional client/patron relationship.

Respondent 6 from Village C said:

BRAC people came and say bad things if instalment paid in late, my wife is very angry at me (we often fight). BRAC used to bring 10 - 15 people and collect money whichever ways were required.

Nevertheless the NGO relationships within the villages carry social status for those whose homes are chosen as the place for meetings.

Respondent 13 from Village C said:

NGO workers come to our households and give us all sorts of information through meetings.

A note from the Bangladeshi translator about the meaning of the word 'meeting' in this context is important here. 'Meeting' in this context is labelled as a high status word. It refers to importance, elevation of one’s status, as been involved in formal relationship or organization. The very use of this English word connotes upper hierarchical positioning. Thus, when NGO workers hold any meeting in any household, the status of that household or the individual who informed other villagers of the ‘meeting’ gains more importance”.

The findings indicate a gap between the clients’ aspirations and expectations of the nature of their relationship and that of the NGO. There is evidence to suggest clients’ expected NGOs offering micro loans to take on the traditional role of patron and adopt “responsibility to offer protection against crisis” (Hossain 2003 p 11). From responses to indirect questions, it could be inferred that the respondents felt that while the relationships with an NGO could potentially be significant, NGOs did not care about their clients.
It was also apparent that the processes and limitations and lack of flexibility around NGO micro loans did not meet the needs of the rural clients in this study who are generally reliant on profits from crop harvests in order to meet financial obligations, and the rigid weekly repayment regimes required by most NGOs was in conflict with the rural rhythms of sowing and harvesting across seasons.

5.2.5.3 Money Substitutes and their Symbolic Meanings as Expressions of Poverty

The findings also indicate that, very often, financial exchanges did not involve cash money but money substitutes instead (Matin, Hulme et al. 2002; Ruthven and Kumar 2002). These types of financial exchanges are a significant aspect of the socio-cultural influences on financial decision making in these communities. For example, rice was observed to be a frequently used substitute for cash during financial barter exchanges among members of the villages in the study because of its perceived value among community members. The nature of this type of barter, which substituted grain, mainly rice, for cash was either even exchange such as trading labor for grain or trade related loans that built in future obligations, such as a farmer taking a loan to grow a crop but then being obligated to sell that crop through the loan provider who sets the price (Crow 2001). For example, Respondent 1 from the male focus group Village A said:

*Respondent 1*: sometimes one asked for rice instead of money as a loan..... when your household needs expense you have to manage money.. specially before the start of rice season and four months that people lend money to farmers...One will lend 1000 tk and will get one maund (approx 36 kg) of rice in return after the harvest..we return the money after one to two months but the rice just after harvesting..

*For rice cultivation you take personal loans, maybe from neighbour, maybe from the people you know, friends. And the land rent cost him 7,000 taka for a year for the rice. In return 25 maund of rice (909kg) you have to return to the lender* (Respondent 4 Village A)
An emerging theme in the data relates to expressed feelings of pride and well-being when farmers had successfully funded the planting and harvesting of quality food for their families, and heightened states of concern, anxiety and feelings of ill-being when farmers were unable to provide adequately in this way; particularly with respect to providing the staple food, rice, which has a significant symbolic value that equates it to more than merely a cash money equivalent. The farmers’ socio-cultural identities were found to be very much tied to their ability to produce enough rice for their families. Rice is considered to be ‘life’ in Bangladesh (IRRI 1997).

Rice was observed to be a symbol of prestige and wealth as well as food security. “Even though crops other than rice may be more profitable, traditionally it is accepted that if a farmer has stored rice for the year that household is of higher social strata” (Sultana 2008 p 7).

The significance and importance of rice as a part of the foundation of the rural communities studies is also borne out by Leximancer (2005) analysis. Using Leximancer (2005) ranked concepts, the concept ‘rice’ was mentioned by respondents 110 times or nearly 30% of the time during focus group discussions and in depth interviews and co-occurred 28.9% of the time with the concept ‘money’. ‘Rice’ and ‘money’ were often used interchangeably in discussion. The significant interaction of these two concepts speaks to their interconnectedness within this socio-cultural context (see Table 5.15 below)

Table 5.15 The Concept ‘Rice’ and Co-Occurrence with ‘Money’

<table>
<thead>
<tr>
<th>Concept: Rice</th>
<th>Absolute Count</th>
<th>Relative Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>money</td>
<td>33</td>
<td>28.9%</td>
</tr>
<tr>
<td>maize</td>
<td>24</td>
<td>21%</td>
</tr>
<tr>
<td>loan</td>
<td>24</td>
<td>21%</td>
</tr>
<tr>
<td>land</td>
<td>22</td>
<td>19.2%</td>
</tr>
<tr>
<td>pay</td>
<td>22</td>
<td>19.2%</td>
</tr>
<tr>
<td>grow</td>
<td>19</td>
<td>16.6%</td>
</tr>
</tbody>
</table>
Farmer 17 from Village A, for example used the two terms interchangeably. *Rainy season is on its way - need to save money/rice to pay loan instalment.*

Having sufficient rice, as Sultana (2008) points out, has a strong socio-cultural connection with people’s pride, self esteem and with prestige within the village community. As Participant 1 from village A says “it is a prestige issue” to have to borrow rice from a family member or neighbour and so it becomes a “secret” as Participant 1 Village A says, in an attempt to keep a certain standing within the community.

From the Leximancer (2005) concept map (Diagram 5.7) below which identifies the main themes and concepts in the male data, the prominence of the theme and concept of ‘rice’ can be seen. The concepts of ‘rice’ and ‘money’, can be seen be bright both in terms of the frequency and strength of linkage between them.

Diagram 5.7 Leximancer Map from Male Data

There was evidence of “people distinguishing money based on its source” (Carruthers and Espeland 1998 p 1384). Davis’s (1992) argument that exchange is “an important way in which people create and maintain social hierarchy; it is a richly symbolic activity and all exchanges have social meaning” (p 1) was found to be of particular relevance in the
community in this study. Financial decision making encompassed many forms of money and its equivalents.

**5.2.5.4 Expressions of Chronic Poverty: Marriage and the Dowry Called ‘Joutuk’**

Relating Davis’s (1992) argument that exchange involves social hierarchy and symbolic meaning specifically to financial exchange in this context, a significant example can be found in the practice of exchanging jotuk, or dowry. Jotuk is illegal in Bangladesh however the practice of it by most families living in rural areas has increased substantially over the past 10-15 years (Huda 2006) and “one of the most popular justifications for giving as well as taking dowry is that it is the practice of society (somajer niyom or somajer chol), in other words, social custom” (p 257).

Despite efforts to encourage women to marry later, Bangladesh still has a very high proportion of teenage women (aged 15-19 years) currently married (Streatfield and Karar 2008). In Bangladesh, the parents are responsible for the marriage of their children, especially daughters, and when a daughter reaches puberty it becomes a major concern for the parents to have her married well. Marriages are still generally arranged between families of similar social standing and entail extensive negotiations about financial arrangements about the bride-price (*pon/mohor*) or dowry (*joutuk*) among family members from the bride’s and groom’s families. This unlawful payment comprises gifts and cash and must be paid before marriage. The amount of dowry paid for a woman at the time of marriage affects her influence and standing with her husband and in-laws. A good dowry may increase a woman’s decision-making power (Ali 2005) but threats and violence towards young brides can commonly accompany the request for jotuk and therefore a poor village girl’s marriage requires a relatively very high dowry (Huda 2006). This dowry payment by the bride’s family to the groom’s family can be 20,000-50,000 Taka (approx $ 300-750 US) when the typical daily earnings are approx 100-200 Taka (100tk= $1.5 US) per day (Davis 2007).
The literature supports observations of significant inequalities in the power relations still in play between men and women in the rural villages of Matlab communities (Kabeer 1994; Kabeer 1996; Kabeer 2002) and there were cultural mores apparent which support Kabeer’s (2002, 2004), Muhbub Uddin Ahmed’s (2004) and Rao and Walton’s (2004) suggestions that underlying social and cultural issues relating to women’s experiences are significant contributors to the exacerbation and perpetuation of poverty in Bangladesh, both for rural women and their families.

In exploring this argument questions were raised in the female focus groups about cultural contributors to financial stress and sustained poverty. The questions were derived from the findings of Quisumbing’s (2007) significant longitudinal study that showed dowry and associated wedding expenses to be among the most significant issues exacerbating poverty in this rural area. The issue of dowry (that is Jotuk, the payment to the husband from the wife’s family) dominated these discussions.

The women’s focus group from Village C said that they perceive the wedding expenses and dowry payments to be out of all proportion to poor families’ income or assets and that jotuk exacerbates and perpetuates the levels of poverty in the village. The payment of these high prices is “a question of status or honour”, a socio-cultural demand if status is to be gained/maintained in the community.

*Female Researcher: Do you have Dowry (Joutuk)?*

*Young woman 3: Very high*

*Young woman 1: Dowry is the vice killing us*

*Young woman 2: If someone wants 20tk from us, we don’t have the capacity to pay that even: but in dowry we have to give (others agree) then it’s a question of status, honour, then we borrow money from brothers, other people, (Older woman, “Aunty” agrees).*

*Pay 20,000tk: only then the groom side will accept the bride.*
Young Woman 5: this is the main problem: the poor’s main problem

Old Aunty: We are dying out of this vice.

We cry for the money spent on the marriage, don’t cry for our daughter’s being sent off.

Suppose, I am in danger- need to give marriage to my daughter, so I have to borrow money 10,000 to 20,000tk

Marriage ceremony lasts for two days - need lots of money - Needs to spend a lot, don’t cry if mother dies, but cry for daughters marriage, give everything to daughter

Sacrifice life for daughter’s marriage

The women’s focus group in Village B supported these concerns about joutuk.

Researcher: Who went to market to buy gold?

Ans:-Us -We have to manage everything (dowry) and give to Grooms father -Bride had to stay his (fathers) house so dowry should be given to him not the son- in-law -Otherwise father will tell “leave my house”

Quest: How much do you pay as dowry?

Young Woman 1: for the poor, say tk 30,000-40,000.

Aunty: Had married a granddaughter, tk 30,000 cash and 10 grams of gold. Another one, tk 20,000 in cash and 5 grams of gold

Quest: After borrowing, how do you pay back the money?

Aunty: Was lent on interest, we pay (in that form)

Young Woman 1: Say, if borrowed from relatives, we pay back later.

Young Woman 3: those who have money, loan on interest. Later if you can’t pay, assets are there. Sell our houses/homesteads to pay back. Have to marry off the girls, otherwise the husbands will harass them, there will be unrest (no peace).
Have to pay in the hands of father in law, not the groom. Otherwise there is social conflict.

Savings for the dowry – No savings!!!

“had given tin for house as dowry. Their fathers paid by selling land. Now, they have no extra land to sell.”

These findings support another longitudinal qualitative and quantitative study of poverty dynamics in 1787 households in fifteen districts in rural Bangladesh spanning a twelve year period from 1994 and 2006 (Baulch and Davis 2007) which also highlights the long term negative economic impacts of dowry expense. Increased indebtedness was found to be a common outcome of poor people attempting to manage these expenses. Recent studies have indicated that dowries in South Asian countries such as Bangladesh represent more than several multiples of a bride’s family’s annual income (Suran, Amin et al. 2004; Rao 2007). A detailed discussion on this issue is undertaken in Chapter 2. The manner in which joutuk expenses were managed was found to be another significant contributor to the perpetuation chronic poverty and wide spread feelings of stress, anxiety and ill-being in the Matlab district amongst families with daughters. There were also found to be longer term worrying signs of jotuk being a significant contributor to increasing micro debt and landlessness, which is now examined.

5.2.5.5 Expressions of Chronic Poverty in Escalating Payments of Joutuk, Increasing Landlessness and Increased Micro Debt

Links were found in this study between increasing landlessness in this district, increased use of microcredit and increasing incidence and amount of dowry (joutuk) being paid by poor families in order to placate the groom’s family and avoid violence and potential harm to the bride.

“Their fathers paid (the dowry) by selling land. Now, they have no extra land to sell.”
The data analysis has led to inferences that the size of dowry payments could be increasing in conjunction with the extra financial resources available through microcredit. This may be contributing to an escalation in the number and an increase in the size of dowry payments (Rozario 2002). Rozario reports on her findings from rural Bangladesh; “It is important to note that women feel that the expected size of dowries has been increasing. The extra financial resources provided by microcredit have led to an escalation of dowry payments. Many women are actually using their access to credit to save for their daughters’ dowries” (p 69).

This serious social issue requires further research. Potentially, the availability of microfinance may be the cause of increased social pressure for extortionate dowry payments to the groom’s family and may also be the cause of violence against women whose families cannot pay the required amount. These findings indicate that the escalating costs of joutuk in this rural area are causing considerable financial distress which prompts financial decisions, motivated by the desire for well-being for the family of the daughter to be married, such as selling land to get money for joutuk and microcredit loans being taken out to pay for a daughter’s dowry often without regard for how they will be repaid.

As a woman from the focus group in Village C says

We are dying out of this vice.

The feelings of ill-being and powerlessness (Chakravarti 2006) identified in the study in relation to the perpetuation of poverty because of increasing landlessness, frequent climatic shocks that lead to considerable financial distress for families and the social issues such as joutuk are all contributors to the perpetuation of inequality and poverty and poor people’s inability to expand their financial choice options.
5.2.6 Summary of Emerging Themes and Patterns Relating to Expressions of Chronic Poverty and Financial Decision-Making which Address Question 1

In what ways do chronically poor rural community members express their conditions of their poverty state and what effects do community members expressions of poverty have on their financial decision-making? In answering this question, the foundations can be laid down for understanding the nature of marketing systems operating in the community and their linkages to financial decision making (Layton 2007).

The financial choices being made by many participants and their families are in response to expressions of chronic poverty that are driven not only by subsistence needs but also by social, cultural, and psychological issues such as demands and expectations of extended family members and the desire for status and acceptance from neighbours and the community at large (Anderson and Broch-Dur 1999; Hulme and Mckay 2005; Chakravarti 2006; Woolcock 2008). These expressions influence the financial decision process and the longer term consequences of those decisions can become clouded or distorted because decision trade off processes are effected (Payne, Bettman et al. 1988; Bettman, Johnson et al. 1990; Bettman, Luce et al. 1998; Luce, Payne et al. 1999). The data suggests:

1. A dominant pattern emerging from the data related to the multiple borrowings of micro loans from NGOs. This appeared to be occurring more frequently in this area, and these micro loans were very often taken up along with extra loans from relatives.

2. The pay back arrangements for micro loans from NGOs were generally not being adhered to amongst participants who had taken out micro loans; one loan was often paid back by borrowing from another NGO and there was significant evidence of increased micro credit indebtedness in this community. This behaviour was motivated by either farmer’s attempts to mitigate the risks and vulnerability brought about by increasingly harsh climatic conditions and/or their desire for improved status which would be earned by profitable crops of maize.
3. Financial exchange in the villages was also exemplified by the significant variations in the nature of financial decisions that were found to be contingent upon the people involved and the nature of the exchange and poor people’s agency. The financial transactions varied, moving from purely reciprocal financial exchanges among close family members to market exchanges depending on where the money has come from and to whom it is given. The financial exchanges between NGOs and respondents within the villages were generally much closer to the market exchange model (Mauss 1925 (1990 translation); Popkin 1979) and the focus by loan takers was short term, expedient, and with few observable values in play with regard to repayment of the loan.

4. There was a recurring theme in the data with reference to the behaviour of NGO agents. The borrowers seemed resentful of the behaviour of the NGO agents who often demonstrated poor and unprofessional practices in their financial dealings.

5. Linked to this was the influence of traditional client and patron relationships on financial dealings. Further research is needed to establish the nature of the gap observed between the clients’ expectations for the moral behaviour of NGO agents and the reality of their experiences with them. The clients seemed to have an expectation that NGO agents offering micro loans would reflect the traditional values of a patron who has “responsibility to offer protection against crisis” (Hossain 2003 p 11) NGO agents did often resort to harassment and stand over tactics in order to ensure repayment of micro credit loans, and did not exhibit any responsibility to offer protection against crisis.

6. Many farmers and their families spoke of their increasing landlessness as they sold off parcels of land; trading off their longer term wellbeing to offset immediate financial crises. There was a significant group of farmers who appeared to be selling land in order to pay back micro loans (which they had borrowed, based on the expectation
that profits from crops would be there to pay off the loans) from NGOs only to experience crop failures.

7. Sharecropping for landless farmers was a means of providing food for their families but also a means of increasing debt. Farmers borrow money for seed and fertilizers but also have to pay rent in kind, when the crop was harvested, or in cash from the profits once the crops were sold. If the crops failed, then farmers were left in more debt.

8. Yet there were expressed feelings of pride and well-being when farmers had successfully funded the planting and harvesting of quality food for their families and heightened states of concern, anxiety and feelings of ill-being when farmers were unable to provide adequately in this way; particularly with respect to providing the staple food, rice which has a significant symbolic value more than merely a cash money equivalent. The farmers’ identities were found to be very much tied to their ability to produce enough rice for their families. Rice is considered to be ‘life’ in Bangladesh (IRRI 1997).

9. The links found in this study between increasing landlessness in this district, increased use of microcredit and increasing incidence and amount of dowry (joutuk) being provided by poor families warrant further research in order to verify these findings.

10. An emerging pattern for this data also was that the traditional way of life in the villages was under threat, and traditional social cohesion was stressed. Traditional farming practices and the traditional forms of barter exchange and financial dealings within the villages were being replaced by market based financial dealings through NGOs which is leading to high levels of debt amongst farmers attempting to grow cash crops like maize for profit, encouraged by NGOs with loans for maize seeds.
There was also a recurring theme of extravagant and ill considered borrowing from NGOs because of a desire for social status within their communities, which is believed can only be achieved if they become successful farmers. The farmers did discuss their frustrations at their limited capacity to act in ways that further their own interests (Narayan and Kapoor 2005) and talked about their feelings of ill being. However they also demonstrated their desire for social status within their communities through being successful farmers.

Drawn together these findings provides some support for Duflo’s (2006) suggestion that because the poor make choices that are influenced by the subsistence needs of family members, their trade off processes (Payne, Bettman et al. 1988; Bettman, Johnson et al. 1990; Bettman, Luce et al. 1998; Luce, Payne et al. 1999) become distorted by the stress and pressure from family members to provide adequately for their needs in the short term. However evidence in this study suggests that motivating factors of financial choices were also being made, not for subsistence reasons alone but are motivated by factors which could be identified to each level of Maslow’s (1968) hierarchy of needs which supports Aldefer’s (1969) argument that lower-level satisfaction needs are not necessarily a prerequisite for the emergence of higher-order needs. The financial choices being made by many participants and their families are in response to expressions of chronic poverty that are driven by social, cultural, and aspirational issues such as the desire for status in order to meet the expectations of extended family members, neighbours and the community at large (Anderson and Broch-Dur 1999; Hulme and Mckay 2005; Chakravarti 2006; Woolcock 2008).

Recognition by the borrowers of microcredit of longer term consequences of their financial decisions were found often to be clouded or distorted because of the decision trade off processes involved (Payne, Bettman et al. 1988; Bettman, Johnson et al. 1990; Bettman, Luce et al. 1998; Luce, Payne et al. 1999). The implications of this finding for the nature of
marketing systems operating in chronically poor communities in emerging markets is discussed in section 3.

From the range of influences identified here as having a significant effect on the nature of financial decision making, it is suggested that it was aspirations for an improvement in their social standing that appeared to have the most significant influence. Further research is needed in this area, shifting from a focus on the physical or external ‘things’ that people need in order to have a sense of well being (Veenhoven 1994; Copestake and Camfield 2009) to exploring further the profound effect that personal internal perceptions of how their lives are going are having on financial decision making.

These themes emerging from the data would suggest that there are physical, social, cultural and psychological influences on financial decision making in relation to expressions of chronic poverty in the study area and they all interact and reinforce each other (WorldBank 2002; Narayan and Kapoor 2005). The Diagram 5.8 below summarises the conceptual components which emerge from within the context of question one of this study.
Diagram 5.8 Summaries of Influences of Expressions of Chronic Poverty on Financial Decision Making

The financial choices being made by many poor families are in response to expressions of chronic poverty driven by physical, social, cultural, and psychological issues such as the desire for status in order to meet the expectations of extended family members, neighbours and the community at large.

Conditions of chronic poverty which have a strong influence on financial decision making and become a defining element of the self imposed physical, environmental and socio-cultural boundaries surrounding the financial decision making context include:

- Limitations resulting from conditions of chronic poverty, such as landlessness, few and/or intermittent income opportunities
- Climate change, environmental challenges e.g. increased flooding and increasingly more frequent crop failures
- Increased opportunities to acquire credit and subsequent increasing levels of debt
- Limited access to or engagement with information regarding financial matters
- Aspirations to achieve community standing and status through successful farming

Bari family members have a strong influence of the nature of financial decisions, offer reciprocal financial support, either in cash or through barter.

Reciprocity, trust and loyalty linked to informal financial dealings.

Informal Financial entities such as patron landholders; local money lenders; local village cooperatives offering low cost or no interest finance have an influence on financial decision making.

Social rules of power, symbol, convention, etiquette, ritual role and status are in operation within the baris.

Farmer’s take micro credit loans from NGOs to mitigate the risks and vulnerability brought about by increasingly harsh climatic conditions and/or because of their desire for improved status which would be earned by profitable crops of maize.

Financial decisions to use micro loans from NGOs made to offset conditions and expressions of chronic poverty; expedient and market driven; little evidence of trust and loyalty.

Multiple borrowings of micro loans from NGOs occurring more frequently and very often taken up along with extra loans from relatives.

The pay back arrangements for micro loans from NGOs were generally not being adhered to amongst participants who had taken out micro loans; one loan was often paid back by borrowing from another NGO.

Concerning cycle of debt amongst borrowers from NGOs puts pressure on their traditional values and leads to increasing levels of microfinance indebtedness.

The borrowers seemed resentful of the behaviour of the NGO agents. They had expectations of service that were not realised.
5.3 Introduction

This section investigates question two, which is; do the characteristics of community-based relationships influence financial decision-making processes and outcomes and if so how?

In order to answer this question this section explores the role of community based relationships and the associated behavioural dimensions of the market systems embedded within the communities studied (Varman and Costa 2008) and their influence on financial decision making within those communities.

Contextual issues affecting the nature of financial exchanges are examined. An exploration of socio-cultural belief systems affecting the nature of community ties is followed by an exploration of the role that social capital and informal social networks have in guiding and influencing financial decision making in poor communities. This focus has been taken because social capital and informal social networks are central to understanding how poor communities operate and interact in developing economies (Narayan 1999; Woolcock and Narayan 2000; Woolcock 2001) yet there are no empirical studies on this subject for the poor rural areas of Bangladesh. Nor are there any studies that directly identify the impact that the informal social networks may have on financial decision making.

Understanding how social relationships contribute to the economic and social fabric of life in developing countries does have significant focus in the development literature. The World Bank (The World Bank 1999) indicates that there is increasing evidence to suggest that social cohesion is critical for societies to prosper economically and for development to be sustainable.
Further, the development literature has recently specifically emphasised the importance of understanding existing social networks in rural communities of developing economies (Collier 1998; Woolcock and Narayan 2000; Collier 2002; Clark 2006) because they are controlling the flow of information and resources (Burt 1992; Haythornthwaite 1996; Wellman 1997; Clark 2006) throughout the communities. Through their marketing systems they are directly impacting the economic climate, particularly in relation to microfinance suppliers and community and family decisions to deal with them (Collier 1998; TheWorldBank 1999; Woolcock and Narayan 2000; Collier 2002; Van Bastelaer 2002).

Key community members (actors) who are embedded in the complex social and economic relationships that exist in these communities (Portes and Sensenbrenner 1993) have a central role to play in the dissemination of information and subsequent actions of the network members. The rural villages in this study are typical of many in the developing world because they are made up of a socio-cultural web of family and close community relationships where social interactions regarding decisions about money (or other financial equivalents) have a strong influence on the subsequent processes and outcomes at the core of community life (Dyer 1989; Aaker and Maheswaran 1997; Matin, Hulme et al. 1999; Beck, Levine et al. 2000; Rutherford 2000; Matin, Hulme et al. 2002; Rutherford 2002; Beck, Demirguc-Kunt et al. 2004). Findings specifically relating to financial decision making in the context of interconnected traditional socio-cultural, symbolic and value laden belief systems that have shared meaning within the communities studied and which are affecting the nature of financial exchanges (Sawady and Tescher 2008) are now discussed. The various forms of exchange of money and its equivalents found in this study were not random, casual or arbitrary (Davis 1992) but, rather, the financial decision flows demonstrate patterns strongly influenced by family groups living together in baris within this particular socio-cultural context.
5.3.1 Community-Based Relationships, Social Capital and Financial Decision Making

Fukuyama (2002) emphasises that social capital is now regarded in the literature as a key ingredient in stable economic development. “Social capital is what permits individuals to band together to defend their interests and organize to support collective needs” (Fukuyama 2002 p 24). Collier (1998), when studying social capital within a micro-economic context in developing economies defined it as “the internal social and cultural coherence of society, the norms and values that govern interactions among people and the institutions in which they are embedded. Social capital is the glue that holds societies together and without which there can be no economic growth or human well-being” (Collier 1998 p iv). This definition has been adopted for the purposes of this study because of its specific reference to its importance in underpinning economic growth and human well-being in developing economies. The components of social capital found to be present in all three villages studied can be elaborated using Woolcock’s (2001), descriptions of the types of social capital that can be present in communities such as those in this study.

In table 5.15 below examples from the data are provided to indicate the significant influence of bonding social capital that exists among immediate family members, close friends and neighbours (Woolcock 2001). The first place that community members turn to for financial assistance is their family and close friends and neighbours that they know well.

Bridging social capital, which relates to loose ties of friendship and/or work relationships (Woolcock 2001), was identified among members of the community and those NGO agents who came to the villages in order to find new customers (see Table 5.16 below for examples from the data).
### Table 5.16 Components of Community-Based Relationships: Social Capital Present in the Villages

<table>
<thead>
<tr>
<th>Types of Social Capital</th>
<th>Quotes from the Data</th>
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| **Bonding Social Capital** which relates to ties between people in similar situations  | **Respondent 13 from Village A** said: *In our area, we don’t see people taking any personal loans from NGO’s. I have limited relation with Bank. I loan from wealthy family members.*  
**Respondent 5 from Village A** said: *In sickness, we had to loan from family/friends for treatment. Why rely on family members? As I don’t have to pay interests*                                                                                     |
| **Bridging social capital** which relates to loose ties of friendship and/or work relationships | **The female focus group from Village C.** *You can say, they came to the household on their own, listened to people’s needs, their sorrows (cry/cries), heard about others from someone. -say, sat under a tree and talked to two, three, four people and said their versions, then some started (got admitted), Who-ever wished or felt motivated put their name in, went to the NGO to take loans, some kept (invested) in lands, some went into business, some bought Rickshaws.* |
| **Value Intrejection** emphasises that the value sets learned during socialisation affect the moral character of economic decisions and transactions | **The male focus group on Village A:** *Sometimes those 29 members give money from their pocket to pay the instalment of (a bari member). When (the bari member) see other 29 people are paying the money for him, then he become liable, or some kind of obligation. Now the loan is not to BRAC, the loan is to that 29 individual. But you can’t, for example the BRAC people come to you every day and ask you give me the money, you say I don’t have money. They swear at you, they say bad things to you, you can take that. But when 29 people are your family member, key member and neighbours, you just can’t play with them.* |
| **Reciprocity transactions** which refer to social capital accumulated through previous “good deeds” to others are significant contributors to the nature of the social capital operating within the villages. | **Research Assistant Comments:** *They (the people in the village) have to rely on this loan. And then, like if one can’t pay for two weeks, the other group member pay. This is kind of reciprocal situation. Then when the others in trouble then you look after him.*  
**Researcher:** *So he’s obligated to you.*  
**Research Assistant:** *To me, as far as my observation is concerned, it’s a community loan. Don’t see it as a BRAC give a loan to one person.* |
Bridging social capital between community members and NGO agents was found to be weak in the villages. While the female focus group from Village C acknowledged the presence of the agents:

You can say, they came to the household on their own, listened to people’s needs, their sorrows (cry/cries), heard about others from someone. -say, sat under a tree and talked to two, three, four people and said their versions, then some started (got admitted), Who-ever wished or felt motivated put their name in, went to the NGO to take loans, some kept (invested) in lands, some went into business, some bought Rickshaws.

The nature of the working relationships between community members and NGO agents appeared tenuous and often negative views of their presence were expressed. For example in discussion with a farmer from Village B he said: The NGO workers never pay heed to whatever problems you may have ...they demand and recover the instalment amounts by hook-or-by crook ....they do not listen to any of your problems ..if necessary they will make you borrow from relatives ..to pay back the instalment. Despite hunger, I had to pay instalments. NGO will never care why I can't pay.

‘Value introjection’, which has its origins in the work of Weber (1904; 1958) and Durkheim (1893; 1984), emphasises that the value sets learned during socialisation affect the moral character of economic decisions and transactions. It is a source of social capital because it promotes economic actions which take into account the common good and is central to the sociological perspective of economic action (Portes and Sensenbrenner, 1993). The way that this concept plays out in the three villages in this study is that the values relating to economic decisions and transactions take into account only the common good of the tightly knit bari family group’s short term needs. Longer term considerations relating to the moral duty to be honest in stating what the loans are for and having an intention to repay the loans on time are distorted by the short term social-cultural mores operating among the members of the family group.
‘Reciprocity transactions’ refer to social capital accumulated through previous good deeds to others are significant contributors to the nature of the social capital operating within the villages and examples from the text are in Table 5.16 above.

The observed reciprocity transactions relating to financial dealings in the three villages focus not only on social intangibles as suggested in the literature (Blau 1964) but also on reciprocal exchanges that incorporate monetary substitutes and the barter of material goods. An example of the way monetary substitutes are used in a reciprocal manner can been found in the way that sharecropping or ‘bargu’ is organised where a landowner will allow a landless farmer to sow crops on his land and will take a portion of the crop at harvest time instead of farming the land himself.

This reciprocal arrangement, which incorporates a high degree of trust is purely verbal, was found to be operating in Village C where Mr A gave bargu to Mr N H, for one year. For six months of that year the land would be under water so the land that was to be sharecropped could only be farmed for a six month period. In those six months two crops were grown, potato and then maize. Mr N H planted the potato crop in November and harvested it in February, but instead of planting the maize crop himself, he gave bargu to Mr M on this same land so that Mr M could grow maize.

Mr N H was paid by Mr M with half of the maize crop that Mr M grew, but at the same time he made a return from potato cultivation. Mr N H then gave Mr A one third of both crops.

Reciprocity in barter exchange was also found to be operating. Village A and Village B both had baris who were involved in this practice. Every household has a cow and most households grow maize. The households work together to support each other using barter exchange in a reciprocal manner and in the process builds social capital among the participating families.
See Diagram 5.9 below.

**Diagram 5.9 Sharecropping and Reciprocal Exchange**

A household (2) brings a cow from a neighbour’s house (1), this saves household 1 from having to find feed for the cow. Household 2 raises it, feeding it green maize leaves and other foliage. When the cow has a calf, the calf is given back to household 1 in payment for the original cow. The maize feeds the cow so the cow produces milk. Household 2 can sell the milk so they have money to buy rice.

‘Bounded solidarity’ was strong in the villages because of the situational reactions by families to common adversities and the villages in the study were motivated to practice bounded solidarity in order to survive. Bounded solidarity was generally found to be the ‘glue’ that has held these close knit bari groups together and helped them to survive in the face of their chronic poverty.
5.3.2 Components of Community-Based Relationships and the Influence of Informal Social Networks on Financial Decision Making.

Social networks have psychological and socio-economic perspectives which are important for this thesis. The reciprocal nature of social network relationships encompasses the sharing of emotions and experiences. The strength of these connections and their impact on families and communities is emphasised in the psychology literature (Kahn and Antonucci 1980; Lewis 1984; Takahashi 1990; Takahashi 2004; Takahashi 2005). There is strong evidence from the literature that these pre-established relationships have a significant influence on present and future interactions (Takahashi 2005) and that influence extends to economic behaviour; behaviour relating to financial choices (Polanyi 1957; Granovetter 1973; Granovetter 1985; Granovetter 2005; Pires and Stanton 2005). Rangan and Di Maggio (DiMaggio 1997; Rangan 2000; Di Maggio and Louch 1998) examine the interactive effects between the sociological and economic dynamics of informal social networks.

The pattern emerging from the data confirms that the incomes of the research participants are perpetually vulnerable because of potential harvest failures as a result of the floods or hurricanes. This has given rise, over time, to financial strategies which attempt to mitigate the risks that are a part of this rural existence. The development of their financial relationships was primarily through bounded solidarity, the close ties of informal social networks and family ties, and this was found to be a core component of their risk management strategies (Matin, Hulme et al. 2002).

Many studies have shown that a key benefit of strong network ties is that they support the transfer of knowledge (Ghoshal, Korine et al. 1994; Uzzi 1997; Hansen 1999) while the importance of weak ties is that they enable the diffusion of ideas (Granovetter 1982). Being part of a strong informal social network, theory says, will place the farming families in the three villages in a stronger position to confront poverty and vulnerability (Moser 1996;
Narayan and Nyamwaya (1996) because of the support gained from the strong ties within those communities.

The evidence from this study suggests a more complex scenario which incorporates the social capital accumulated through generations of struggle with chronic poverty, social networking behaviours, and strong network ties that support the transfer of limited knowledge, usually initiated by within-group members. The knowledge gained in this way is often inadequate and biased and subsequently the interlinked financial decision making that was occurring was found to be working against the mitigation of poverty alleviation in the three villages. A concerning outcome of this financial decision making behaviour is the escalation of accumulated debt as a result of over borrowing of microfinance loans.

In the next section of this chapter, the story of one family is given an example of how complex a scenario financial decision making is in this context. The Kalu family’s financial decision making was able to be studied in some depth, because of their help and cooperation and their open and honest sharing of information once trust in the research team had been established.

5.3.2.1 The Story of the Kalu Family

Kalu’s mother is the leader of a microfinance group of twenty women drawn from villages A, B and C. She was chosen for this role because according to Respondent 12 in village A

*Her house is close to most of the borrowers, She offers sitting arrangement to the NGO agents, to stay at her house when they are visiting the village and she is “hot headed”. She don’t mind to say bad things (in other words a strong woman who is respected in the community and can be firm when asking for loan payments from her group members)*

The network structure, shown in Diagram 5.10 below, is typical of a microfinance group as described in the literature (Morduch 1999; Kabeer 2002; Mayoux 2007). It shows the role of
Kalu’s mother from village B (her house was right at the junction between village B and village C) as the group leader of a female microfinance group which she put together and is made up of twenty women from villages A, B, C. Kalu’s mother has the primary relationship with a number of NGO’s who provide finance to the group for, ostensibly, starting new small businesses. She has a significant amount of informal power and deals with agents from BRAC, CCD, Government Bank, Grameen and Krishi Bank. She also gets visits from agricultural traders who know that her group is involved in agricultural development and want to trade for maize crops.

**Diagram 5.10 Functional Microfinance Network**

A more complex picture of the network that demonstrates how the intense informal socio-cultural relationships among extended family members in the bari govern the interactions in this network emerged over some weeks of observation and several interviews. A discussion between the researcher and the research assistant who observed the people in this network for some weeks follows.

**Researcher:** So Mr Delwas from Village A took a loan. He was part of a (microfinance group) group?

**Research Assistant:** Yes, not he, his wife. His wife is a kind of, what can I say...she is there but literally she is not there. Her name is used to get the money. But money has been utilised by the sons.
The leader of the microfinance group that Mrs Delwas belongs to is Kalu’s mother, remember I talked about Kalu’s mother?

Researcher: Yes

Research Assistant: So Mr Delwas’s wife took the money from the microfinance group run by Kalu’s mother. So you can see the network. But in paying the money, the role of Kalu’s mother is not there. Now the interaction took place directly between Mr Delwas and BRAC. But in the payment paper, in the book, it says BRAC goes to Delwas’s wife, recommended by Kalu’s mother. But you can see an invisible network there.

The functional structure, the on ‘paper’ operation of the micro loan, has the group leader arranging for an NGO to administer the micro loan payment to Mrs Delwas. However, the socio-cultural reality of the way this network functions is very different as can be seen from diagram 5.11 below.
This example indicates another theme emerging from the data about how the social relationships within families have changed due to the demands of reciprocity. The bounded solidarity identified as being generally strong in the villages because of the situational reactions by families to common adversities (Narayan and Nyamwaya 1996; Collier 1998; Narayan 1999; Woolcock and Narayan 2000; Woolcock 2001; Collier 2002; Narayan and Kapoor 2005; Chakravarti 2006) was diminished in this example.
Not only is Kalu’s mother and Mrs Delwas bypassed by the male NGO agent and Mr Delwas in their financial dealings, but of the twenty members of Kalu’s mothers microfinance group it was observed that two of the female members never did borrow money and Kalu’s mother used their names to get extra microcredit to assist her own family.

Respondent 8 from Village C takes up the story:

*Instead, Kalu’s mother took, borrow money using their name and give the money to her son to use for cultivation. Kalu’s mother will pay the instalments. In the application, Kalu’s mother’s name will be used as a witness. She gave some of the money to her husband for potato cultivation and maize as well.*

*She thinks that borrowing will give them higher return if they grow more maize.*

*Borrowing ensures job for the family members - she has mother and father-in-law, two brothers-in-law.*

*Traders came to their house and want to buy their maize.*

*Kalu (the son) works in the local cinema hall in Matlab and he is some kind of supervisor there looking after ticket sales and cleaning the chairs, he do many things in the cinema hall. And he has got a sort of permanent income source. And last year he take the challenge of growing maize in a huge sort of set up. He had rented lots of land and decided to grow potato and maize, and Kalu’s wife took about 20,000tk from BRAC’s, 12000 from CCD, 15000 from Government banks, Grameen fund, 10,000 krishi bank 40,000.*

*So she gave all the money to Kalu to grow potato and maize. She borrowed money from BRAC upon the given that they will pay after the maize harvest.*

*The research assistant asked Kalu’s wife:*  

*So why are you not paying the loan back in weekly instalments? Because if you say you are going to give the money after harvest, BRAC has to wait for at least 3 months, 90 – 100 days.*
Kalu’s wife: Actually when I talk to my mother in law who is the group leader so she has to collect…

Research Assistant: So without her mother-in-law’s reference Mrs Kalu can’t borrow money. So she got the reference from her mother-in-law and anyway, her mother-in-law is the mother of Mr Kalu, so is all family thing. Is all about getting money using different references.

Kalu’s Wife: But we’ll not be able to pay the loan because we are not getting better price for maize

Research Assistant: So how you going to pay back the money? When I did not get the proper response from Mrs Kalu, then I had a talk with Mr Kalu. I ask him How you going to pay back the money now?

Kalu: I’ll borrow money from someone, from some other NGO’s and I will pay back BRAC and Grameen and CCD.

Research Assistant: So actually that’s how it was. But the pressure is actually on Mrs Kalu, not Mr Kalu because the NGO’s come to Mrs Kalu, and the reference is her mother-in-law or Kalu’s mother.

Research Assistant: NGO’s always when they come to Village B, they stay at Kalu’s mothers place. So they stay from the morning till sometimes at 8-9 in the evening. So when they (Kalu family) don’t pay the money, they (NGO agents) will stay there. And this Kalu’s mother’s responsibility, to take the money from Mrs Kalu and Mrs Kalu put pressure to her husband. So you can see the financial network there. It starts from NGO. It’s all about the family.

The Kalu family’s financial decisions are taken together as a group with each family member acting as a part of one close knit family entity. From the interview with Mrs Kalu, her mother-in-law and her husband, the conclusion can be drawn that everybody in the bari knows what is going on. It was also observed that the agents from the NGO, BRAC also knew that Kalu was not in a situation to pay back the loans, yet they provided him with the money anyway and they don’t know how he will repay the loan. Their reasons for doing this warrant further exploration but this issue falls outside the scope of this study.
Here is further evidence, however, that the nature of the financial decisions being made by the family were observed to be responses to their perceived risk and vulnerability. The microloans have become a substitute for traditional risk management strategies of keeping lending and borrowing within the family circles, using their own resources or those of relatives. They have adopted, with their use of microcredit, a short term and expedient view of how to manage their finances in order to achieve some improvement in their situation. The Kalu family see an improved situation to be enhanced status within the community by being successful and profitable farmers.

Research Assistant: Now, I ask Kalu ‘you are a very brave person because you borrow such amount of money, and you can’t even pay half of the money because you have a total loss of your maize and potato, how you going to pay it back?’

Kalu: Ok. BRAC will come to my house for the money, but I can’t pay it, so what can I do? If they have to come every day, they have to scream to my mother, wife to my mother-in-law, but I don’t have money.

This had happened before to another son, a brother of Kalu. Kalu’s mother said one of her other sons had run away from the village because he couldn’t afford to repay the money the family had borrowed from NGOs. It was money that on paper would have been lent through the female microfinance group, yet Kalu’s mother was not held responsible by the NGO, and her son, whom the NGO was pursuing, had to run away to avoid payment.

Research Assistant: Do you think same thing going to happen to Mr Kalu?

Kalu’s Mother: ‘I don’t know’.

Research Assistant to Kalu: If you don’t cultivate, if you just rely on your monthly income that you get from the cinema hall you can sustain. Why you are doing this? You are putting the whole family in trouble, because they lost their weight like anything.
Research Assistant Observation: Kalu’s father is over 70 and he was working like Kalu. I saw him falling asleep while they are working. Everybody was asking him to go home and take rest, and he said if I take rest now, next day it might be rainy day, it might be gloomy day so not enough sun then the quality of the maize shell going to deteriorate. So everybody is working.

Kalu then explains what is really behind this family attempt to grow maize successfully, even though, with Kalu working at the cinema hall, the risk is not necessary in order to survive financially because he has a job that produces a regular income.

Kalu: It’s a kind of respect in the community. When they see I am doing many things, I am growing; I am a professional farmer now. Everybody come to me, take advice how to grow maize. Before they used to call me ‘oh you work in the cinema hall’

The Kalu family is taking these financial risks in order to improve their status in their community. Kalu does not want to work in the cinema hall because it is seen in the community as a degrading role because of the Islamic laws relating to cinema.

Research Assistant: The perception of working in the cinema hall means something against their religion. So if you go to the cinema hall you are going against the religion. In our religion, in Islam, you don’t go to the cinema hall. If you go to the cinema hall it’s a kind of shame. So when you say you go to the cinema hall, this is a reference to someone who is not doing the right thing. So he loves the respect.

The purpose behind all this effort to grow maize successfully by the Kalu family was so Kalu could restore his status within his community. That is why he became involved in full time farming. However he did not quit his job at the cinema hall because he could not afford to, so many of his family members were working the land on his behalf, which is how it was possible for him to make the financial decision to borrow heavily from the NGO’s. Socio-cultural motivators were driving these financial decisions. Because of taking significant
financial risk in order to gain status and respect the family were putting themselves into a very difficult financial situation in the longer term.

Very little has been written specifically in the literature so far about how close knit rural families in a chronically poor environment, such as the Matlab villages in this study, work together as one unit to gain access to micro loans. This is without due regard to the consequences of defaulting on the loan repayments which could include the NGO deciding to take the defaulter’s saleable household items or personal assets and sell or mortgage them out to collect the instalment (Rahman 1999).

The characteristics of the social relationships that exist in Kalu’s family are the key drivers for those financial decisions. This is an important finding of this study. Family members of the bari, are retranslating the formal rules about how a microfinance group should operate in order to suit their own particular circumstances and appear to have abandoned the traditional risk management strategies that have helped families in this area survive the conditions of deprivation that they have lived in for generations. They appear to be struggling to develop new and appropriate risk management strategies that include taking on multiple micro debts. There was no evidence of information, training or guidance from any NGO or other entity that could assist them to develop more sustainable financial strategies.

The observations of the research assistant in discussion with the researcher continue to expose the way that the bari works together on financial matters in reference to the Delwas loan:

*Research Assistant: Sometimes those 20 members (of the microfinance group) give money from their pocket to pay the instalment of Delwas. When Delwas sees the other 20 people are paying the money for him, then he become liable, or feels some kind of obligation. Now the loan is not to BRAC, the loan is to those 20 people.*

*Researcher: Delwas is obligated.*
Research Assistant: Yes, he is obligated. The pressure is not from BRAC, the pressure is from that 20 people so that is why I saw village A. I observed a group meeting with BRAC people. What I saw, a lady could not pay, and others collect, say ok we pay the money on behalf of you, but you pay us later. So what happened is she is actually not obligated to BRAC, she is obligated to the other members of the group. So that’s how the pressure works.

Now you can take load of crap from BRAC people when you say I don’t have money.

Researcher: Not from your family.

Research Assistant: But you can’t, for example the BRAC people come to you every day and ask you give me the money, you say I don’t have money. They swear at you, they say bad things to you, you can take that. But when 29 people are your family members, key member and neighbours, you just can’t play with them.

Researcher: My question is why would they pay money?

Research Assistant: Because they are getting benefit from BRAC. Everybody is getting money from BRAC. Remember, you have to understand the chain.

The actual marketing flows of risk and finance associated with micro loans for this extended family are now exposed.

Taking loan is not for entrepreneurship. Taking loan is because they have loans from others. If they take the loan of BRAC they can pay the loan of ASA, off CCD. So it’s a kind of, as the other group leader said, other lady, this is a business. Taking loan is a business. Taking loan is not to invest the money and get better return out of it. That is not the objective. The motive is I take loan from you; I pay back the loan from others so I have other agent that I can draw money. That’s how it works. Because I don’t see any financial activity, any economic activity over there that you can make money out of, except the daily labourer. And this daily labourer job, they are out of job for 6 months because the whole community goes under water for 6 months. They have to rely on this loan. And then, like if
one can’t pay for two weeks, the other group member pay. This is kind of reciprocal situation. Then when the others in trouble then you look after him.

The nature of the exchange shifts from being market driven to being reciprocal, with obligations from family members to repay the favour of borrowing and paying off the microloans of the whole extended family.

Researcher: So he’s obligated to you.

Research Assistant: To me, as far as my observation is concerned, it’s a community loan. Don’t see it as a BRAC give a loan to one person.

They give the loan to the community. Is the responsibility of the community to pay it back. So these are the collaterals – the other people, pressure from others (within the family). When I ask them the question what is your source of income, they can’t … they don’t have any source of income.

An important pattern in the data is that the structures in the villages, particularly the family unit within the bari and the kinship and associated obligation of the members, were the dominant influences on decisions relating to money and the Kalu family is an example of this. They shared work having some common ownership of problems as they arose. Collective thinking and behaviour amongst members of the baris form the basis of their way of life and governed the observed financial decision making processes and outcomes.

Significant variations in the nature of financial decision flows have been identified and these were found to be contingent upon the roles taken by close family members and other agents, such as NGO representatives, in the financial exchange process. The Kalu family provides evidence of changing values and behaviours precipitated by the opportunity to borrow relatively large sums of money through microcredit leading to an abandonment of traditional risk managements practices.
The consequences of non payment of micro debt are leading to a breakdown in moral values, and family structures. Kalu's brother had run away to avoid facing up to the losses incurred by his mother and the rest of the family. Kalu is now in a similar situation to his brother. Kalu's mother and Kalu's wife also played significant roles in bringing this situation about.

The role of women within in family groups and in developing and maintaining community based relationships is now specifically explored with respect to their involvement with and influence on decisions relating to money of the family unit.

5.3.2.2 The Role of Women in Community Based Relations and their Influence on Financial Decision Making

NGOs in this district, as in all other parts of Bangladesh, lend micro loans to groups of women for entrepreneurial economic activities that will alleviate their poverty state. Women's involvement in micro lending and the effects of their involvement on the lives of women and their families has attracted a significant amount of attention in the literature as has been discussed in Chapter 2 (Kabeer 1994; Kabeer 1996; Kabeer 2005; Mayoux 2007). Patterns in the data indicate the influence of wives in decisions about what crops to plant and where to go to borrow the necessary money in order to smooth incomes, to cope financially or to increase status and standing in the community; this was the primary focus for Kalu's mother.

During the study period in the three villages the traditional characteristics of a patriarchal society were evident where women in the villages generally lived in seclusion. The initial impression from observation and the initial information given by the women and men interviewed was that the women were doing very little work outside the home; the ‘purdah’ rules. This requires women to live secluded lives and appears to still be defining women's status and prestige within their villages.
After spending more time in the villages, however, it became evident that many wives of poor farmers were now recognising that they were needed to help secure the family income given the increased vulnerability of their situation because of climate change and their increasing levels of debts because of multiple micro loans. The extra work that women were doing was observed to be generally related to sowing and planting seeds in the family plots, cultivating vegetables. Some younger wives were observed to be more engaged in harvesting, particularly of maize crops.

The women in the focus group from Village C explained how they worked together with their husbands.

Mrs Sh: I take loan from NGOs. I give the money to my husband for cultivation. He purchases fertilizer and seeds from the market. I help him planting and harvesting. NGO gives money only to me not my husband.

This pattern was found to be repeated in all three villages involved with this study. Husbands, and sometime husbands and wives together, make the financial decision to take up a micro loan. The wife takes the loan because most NGOs make having a female borrower a condition of receiving money from them. The money is then given by the wife to the husband for cultivation; he usually uses it to purchase seeds and fertilizer for next season’s crops.

Mrs S: My husband needs huge capital for potato-maize. I borrowed money from two NGOs. He will invest this loan and return the money driving rickshaw. I help my husband in drying and storing maize.

Mrs Kas: I borrowed loan from three NGOs. I am still paying loan for one NGO. I believe the yield will be good this season. He will be able to pay the loan on time. All the family members help my husband in agriculture.

Ms. Sh, Mr Kas’s sister lives in Kas’s house: I help my brother in his potato-maize project. I drive rickshaw and whenever my brother needs me I help him whatever way I can. I take 15000 taka loan for my brother. He will return the money.
This young woman was the most adventurous female respondent in the study, living in her brother’s house, unmarried and working by driving the rickshaw. This is against all the patriarchal traditions of the area and is an example of how the socio-cultural environment is changing, particularly with respect to the roles of younger women in the three villages.

The women’s involvement in decisions regarding agriculture also had a significant effect on the emerging roles of farmers’ wives. Mrs N discussed what to plant with Mr Sadek. Usually married women would never speak to a man who is not her husband. This is another sign of the move away from traditional socio-cultural norms as women, of necessity, take on a more dominant role in the family which in turn affects the marketing flows within the villages.

*Mrs N:* *I look after my kids and my husband drive rickshaw in day and night. I often go to the field and work with the daily labour. My husband has no time to cultivate. He helps me during sowing and harvest. My husband helps me hiring daily labour, and I do the instruction in the field. I had a talk to Mr. Sadek, and he told me how to cultivate maize. I will sow maize seeds in November and then rice.*

*Mrs Khal:* *My neighbour told me about maize. She showed me a fruit looks very nice. I had a talk to my husband about it. My husband is planning to grow maize in 1/3rd of the land. I heard it has many benefits.*

The younger women, such as Ms Sh, Mr Kas’s sister, were observed to be exploring opportunities to work more outside the home to help supplement the family income. Most of these opportunities were linked to the borrowing of micro loans, which have to be taken by women, however in the vast majority of cases the money is given to the male head of the house and he is seen to be responsible for the expenditure.

Mrs T, 50 years of age, living in Village C was taking loans for her family but accepting that the money would be handed to her son who made the key financial decisions. She said:

*I have loaned 13000 tk from the Matlab Rickshaw Makil (owners) Shamiti (Cooperative) ……I have to pay 3 tk per 100 tk as interest . This money is loaned for agriculture. My son is a driver ……he knows
everything in detail regarding this...... I don't know much about it. My sources of income are ......my son who is a taxi driver ......my husband is a beggar ......and I have little land.

Household financial decisions are made by my son ......he consults with others in the family in this regard. I need to loan when I am in trouble ......but if I had a regular income then there is not many problems ......and if there is no daily income ...... the loans becomes a big burden

The loan money is spent by my son ....he consults with other family members in this regard

I have not benefited much from the loans ......because the family income is not good ...... (we can) do anything with the money loaned if there is a daily income ......if not it becomes a burden

Mrs N from Village A is sixty years of age and her comments reflected the traditional socio-cultural values relating to the financial decisions being taken by the male members of the household. She said:

I have no loans....... Whatever I earn .....I live on it ......however I can ....since I do not have daily income ....I cannot repay the weekly instalments and that is why I do not any loan. My source of income is agriculture. Financial decisions are taken by my husband. He does not consult me at all in this regard ...... he takes all decisions by himself.

The Female Focus Group Discussion from Village C gives considerable insights into the community based relationships of the men and the women in the village with respect to their financial dealings and their financial priorities and the roles that they play in the financial decision making within the family. This focus group had both young and older women participants. The respectful name for older women (Auntie) was used by the moderator.

Q: Do you have your own income?

A: Not in that extent or not exactly

Q: for example, money lent to you by NGO. What did you do with it? Or, do you have your own from income?

A: Kept land, Kept /made houses,
Q: How did you make these decisions?

A: BRAC (Government NGO) people came, did research, had meetings, went around households, took details, gave loan.-Used it in different purposes

Q: Did you borrow on your own accord? How did you decide to borrow (in the first place)?

A: You can say, they (NGO agents) came to the household on their own, listened to people’s needs, their sorrows (cry/cries), heard about others from someone. Say, sat under a tree and talked to two, three, four people and said their versions, then some started borrowing. Whoever wished or felt motivated put their name in, went to the NGO to take loans, some kept (invested) in lands, some went into business, some bought rickshaws

Q: Didn’t anybody play a role in these decisions?

A: Poor people’s decision is one-it is the big decision. (i.e. Poor people don’t have choices)

Q: Did you take your own decision? Like, when you buy sarees, clothes, do you buy it yourself?

A: Husbands used to buy/bring these before. Now we go to buy.

These answers also indicate changing socio-cultural values in the villages, and the increasingly significant role of younger women in financial decision making contrasted to the traditional patterns of financial decision making in the households of older farmers and their wives. However, after some discussion, even the older women opened up to the role they play in making financial decisions, albeit exerting a more subtle influence on their husbands.

Q: Now that you go the market on your own, does anyone stop (embargo) you?

A: No, no-one stops me

Q: Do/Can you grow all your food on your land?

A: No, we have to buy

Q: Who buys these?
A: Husband buys, some do it themselves. (Older lady) – Those who don’t have a husband go themselves, like me: I do my own shopping

Q: Men are involved in agriculture, are there any women?

A: No, not women, husbands/ sons do the agriculture

Q: What will you cultivate, who takes that decision:

A: Husbands.

(Younger woman) – Sometimes women advise the men to cultivate this after that.

Here is evidence of younger women being more involved in the decision making about income generating activities within their households.

Q: Auntie, (to the elderly lady), were you involved in the same form, did you, too advise your husband?

A: (Young): those who loved their wives, would decide jointly

(Elderly) would discuss.

Q: Is this a matter of love, which crop to cultivate after what, what grows well in which type of land?

A: (Young and old) Both jointly decide.

Now the older women are revealing their influence in decision making regarding income stream development.

Q: Who decides, what insecticide to buy, you or the men?

A (Young) This is taken by men-sometimes, women, too are involved. Those who don’t have a husband, decide on their own

Q: Money is not only about income, there is a matter of saving it. Making a house needs more money, who saves?
A: Young woman 3: wives save

Young woman 1: Don’t talk like an idiot, men earn the money, men too, save.

Elderly Auntie: Men spend the money, women are the main savers (much laughter)

Now the older women are beginning to open up with their comments about their role in financial decision making within the household. They are demonstrating their quiet, but strong influence.

A: Young woman: Men can earn money but can’t save it, ask my aunt-in-law here, she’ll tell you the same.

Auntie: Yup they can’t keep it.

Young woman 2: Husband give 20tk for grocery (market), we keep 5tk and shop in 15tk.

Qt: How/Where do you save; Home /Bank?

A: Young woman: for the poor, home is Bank. We save at home.

A: Young woman: We take personal loans, from other people then return that money, For example, to invest in land, takes loan from Krishi (Agriculture) Bank and then return it.

Quest: Auntie, how did you deal with this in your times?

A: We would loan from those who have money, example: to marry off a grand-daughter, We’d loan from the sons, then give it back later.

Q: After borrowing, how do you pay back the money?

A: Auntie: Was lent on interest, we pay (in that form)

Young woman: Why talk of interest, answer what is asked

Young woman 2: Say, if borrowed from relatives, we pay back later.

Q: Who do you lend from?
Young woman: Parents, brothers are the first in line. If parents are too old, brothers are your soft corners. (Aunty leaves)

Quest: don’t you lend from any organisation?]  

A: Young woman: No, no, no, better from in-laws, elderly.  

And while this was a generally held view, that borrowing from relatives is the preferred option if a loan is needed, many of these families did have NGO loans, or had had them and found paying them back very difficult.

Q: What benefits would you get if lent from an organisation, for example, borrowing from relatives, doesn’t need to pay interest?  

A: Young woman 3: If borrowed on interest, we are traumatised (panicked by) with thought.  

Young woman 4: Say, if you borrow tk 20,000, whether you go hungry or not you to pay back.  

Young woman: By all means, whatever the pain, you have to pay back  

Q: Can you do it?  

Young woman 3: It takes a lot of effort (pain)  

Young woman 5: Don’t have a full meal of rice, No meat (fish-beef), No good clothes  

Young woman 3: Even if someone dies at home, you still have to pay.  

This was a comment repeated in other interviews.  

Q: Expenditure is higher than the income for most, so, how do you prioritise? Say, if you earn tk 10 but need tk 20, how do you prioritise?  

A: Young woman 5: If expenditure is tk 10, the other tk 10 is from loan  

Q: Say, if your income is such, but you need more for smooth life, how do you prioritise?  

A: Young woman 5: The one that’s more important.
Q: Well, I want to know, what is this important thing?

A: Young woman 3: The loan from the NGO’s is the first that we have to pay off, most keep aside the money to be returned to the NGO and then spend the rest on the household.

More support for the theory that poor people are going without nourishment in order to pay back micro loans (Hammill, Matthew et al. 2008)

Young woman: food expenditure, even though it’s important; but the loan gets the priority. Anything that’s more important than food has to be taken care of first.

Young woman: 7: Say, you can collect some of the vegetable (leaves) from the roadside and eat (cook) them, that money you pay to the NGO like this.

Young woman: Say you cook soup or gravy, so that the food expenditure gets reduced.

Aunty: For the homestead “On top it looks real smooth, underneath it all empty. Living from hand to mouth”

Q: How much money can support a family of five (roughly)

A: at least 5000 month (70 US dollars) (2.5 dollars a day).

A: Things are very costly these days. Expenditures are much higher than the income.

Another pattern was reflected in the changing roles of men and women where the men of the villages were seen to be spending more time on non-agriculture and domestic activities. Many men work two or three jobs seasonally while women spend less time on domestic work and more time on home-based farming activities while the men are away earning income off the farm. The pressures of increased microfinance indebtedness are contributing significantly to these changes.

The households decision making behaviours where there are younger wives fit more closely with the concept highlighted in the literature that the household does not have only a single decision maker (Folbre 1986; Sen 1990). For example Mrs Man’s household in Village B.
She is forty years old and has a teenage daughter considered to be of marriageable age.

She says:

*I have loaned 20000tk from BIDB shamiti within the last one year. I have loaned the amount in two different names (accounts) from BIDB, 10000tk each.*

*I had loaned 10000tk for buying the jewellery for my daughter’s marriage and another 10000 for building the house.*

*I have to repay 250 tk per week on each account and so it is a total of 500tk per week for both loans and 20tk per week for the saving scheme*

*The NGO workers persuade us by providing various information. The main sources of financial assistance for us are the different NGOs. My purpose is best served by the BIDB shamiti.*

*My main source of income is agriculture. The family financial decisions are taken in consultation between husband and wife.*

*Aside for maintaining the family, any other work demands a loan in our case. We barely meet our family costs with the regular income, and anything beyond the normal routine is impossible without a loan.*

*We can utilize the saving money in hard times.*

*For instance, I have a daughter, so I plan to make her jewellery from the savings money.*

*The prime responsibility of dispatching the money loaned rests on my husband. But other members of the family do put in their opinions.*

More often the financial decision making is a shared activity between husbands and wives. A pattern can also be seen regarding role played by NGOs with regard to household decision making. The persuasive behaviour of the NGO agents encourages families to take up micro credit loans. The reasons for this hard sell are outside the scope of this study but require investigation.
Mrs Min aged 36 from Village B also talks about how financial decision making is shared in her household.

I have loan 41000 taka within the last one year. I have used this money to buy land and built the homestead. My sources of loan are BRAC 26000 tk and BIDB shamiti 15000 tk. I have to repay 715 tk per week to BRAC and another 15 tk for saving schemes.

The NGO workers came to my house and persuaded me of the benefits of taking loans.

The main source of financial assistance is the NGOs for me. I am more dependent on BRAC within all these different sources.

I am engaged in agriculture, dairy, poultry and fishing. I have cows, goats, ducks, chicken and I fish. I sell the cow’s milk: eggs form the poultry are sold as well as consumed by the household. Fish, too is sold as well as used for household purpose. Both husband and wife are extreme hard workers. Family financial decisions are taken in consultation between the husband and wife.

Whenever I am in need (trouble, danger) I need a loan.

Dispatching the money secured form the loan is primarily my husband’s responsibility; but both of us consult.

The findings also indicate that the women, particularly the younger ones, are becoming more influential with regard to the choice of crops grown in the three villages where the study took place. This supports emerging views in the geographical and agricultural literature (Howard-Borjas 2001; Gururani 2002; Briggs, Sharp et al. 2003; Oakley and Momsen 2005) that “across the globe, and particularly in tropical regions rich in biodiversity, in villages, on farms, in homesteads, forests, common pastures, fields and borders, it is women who manage the majority of all plant resources that are used by humans” (Howard-Borjas 2001 p 2). This is another indication of the influence women are having on their families’ choices.

Women’s views about these issues in the Matlab district are affected by local social influences, financial incentives to trial new crops such as maize which are given by NGOs.
such as BRAC, and the concerns the local rural farming community has about the 
environmental and climatic changes which has affected the viability of rice growing in the 
short season available between the monsoons (Oakley and Momsen 2005). The findings 
from a recent study in Bangladesh (Oakley and Momsen 2005) demonstrated a significant 
connection between the crops that were chosen to be planted in the two villages in the study 
and women’s preferences for what to grow. The present study also found that the manner in 
which the women who participated in this study exerted their influence over decisions of 
what to plant has been difficult to define because it is "embedded in asymmetrical relations 
of power and ...it is also difficult for women to articulate their knowledge or even consider 
their knowledge valuable’ (Gururani 2002 p 317).

This last point raised by Gururani (2002) regarding women’s reticence to openly discuss 
their knowledge and their participation in decisions on these matters is important. Over the 
course of this study the female participants became more relaxed and open in their 
comments. It was apparent that there is change occurring in the socio-cultural behaviours 
within the villages. The older women contained themselves to their traditional secluded life 
but many of the younger women were found to be overcoming their traditional reticence to 
talk about their contributions to the family’s financial well being (Kabeer 1994; Kabeer 1996; 
Kabeer 1998; Oakley and Momsen 2005). These changing values were evident in the 
discussion between the research assistant and an older woman, Respondent 4 from Village 
A:

Researcher: Respondent 4, she’s very old lady and she spent lots of time with me. Her location is 
Village A. Her profession is housewife. She looks after poultry, the cow and she shells corn. Now 
they are so poor they shell the corn by hand. And she showed me her fingers; they looked horrible 
with scratches because of husking the corn by hand.

The family grow mostly rice and have taken NGO loans to cover the expense.

Researcher: I ask her what you did with the money.
Respondent 4: “BRAC and Shamiti 25,000 tk, 15,000 tk and personal loans from a neighbour. Personal is for rice cultivation you take personal loans, maybe from neighbour, maybe from the people you know, friends. Provide money to sons, clothing, and groceries.

‘It is a disgrace for me to talk to men and I had to go to the place of the NGO lender. I never did such thing in life.’

It was a problem for Respondent 4 to borrow money from an NGO because she had to participate in some meetings with males and she saw this as disgraceful because she has to go out of her house to the meeting. But she said other young women who are housewives now are borrowing money without asking to their husbands and they invest money without husbands’ concern.

Respondent 4: These young women are over-smart to borrow money from the men that they are not related to. Going outside the home to talk to such friend is not acceptable at all.

Respondent 4 called the borrowing from NGOs a “get rich culture”. She said before they used to eat less and struggle more, but they never borrowed money.

Here the traditional socio-cultural norms are being overridden, where younger women are making their own decisions to borrow money, and going out of their houses to neighbours for meetings. The observation of this study is that women are more frequently breaking purdah rules and moving about in the community outside of their homes. A dynamic social structure was observed and a shift in the power balance within that structure in the villages, particularly between young women and their husbands, appears to be emerging. Younger women’s decision making agency is expanding. The cultural value system, the way of thinking, what is accepted, and what is not accepted with respect to women’s behaviour in the community, was observed to be changing as well.

Research Assistant said:
Men are working, but there were limited opportunities for men to create reliable income streams for their families. Their response to this situation has been to borrow money from BRAC or ASA or CCD and invest the money somewhere. Now, however, there appears to be an emerging realisation that there is little scope of that. They tried everything and they are still facing loss. This is the new culture; their like of maize. It is like jumping on the bandwagon. Everybody wants to try it. Doesn’t matter if they make loss because there is nothing else to try...

Respondent in Village C:

So this credit will destroy the culture and country, everybody is concerned about increasing borrowing but never think of earning.

The community social relations influencing financial decision making, and in particular the decisions to take up microcredit, are affected by a dynamic set of socio cultural and contextual issues in these communities. These changes and the challenges for the traditional value system affect the whole financial paradigm as it is unfolding in the three villages. Traditionally, men would go out and produce the family income. Now, with the influence of NGO agents giving loans to women, this is causing changes to traditional social values and long held cultural practices and the new practice is not well understood.

5.3.3 Summary

Question 2 asked: Do the characteristics of community-based relationships influence financial decision-making processes and outcomes and if so how?

The evidence from the study indicates that the characteristics of connectivity in community-based relationships have a profound effect on financial decision making processes including financial decision making with respect to microfinance. The development of financial relationships in the villages was found to be based primarily on ‘small world’ measures (Watts 1999; Hargreaves, Morison et al. 2007) of bounded solidarity, the close ties of
informal social networks and family ties and these relationships were found to be a core component of their risk management strategies (Matin, Hulme et al. 2002).

The evidence suggests a complex financial decision making scenario is now emerging particularly with respect to the choices on offer from NGOs and MFIs for micro credit loans. The social capital accumulated through generations of struggle with chronic poverty, social networking behaviours, and strong network ties, supports the transfer of only limited knowledge, usually initiated by ‘within’ group members. There is little evidence of information being provided by NGOs and MFIs regarding the management of a micro credit loan or repayment penalties attached to loans that are not paid back on time. Consequentially many expedient short term financial decisions were in evidence where families were continually revolving their micro credit loans, borrow from one to pay another, or in the case of Mr Kalu’s brother, just running away to avoid being harassed by NGO agents. The environment in relation to micro credit is creating a changing, turbulent, complex, and uncertain environment with respect to financial decision making (Layton 2007).

The components of social capital found to be present in all three villages studied can be elaborated using Woolcock’s (2001) descriptions of the types of social capital that can be present in communities such as those in this study.

A) ‘Bonding social capital’ which relates to ties between people in similar situations, such as immediate family, close friends and neighbours was found to be a very strong influence on financial decision making. The first place that community members turn to for financial assistance and support is their family and close neighbours that they know well.

B) ‘Bridging social capital’ which relates to loose ties of friendship and/or work relationships. The connections between members of the community and those NGO agents who approach the villages in order to find new customers fall into the category of bridging social capital.
Their relationships between NGO agents and borrowers in the villages are based on a functional work based criteria.

C) ‘Value introjection’, which has its origins in the work of Weber (1904; 1958) and Durkheim (1893) 1984), emphasises that the value sets learned during socialisation affect the moral character of economic decisions and transactions. It is a source of social capital because it promotes economic actions which take into account the common good and is central to the sociological perspective of economic action (Portes and Sensenbrenner, 1993). The way that this plays out in the three villages in this study is that the values relating to economic decisions and transactions take into account only the common good of the tightly knit bar family group’s short term needs.

Patterns emerging from the data also confirm that financial relationships have traditionally been established primarily through bounded solidarity, the close ties of informal social networks and family ties and this was found to be a core component of risk management strategies (Matin, Hulme et al. 2002). However, the social relationships within families have changed due to the demands of reciprocity that come about as a result of multiple micro credit offerings being adopted by family groups through their female members. The bounded solidarity identified as being traditionally strong in the villages because of the situational responses from families to common adversities appears to be diminishing. The effect on risk management strategies was profound in the case of the Kalu family.

The Kalu family provides evidence of changing values and behaviours precipitated by the opportunity to borrow relatively large sums of money through microcredit leading to an abandonment of traditional risk management practices. The consequences of non payment of micro debt are leading to a breakdown in moral values, and family structures. Kalu’s brother had run away to avoid facing up to the losses incurred by his mother and the rest of the family. Kalu is now in a similar situation to his brother.
Are these changing values and behaviours becoming a part of collective thinking and behaviour amongst members of the baris? The cultural context in the villages relating to the social structures within the villages is experiencing social change with respect to financial decision making processes and outcomes and there are observable impacts on family groups where values and morality perceptions are changing (Layton 2007).

Significant aspects of community based relations have been identified and these are impacting on the financial exchange processes within these villages.

This scenario is summarised in Diagram 5. 12 below and the issues are examined further in the next section of this chapter.
Diagram 5.12 Summary of the Influence on Financial Decision Making of Community Based Relations, Including the Decisions to Take Up Micro-credit

Expressions of chronic poverty are defining the self imposed boundaries of the community relations and social networks influencing financial decision making. “A small world” view.

Context produced by chronic poverty is challenging with high levels of vulnerability and risks both known and unknown.

Traditional social and cultural values experiencing social change with impacts on individuals, and family groups; values (collective or individual) and morality perceptions are changing.

Informal Financial entities such as patron landholders; local money lenders; local village cooperatives offering low cost or no interest finance have an influence on financial decision making.

Desire for increased status and improved agency within the community is a strong input to decisions to take up multiple micro loans in order to become successful at agriculture which will enhance status and agency.

Bari family members are the centre of influence for financial decisions. The bari members engage in reciprocal exchange of either in cash or bartered goods and services. Reciprocity, trust and loyalty linked to informal financial dealings. Strong ties within the informal social network, little evidence of weak ties.

Expressions of “bounded solidarity” influence and are affected by the nature of financial decision making:

Financial decision making system environment: changing, turbulent; complex; uncertain. No new sustainable risk management strategies emerging to deal with micro-debt.

Bounded solidarity diminishing

Financial decision making options are severely constrained. Few/intermittent income earning opportunities other than farming because of contextual specifics.

Increasing microfinance indebtedness

Limited information flow between Bari members and NGO financial entities; market driven financial exchange.

Financial decisions to use micro loans from NGOs made to offset conditions and expressions of chronic poverty; expedient and market driven; little evidence of trust and loyalty between borrowers and NGOs.

Dynamic and value laden communication flow between Bari members re financial decisions.

Financial decisions influenced by wives, in both younger and older farming households.

The local NGO agents ‘turn a blind eye’ to the borrowing of microcredit for purposes other than what is agreed. The borrowers often resentful of the behaviour of the NGO agents who demonstrated poor and unprofessional practices in the operation in their financial dealings.

Climate change and environmental challenges; increased annual flooding, temperature variability leading to more frequent crop failures.

Context produced by chronic poverty is challenging with high levels of vulnerability and risks both known and unknown.

Traditional social and cultural values experiencing social change with impacts on individuals, and family groups; values (collective or individual) and morality perceptions are changing.

Context produced by chronic poverty is challenging with high levels of vulnerability and risks both known and unknown.

Environmental challenges; increased annual flooding, temperature variability leading to more frequent crop failures.

The local NGO agents ‘turn a blind eye’ to the borrowing of microcredit for purposes other than what is agreed. The borrowers often resentful of the behaviour of the NGO agents who demonstrated poor and unprofessional practices in the operation in their financial dealings.
Data Analysis Section 3

5.4 Introduction

The aim in this section of the study is answer research question three (i) What is the nature of the marketing flows linking those involved in making financial decisions in poor rural communities?

(ii) How do marketing flows influence financial decision-making within the rural community studied?

This section focuses on the nature of the marketing flows within the social systems in the small villages in the Matlab district that influence financial decision making. Exploring these flows can help to determine the nature of exchanges affecting financial decision making. The research focused on the behavioural dimensions of financial decision making within the marketing systems operating in these communities (Dixon and Wilkinson 1989; Varman and Costa 2008).

The findings contribute to understanding the influence of social embeddedness and the nature of community ties in chronically poor communities on financial decision making. Marketing flows considered in this section include matters relating to risk and finance as well as flows of information and possession and ownership. These flows are a reflection of attitudes and behaviours within the networks in poor communities that have significant implications for the nature of financial decision making (Fisk 1967; Bowerbox and Morash 1989; Layton 2007; Varman and Costa 2008).

5.4.1 Marketing Flows of Information

Asymmetric information occurs very often within marketing systems because some people in the system are better informed that others (Layton 2007). Relationships are also very important for the acquisition of information (Granovetter 1973; Burt 1992) and the relationships within social networks are known to have a significant effect on information
flows within and beyond the social network. These flows have implications for the quality of information given and received (Granovetter 2005). Borgatti and Cross (2003) point out that an individual’s decision to seek information from another person is informed by “characteristics of the relationship between the seeker and a set of other people he or she might turn to” (p 434). This has particular implications for the flow of information between family members; husbands and wives in particular.

Since full information about who is willing to supply money and who is willing to borrow is not easily available, there is asymmetry. In this study the findings indicate that most people in the villages have a greater amount of information about the needs and reliability of their immediate family within the bari with respect to financial dealings. The traditional rural way of life on the land in the Matlab district is characterised by limited access to, or engagement with, expert information regarding agricultural or financial matters and this situation is exacerbated by limited or no literacy within the family groups. The social capital accumulated through generations of struggle with chronic poverty, social networking behaviours, and strong network ties supports the transfer of only limited knowledge, usually initiated by ‘within’ group members. There is little evidence of information being provided by NGOs and MFIs regarding the management of a micro credit loan or repayment penalties attached to loans that are not paid back on time.

5.4.2 Marketing Flows of Possession

Marketing flows of possession relate to the physical exchange (Bowerbox and Morash 1989) of physical assets and examples in this data are the exchange of jewellery and livestock, and dowry. There are also many examples of exchanges of social resources that people can draw on from family and community. Examples were cited in sections one and two if this chapter; such as the discourses from the Kalu family. Possession also refers to the exchange of financial assets and substitutes such as income, money, money substitutes and other consumption items (Hulme, Moore et al. 2001). The marketing flow of possessions
has also been documented in this chapter and will be examined further in association with an examination of responses to physical and financial shocks and people’s ability to cope with vulnerability which is very much dependent on assets held (Hulme, Moore et al. 2001).

As has been discussed the people in the rural villages of Matlab have very few physical assets and those they have are generally of poor quality. The spirally micro-debt in the villages is causing an erosion of traditional social relationships and the traditional way of life appears to be deteriorating. For example, evidence was also found to support the concerns of Hammill, Matthew et al. (2008) that families were reducing their food consumption and/or exchanging, selling or depleting their assets such as livestock in order to repay micro loans.

5.4.3 Marketing Flows of Ownership

The concept of a marketing flow relating to ownership is where a title for an asset such as land or a house is held (Bowerbox and Morash 1989). There is a high likelihood in the research area of chronically poor people losing ownership of whatever physical assets they have. For example, increasing levels of landlessness in the rural areas around Matlab is a contributing factor to sustained levels of poverty in rural areas of Bangladesh (Quisumbing 2007). Most of the farmers in the Matlab district are in marginal situations, owning less than two acres of land and 40% of them are completely landless (Razzaque, Streatfield et al. 2007). Land is an emotive issue and the cause for feelings of ill being by the farmers who were landless or owned little land. Strong desire for land ownership has social, cultural and psychological implications for financial decision making. Evidence from this study suggests that a significant group of farmers in the area appeared to be selling land in order to pay back micro loans from NGOs. Marketing flows, of which this is an example, are impacting on other flows within the marketing systems.

5.4.4 Marketing Flows of Risk and Finance: Driven by Vulnerability

Flows of employment and labour market risks are very significant and interrelated with other sources of risk and vulnerability (Hulme, Moore et al. 2001). Causes for the chronic poverty
in the study villages can be found in the multiple risks faced by the poor people in this study, and in their vulnerability to the impact of these risks. Vulnerability and associated risk can come from either external threat to livelihood security, such as floods, or from ineffective or absent personal risk management strategies (Ellis 2000). Social risks affect the welfare of poor people both directly and indirectly through risk behavioural responses (such as becoming risk prone and making poor financial decisions which lead to loss of assets and land leave poor families with increasing debt burdens) to heightened risk (Barrientos and Shepherd 2003).

The flows of risk and associated expressions of vulnerability are closely associated with flows of finance within the villages in Matlab. However the most significant factor in the flows of risk and finance in the study areas was the perpetually high levels of perceived vulnerability. Vulnerability has been found to be a key driver of the flows of risk, and finance in this context. Vulnerability arises from a “combination of exposure to a threat with susceptibility or sensitivity to its adverse consequences” (Ashley and Maxwell 2001 p 412).

The experience of vulnerability in this context is “an aspect of poverty in and of itself, that is, a palpable disturbance to one’s ‘peace of mind’” (p 29). Aliber (2001) suggests that vulnerability also manifests itself in discouragement and risk aversion. The present study has found that in the context of the poor rural communities of Matlab, vulnerability is experienced by most people in the study villages but it can give rise to either risk-averse financial decisions or escalating appetites for risk taking. The implications for chronically poor farmers are that their abandonment of traditional risk management practices is leading them to financial decisions that increase debt (See Diagram 5.13 below) and subsequently further deplete their physical and social assets.
Where did this appetite for risk come from? The story of the Kalu family in section one of this chapter is an example of what is happening in the villages with respect to changing flows of risk and finance and the implications for the marketing systems within which these flows exist. Mr Kalu said “I may not take this risk if maize did not come to my village. Now lenders (NGOs) come to my home or send people to convince me to do more farming”. This statement by Mr Kalu suggests he had decided to take more risk because the local NGO agents offered micro credit and encouraged the family to take it in order to try farming maize.

Mr Kalu, whose family wants to improve their status, took the risk of borrowing heavily. Here is further evidence of the theme emerging from the data that the nature of the financial decisions is a response to their perceived risk and vulnerability. Their micro loans are a substitute for traditional risk management strategies of keeping lending and borrowing within the family circles, using their own resources or those of relatives.

Diagram 5.13 Marketing Flows of Risk and Finance in Marketing Systems of the Chronically Poor Villages Influenced by Vulnerability

Risk comes from the depletion of productive assets, increased micro debts, low productivity of maize crops and continuing uncertainty due to physical conditions.

Flows of Finance influenced by Risk taking and Risk aversion of farmers

Abandonment of traditional risk management strategies leads to increased microfinance indebtedness.

A pattern of altered financial flows as NGO agents persuade and encourage families to take up micro credit loans.

Vulnerability is a key driver of flows of finance and risk. Evidence of both risk-averse and escalating risk appetite.
Vulnerability and the marketing flows of risk and finance are contributing directly to the perpetuation of chronic poverty in these villages through the depletion of productive assets, increased micro debts, low productivity of maize crops, and continuing uncertainty due to physical conditions.

The argument that people in poor communities, such as those found in the Matlab district, tend to avoid making risky decisions that could threaten their basic livelihoods and instead perpetuate a lifestyle of communal reciprocity and subsistence (Scott 1976). Some evidence for this is identified in some of the findings. However there are also findings to strongly support arguments such as Samuel Popkin’s (1979) that there are occasions when rural farmers would choose to make risky decisions in order to maximise the benefits to themselves and their families. Keyes (1983) and Weber (1978) argue that both risky and non risky decision behaviour had a place within the social actions of people living in communities such as these.

Further, propensity for risk taking will influence an individual’s perceptions of contextual threats or opportunities and lead to risk perceptions which are biased (Brockhaus 1980; Vlek and Stallen 1980). These behaviours were identified as patterns emerging from the data.

The financial pressures and perception of risk evident in the villages is observed to be exacerbated by the NGOs who are providing micro credit to members of the three villages in the study. This is because they do not appear to exchange any information on the risks associated with borrowing for agriculture nor do they explain the consequences for the borrowers and their families if they fail to repay micro loans. Once the borrower has failed to pay the weekly instalments, demands are made which give rise to expressed feelings of ill-being. This situation was found to be an emerging pattern of behaviour and is manifested by the following interview. Mr Sadek said:

*They (the NGO agents) come in every Monday and Wednesday to collect weekly payment. If you ask for extension they get very angry and use bad language. This is shame to me and my family, when the toll collectors keep sitting in my homestead for the whole day and use bad language. I am a*
human and I cannot drive rickshaw the whole day. I had to borrow from others to pay these immediate payments.

Mrs Sadek said: These people are very stubborn and heartless. They can see my husband working day and night but never stops coming. It is easy for him (husband) at least he is working outside but it is me who is taking all the bad words from these NGO people. My father borrowed money from NGOs to help my husband, and now they are also in trouble. They are losing their face too. (Meaning they are ashamed and feel they are losing respect from among their family and peers).

The findings of this study suggest that vulnerability, which give rise to feelings of powerlessness, anxiety, and ill-being as proposed by Chakravarti (2006), causes significant financial pressures which influence the community members’ risk propensity in financial decision making.

5.4.4.1 Increasing Pressures from Family Leads to Risky Financial Decisions and Increased Indebtedness

One of the key reasons for farmers’ feelings of vulnerability and ‘disturbed peace of mind’ (Aliber 2001) is their concern about being able to provide good food to their families. It is apparent from observation and discussion that there is constant pressure and stress on the male heads of households to produce enough good food for the family. The farmers’ frequent failure to do so because of environmental and economic crises has an impact on their perceptions and gives rise to feelings of vulnerability and powerlessness because it affects their status in the village.

For example, the male farmers’ focus group from Village B said:

Researcher; What type of food do you eat?

Farmer 1 What poor can eat....people get rice for 3/6 months or some get it for one year...can’t even think of buying rice from the market (because of the price)

Farmer 2 Rice and leafy vegetable ....that’s it....can’t have more
Farmer 3 it is beyond the capacity to buy fish so only vegetable

Farmer 2 Price is increasing ....no extra income...it is too hard to live these days...we are losing our existence

Researcher: Is there a way out?

Farmer 2 everyone is thinking how to earn extra money.....whatever it is....in the future we will do anything that will give us money....that should be our only thinking

Many farmer respondents in this study explained that it is these pressures which cause them to respond to monetary shortfalls by taking financial decisions to borrow microloans in order to survive, even though as a consequence of these decisions their debt burdens would be increasing.

Respondent 1 from Village B talks about a neighbour.

In addition, due to high price of labour, fertilizer and irrigation, he will make no profit from cultivation and will make him more dependent on NGOs loan. For example, he borrowed 8000 taka from CCCD (an NGO) for his daughter's marriage and to pay this loan he had to borrow another loan from BRDB (another NGO) of 6000 tk. He had to pay 6000 tk to CCCD and left with no money for cultivation.

Respondent 3 from Village C said:

There are different reasons for me to take loan ..the income of our household is not sufficient and it becomes very difficult to maintain the family ..therefore to do anything extra demands a loan ...by extra I mean ....the time to sow crops in the field ... buy fertilizer ...buy cows and goats .... for treatment during illness ... I need cash .

5.4.4.2 Adopting Traditional Sources of Finance Leads to Less Financial Risk.

Some families in the villages had decided not to adopt these risky financial practices and instead turn to their traditional sources of finance; their friends and relatives and local cooperatives. In so doing they are avoiding making risky financial decisions that could threaten
their basic livelihoods. In taking this decision path they tend to perpetuate a lifestyle of communal reciprocity and subsistence (Scott 1976). The reasons for these different responses to vulnerability and risk are not fully explained by the presence of supportive relatives and friends who have the financial means to assist in difficult times. Nor are they explained by the reluctance of devout Muslims to avoid financial arrangements that are outside the Sharia laws of no interest on money lent or borrowed. This is therefore an area for further research.

Mrs H Aged fifty six discussed her family’s low risk financial strategy.

Within the last one year I have borrowed around 1 lac (100000 tk) tk ……the sources of these loans are …….elders son’s in law’s house 20000 tk ……..younger son’s brother in law 20000 tk ………son in law 20000 tk ………but all the money are loans

I had borrowed these money …..for agriculture of rice paddy …..for growing maize and potato

I have not borrowed from any Shamiti (local community cooperative) or NGO ……..because it is a lot of hassle …..you have to pay back in installments

The NGO workers never pay heed to whatever problems you may have ……..they demand and recover the installments amounts by hook-or-by crook ………they do not listen to any of your problems ………if necessary they will make you borrow from relatives ………to pay back the installment

There are various sources of loan ……..I prefer to loan without interest if I can get it …….in that way I do not have the trouble of paying interest …… and it takes care of my necessities in best possible way

The money loaned is spent completely in the authority of my younger son ……. he consults the other member of the family in spending the loan money. The loans are beneficial if it is without interest. I am more connected with relatives for financial transactions ……..I have borrowed from them without interest
Respondent 13 from Village A said:

In our area, we don’t see people taking any personal loans from people. I have limited relation with Bank. I loan from wealthy family members. If I’m in desperate need, I’ll go and try to borrow from extended family. I’ve never loaned in interest from any institution. And I don’t take interest either.

Researcher: Why rely on family members?

As I don’t have to pay interests.

Respondent 10 (Mrs R aged 45) from Village C said:

I have not loaned from any NGO …….I do not like to loan from the NGO …….if necessary I will loan from my relatives

There are different sources to loan money ……. My purpose is best served by interest free loan from relatives …….because you do not have to pay interest and ……. if you are a little late its not a problem

Evidence was found of varying borrowing patterns in Villages A, B and C (Table 5.17 below) and as can be seen the majority of borrowings of respondents came for NGOs. These varying patterns of loans reflect the complex and particular nature of the flows of finance and risk through each of the villages.
Table 5.17 Financial Entities Chosen for Loans in Villages A, B and C

<table>
<thead>
<tr>
<th>Financial Entity</th>
<th>Village A</th>
<th>Village B</th>
<th>Village C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local financial co-operatives called “Shamiti”</td>
<td>3</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Non-Government Organisations and Microfinance institutions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BRAC</td>
<td>7</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>Grameen</td>
<td>1</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Brutanga</td>
<td>3</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Shapla (local)</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ASA</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Krishi</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>BRDB Bangladesh</td>
<td></td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>CCCD</td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Government Bank</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Informal Financial Entities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money Lenders</td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Business Partners</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relatives</td>
<td>7</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Total identified Entities being used</td>
<td>29</td>
<td>6</td>
<td>31</td>
</tr>
</tbody>
</table>

Village B, while physically in close proximity to Village A, can be seen in Table 5.17 to have a very different pattern of financial decision making with respect to borrowing. While there were fewer respondents from Village B overall, those who did participate in the study identified a lower rate of borrowing from any source, friends, relatives or NGOs. This is because there were more people in this village employed as daily labourers or rickshaw wallas and they had become more involved as a village in growing maize crops which seemed to be putting them in a better position financially.

A discussion between the researcher and the local research assistant concerning observations of Village B highlights the changes in farming practices that are occurring in...
Village B and which have begun to reduce their vulnerability and provide them with an increase in feelings of well-being. It also highlights how the marketing flows within the households in Village B relating to producing, consuming and maintaining are quite different from those within Village A.

Research Assistant: When I asked them what they do with the maize, they say the leaf is for the cow, even the bark they use to make fence. When you take off the shells (of the maize being grown in village B) there is the husk, they use that as a fuel for cooking.

Researcher: So this village has discovered maize has got multiple uses.

Research Assistant: This fuel thing is important because before they used to cut trees because there is no gas or any electricity there. The females, people like Tofura and Hussaina maybe they find maize is helping them somehow reducing their cost of household. So you can see if you look at Hussaina and Tofura, they took loan from neighbours.

Researcher: And maybe increasing the quality of what their children are eating, their families are eating.

Research Assistant: And taking some of the job from their men so they can do something else (work as a daily labourer or rickshaw walla).

Researcher: It’s quite an empowering thing then for women?

Research Assistant: Definitely. Empowerment is coming from…if you look at these cases it is amazing that everybody is involved in cultivation/farming of maize, including the females. It was impossible situation for the female even 10-15 years back to go out of the house. Maybe entrepreneurial attitude, this crop and doing something with it. But the people who took money from neighbours and do small farming they are in a better situation.

Researcher: They are more self sufficient?

Research Assistant: I found them more systematic and self respect. Even though they are very marginal. But this self respect might give some kind of confidence.
Village C demonstrates a much stronger participation in local financial co-operatives that do the other two villages, as can be seen in Table 5.16 above. There was one wealthy member of this village who had returned from living overseas and had set up a vibrant shamiti. This man’s patronage has been of great assistance to the people in his village.

Respondent 3 from Village C said:

* I have not borrowed from any NGO ……I have only loan from shamiti in the village…. The village people came to my house ….and explained this to me. There are various sources of loan here ……but my necessities are best served by the shamiti established by the better off people in the village ……reason is the interest is very low

Respondent 5 from Village C said:

* Village shamiti, the person who run the village shamiti he is very compassionate man and he’s kind of, why we have to take loan from NGO when we can do it? This kind of attitude. Money we can ask, and we look after each other. So people have some kind of sympathy. People who borrow money, they feel that is their responsibility to utilise the money properly and pay it back.

This is an example of how traditional means of financial support reduces the propensity of people in Village C to take risky financial decisions.

Village A, on the other hand is an example of different flows of risk and finance because the people in Village A rely more on NGOs, with BRAC being the most often used NGO. The focus group discussion with the farmers from village A highlights an overall sense of ill-being and high levels of concern about the borrowings they make through NGOs as a result of their willingness to take more risk with their borrowings.

* Research Assistant: You are borrowing more and paying in week by week but your income remain the same. How do you manage this?
Farmer 4: Before people are concerned about prestige and pride what work they do. Now they cannot maintain that. Whether you eat or do not eat you have to work. I saw people who never work (as a daily labourer) had to go out with spade and bucket to cut soil. I had to sell my pet (goat) and bound to pay the loan but I am scared of my prestige and I don’t want to lose it. Paying money from selling goat may solve one problem but what about other instalments. I had to sacrifice my land (rent the land to get quick cash) to pay the loan but I can spend few good days if I borrow.

Farmer 4 has significant debts accumulated that were taken up so he could maintain his prestige in the village. This feeling of prestige offsets feelings of ill-being brought about by a sustained chronic poverty state. He will take financial risks for “a few good days”.

Research Assistant: Do you make effort to raise income?

Farmer 3: Yes we tried every possible ways but can’t do anything with such small capital. They give 5-10000 tk at the same time the price of daily necessities are increasing triple time. The poverty is becoming bounderyless. This year I rent 5 ganda land and cannot pay the loan.

Farmer 3: This year for the first time I sow rice and maize in one particular land the cost is 800-900 tk (per maund) but when we harvest the price (per maund) is 500 tk, we never consider self labor, we are working in our field free. This land is inherited, cannot left alone have to harvest.

Farmer 3: Whatever crop we grow is a loss for us, never get seed, fertilizer on time, pesticide, irrigation.

Farmer 2: Everything is corrupt (Bhajal).

Farmer 3: Farmers are going bankrupt (shorboshanto).

Farmer 5: Now we have no peace and happiness, always in tension when/how to pay. We buy the most cheapest goods from the market, somehow live life, it’s not life, if you want to eat good food where is the money, you owe me 500 tk how will you pay it.

Farmer 5 voices his feelings of ill-being which are now being exacerbated by increasing debt levels.
Farmer 3: We come home and tell the family. lie like food is not in the market etc.

Farmer 4: Say we have to pay 400 tk instalment, we worked for four days, not enough.

Farmer 1: If one can’t pay others have to pay every member had to be in a group such as group of 20
if one cannot pay then rest had to collect the money and pay the defaulter instalment.

Farmer 3: If the group can’t pay, then they will take the money from the savings which is accumulating
every week, 25 tk in every 1000 tk. If one borrow 1000 tk then the weekly saving is 250 taka, they will
not give you the money unless you pay the 46 instalments.

Farmer 3 expresses his frustration at the rigidity of the micro loans and associated savings plans.

Farmer 3: The saving gives us 2% interest but the borrowing has higher interest. It is them who make
money not you till it finishes the paying interest is the same.

The risky financial strategies adopted are accompanied by growing levels of frustration about
the characteristics of the financial products they have signed up for. These products are not
meeting their financial needs.

Evidence of both risky and non risky financial decision making was found to exist in the three
villages, with more micro credit risk being taken in Village A. This supports the arguments by
Keyes (1983) and Weber (1978) that both risky and non risky decision behaviour had a
place within the social actions of people living in poor communities (see the summary of
these findings in Diagram 5.14 below).

The findings also support the proposition by Keyes (1983) that decision behaviours in these
communities are prompted by traditional practices and are precipitated by emotional
responses to situations (Weber 1978). The traditional mores within the villages define the
desirable nature of status and respect. Traditionally defined achievements, such as a
successful farmer having a higher status than a rickshaw walla, give rise to strong desires
for those who do not have status and respect to achieve it. It could be that having achieved that level of status and respect within the community, feelings of vulnerability and powerlessness are reduced and so rather than the propensity for risk taking influencing an individual’s perceptions of contextual threats or opportunities (Brockhaus 1980; Vlek and Stallen 1980), the family’s status are more influential and this in turn influences their propensity for risky financial decision making. Again this data supports the pattern; that a desire to attain and sustain positions of status is found to be one of the strongest motivating factors for the risky financial decision making that was observed being taken in the three villages.

Poor people’s agency, or ‘dapot’ as it is called in Bengali, was found to be a significant component of financial decision making in the villages studied. agency or dapot can perhaps be compared to the Chinese concept of ‘Guanxi’ (Davies, Leung et al. 1995; Gummesson 1996). Its specific characteristics in this context and the role it plays as a component of the marketing systems of the poor villages in this study is outside the scope of this thesis but warrants further investigation.

Diagram 5.14 Financial Decision Making Flows under Conditions of Perceived Risk and Vulnerability in Villages A, B and C

Financial Decisions were being made in the three villages based on traditional practices and precipitated by emotional responses.

In most cases the low risk financial decision-making was taken by mature couples who had a sense of well-being and had attained status already within the community.

The risky decisions were taken by men and young women seeking status and respect.

High levels of risk-taking was observed in order to maximise the short term benefits to themselves and their families and improve their status within the village.

No risky microfinance borrowings, reliance on the traditional means of financial support. Low levels of risk-taking.
5.4.4.3 Flows of Finance and Risk Influenced by the Temporal Aspects of Rural Life

The farming households within the three villages studied experience income shocks such as crop failures due to cyclone, which are very severe and their increasingly frequent incidence has led to various strategies to mitigate the risks to their incomes and to ensure the survival of their families (Aryeetey 2004). Farmers in the three villages are not easily able to diversify their sources of income from farm crops because there are not many alternative sources of income available apart from occasional work as a daily labourer or as a rickshaw walla, during the dry months.

There are uncertainties, no matter what season of the year, for the farmers. Apart from frequent cyclones which affect crop yield there is the cost of fertilizer, the price of rice in the market place, the price the landlord is prepared to pay to a sharecropping farmer. Incomes are variable; volatile and geared to harvest times. The whole rhythm of community life is geared to the planting and harvesting of crops, within the limited available time between seasonal floods. These traditional cycles profoundly affect the temporal perspectives of the communities.

For example, the farmers in the male focus group from Village A discussed their thoughts about the timing of financial decisions during the different seasonal cycles of farming crops:

R 1:  We borrow money from NGO.

Researcher:  What about relatives?

R 1:  We borrow money from several people - not from relatives they are poor like us

R2:  We pay the loan after the harvest, but before that, we mainly borrow money for agriculture, for example, after sowing the seeds we need daily labour for weed cutting, we need money for that, we pay the loan after rice harvesting

R1: (referring to R2) Please answer properly he does not know how rice works (in terms of paying loan) not every person in this village is poor, there are few wealthy people. Say I sow rice in one acre
of land and borrowed money from NGO, spend the money in rice and household expenditure when I ran out of NGO money and struggling to pay the weekly payment. You know money had to be spent. When your household needs expense you have to manage money, especially before the start of rice season and there are four months when people lend money to farmers. One will lend 1000 tk and will get one maund (approx 12.7 kilograms) of rice in return after the harvest. We return the money after one to two months but the rice just after harvesting.

The temporal perspectives in this account relate to the timing of money needed for sowing seeds and then more money for daily labourers to cut weeds after sowing and to pay the weekly instalments of NGO loans during the period of the season when there is no cash because it is before harvest and the sale of crops. They make the decision to borrow money from community members as well as NGOs across the season often with the promise to pay the loan back ‘in kind‘ as well as in cash.

The primary source of income for farmers comes from the sale of their crops, which in this district are predominantly rice and, more recently, maize. One rice crop a year is all that is possible in the Matlab district because of the annual monsoonal flooding of the rice fields. While farmers welcome the floods because of the rich alluvial soil they bring, they also become pressured during the wet season because they are not able to plant crops and because there is little labouring work to be had, so family incomes dwindle. Farmers worried about how to supply their families with rice during this period.

Respondent 4 from Village A said:

*The level of tension increases when the rainy season is on the way because need to save money, rice.*

Respondent 7 from Village C said, when talking about her husband’s concerns said:

*He is also very worried because the rainy season is coming and they will have no work since the whole area will be under seasonal rain and flood. Since he had cultivated very small land he had to buy rice from the market.*
Respondent 7 from Village B also said of a fellow farmer, who is being helped by relatives to pay his micro loan repayments once his cash flow has dried up.

*He is expecting possible failure in weekly payment since there will be no or infrequent work in rainy season. He is planning to borrow money from relatives so that he can pay NGOs instalments. But he has no clear plan about how he will pay his relative’s credit.*

The farmers’ families therefore have to manage high levels of income insecurity, risk and uncertainty for most of the year.

As Respondent 12 from Village A said:

*I don’t see any financial activity, any economic activity that you can make money out of, except for the daily labourer. And this daily labourer job, they are out of job for 6 months because the whole community goes under water for 6 months. They have to rely on this loan.*

The Farmers’ focus group from Village A said:

*We grow crops with big hope, but bad weather, lack of fertilizer and poverty, thus we cannot get expected yield. This is the reason why we have to take loan from NGOs.* Male Focus group Village A.

And Respondent 7 from Village B said:

*He thinks that due to frequent flood and cyclones they will face severe crop loss and decreasing rate of daily work, they have to borrow money from the agents*

Comments from the male research assistant regarding the situation in Village A:

*Because I don’t see any financial activity, any economic activity over there that you can make money out of, except the daily labourer. And this daily labourer job, they are out of job for 6 months because the whole community goes under water for 6 months. They have to rely on this loan.*

Comments by the women in female focus group from Village A are an example.
Now people do not live without food, take money from NGOs and pay from here and there that’s how it works. We ate food alright but we have loan.

Flows of risk and finance through the villages in this study are significantly affected by both unexpected income shocks and the seasonal changes and climatic shocks across the year (see Diagram 5.15 below). There are very few means available to these rural communities to protect themselves against risk to income which is why micro credit appears to have become a de facto insurance vehicle, acting as an adaptive system attribute (Layton 2007) and a means of inter-temporal resource transfer in order to achieve consumption smoothing, offset risks to vulnerable income streams and avoid the consequences of not having enough money to provide food for the family during the months of monsoon seasonal flooding. This appeared to be the main purpose stated by many villagers for deciding to take a micro loan.

**Diagram 5.15 Flows of Risk Lead to Microcredit Becoming a De Facto Insurance Vehicle**
5.4.4.4 Traditional Community Based Flows of Risk and Finance Breaking Down

The traditional way of offsetting income shocks over time was through the financial support shared by families with their relatives, living in the extended family environment of the bari. Where extended family groups were cohesive, the inter-temporal income smoothing decisions centred on the informal loans among family members. Yet the extent of chronic poverty experienced as a result of increased income shocks brought about by climate change, changes in weather patterns and increased crop failures, were observed to be having an impact on these traditional social structures and support systems within the village communities.

A respondent from the Male Focus Group from Village A said:

*In the past people look after each other.....if one is hungry they help them out, these days it do not happen....everyone is struggling to arrange food for the day.......*”

Temporal perceptions in these circumstances were observed to be becoming more truncated with attention being given to very short term financial decisions that focus on how to manage on a daily basis. People have started to sell assets in order to manage financially “for a few good days”. Managing risk for the medium to long term is being overtaking with a focus on managing risk and uncertainty in the very short term; almost on a daily basis.

The male focus group from Village A continued:

*Before people are concerned about prestige and pride..... what work they do...now they cannot maintain that...whether you eat or do not eat you have to work ...I saw people who never work (as a daily labourer) had to go out with spade and bucket to cut soil....I had to sell my pet goat and land to pay the loan...but I am scared of my prestige and I don’t want to lose it...paying money from selling goat may solve one problem but what about other instalments (of the micro-loan).I had to sacrifice my land to get quick cash to pay the loan ...but I can spend few goods days if I borrow”...*
Now we have no peace and happiness....always in tension when/how to pay...we buy the cheapest food from the market....somehow live life...its not life...if you want to eat good food where is the money...we come home and tell lie to the family...lie like food is not in the market

These poor farmers’ temporal perspectives are dependent on their perception of their own realities and the farmers’ realities were observed to be not about the future nor driven by moral principles, nor are the farmers demonstrating stable and coherent choices. Their financial decisions have become expedient short term time horizons. It was observed that the contextual issues the respondents are grappling with influence their financial decisions and results in more complex and unpredictable financial decision outcomes (Liberman and Trope 2000). In essence poor rural people’s agency, such as it was, has been rapidly eroding as a result of their borrowing practices through NGOs.

For example, Respondent 1 from Village B speaking of a neighbour, said:

In addition, due to high price of labour, fertilizer and irrigation, he will make no profit from cultivation and will make him more dependent on NGOs loan. For example, he borrowed 8000 taka from CCCD for his daughter’s marriage and to pay this loan he had to borrow another loan from BRDB of 6000 tk. He had to pay 6000 tk to CCCD and left with no money for cultivation. He had invested 24000 tk for cultivation and he does not know how he will pay the money. Since, he will never sell rice he is expecting more borrowings this year. Interestingly, as a observer, one can easily calculate that he invested more than his borrowings and the return from borrowing will be less and possibly he will borrow more to pay his loan.

The contextual issues that are facing this farmer in Village B have placed him in a cycle of expedient short term financial fixes and has resulted in a complex and unpredictable financial situation for him in the longer term. Chakravarti’s (2006) suggestion that poor people may exhibit a lack of a future orientation in their decision-making, and the promise of immediate fulfilment of a need may have a significant influence on chosen consumption options which are impulsive and focused on the present (Lieberman & Trope 2000) was
born out in this study. Further, the financial decision-making undertaken by the family groups was found to be based on emotional drivers which lead to expedient rather than impulsive short term decisions about the sources and uses of finance.

The poor people of Villages A, B and C were observed to repeatedly make trade-offs of this nature in their financial decisions between long-term needs and those of the immediate future. The reasons for this are simple. They are in a situation where sustainable financial options are severely limited (Grimble, Cardoso et al. 2002) and their financial decisions are influenced by their perceptions of risk and feelings of vulnerability and a desire to sustain their agency and influence in the community.

Respondent 17 from Village C is such a case. The wife has made the decision to lie to the NGO agent. This is not an uncommon behaviour when much pressured decision tradeoffs are being made to manage the perceived risk and vulnerability.

This year I take .25 acre of land, I will grow maize and rice. Growing maize in November is safe, the flood or storm do not take place in winter. Don't you think the NGOs know our trick, of course they do. They know we are using our wives to get loan from them and using these money to buy rice and cloths.

This study found that temporal perspectives which govern financial decision making are dependent upon the decision-makers’ perceptions of what the future holds, their confidence in their ability provide for survival needs, how this will impact on them and their family and, in particular, whether they have enough food to last them through the flood and monsoon season where growing food is not possible.
5.4.4.5 Increasing Debt Burdens: A Result of Inter-temporal Financial Decision Tradeoffs to Mitigate Perceived Risk and Vulnerability

Hammill, Matthew et al. (2008) specifically reflect on concerns about the consequences of the pressured financial choices poor consumers are making with respect to micro-credit offerings that have become increasingly available as a financial option from microfinance institutions. They point out that these loans can potentially increase rather than reduce vulnerability at the household and community levels because they are increasing the debt burden, i.e. risk, of individuals and families.

There is very little in the literature to substantiate this idea however this study makes a contribution to knowledge in this area. Observation and discussion with participants in the research area suggets that microfinance loans are significantly increasing household and community vulnerability because of increasing debt burdens relating to micro credit.

NGOs/MFIs in the Matlab district are lending at 20% to 36% over the life of the loan which is usually 40-46 weeks. This is a similar rate to that charged by local money lenders. The only difference is that the microcredit can be paid back in regular small installments. The decision to utilize microcredit is usually taken as an additional form of credit to the local informal sources through friends and family. The use of various forms of financial services was found to be a function of the household’s resources (assets and incomes) at any given time and the access household members have to various sources of finance. Depending on both the need and access to other financial resources at a particular time, participants used loans as identified in Table 5.18 below from one or a combination of sources.

There was very little evidence of entrepreneurial activity taking place in the villages participating in the research. The micro loans taken up by research participants are put to other purposes; to provide acceptable dowry (jotuk) for daughters’ marriages (18%), to smooth incomes, to repair houses demolished by a recent cyclone (23%) or to buy seed and
fertilizer for the farms (the prices of these items was escalating rapidly during the data collection period (35%)).

Table 5.18 Sources and Purposes and Preferences for Finance

<table>
<thead>
<tr>
<th>Purposes for Finance</th>
<th>Sources of Finance</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Family and Friends</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Local Cooperative</td>
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</tr>
<tr>
<td></td>
<td>Money Lender</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>NGO/MFI</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Dowry</td>
<td></td>
<td>13</td>
<td>18%</td>
</tr>
<tr>
<td>Agriculture</td>
<td></td>
<td>25</td>
<td>35%</td>
</tr>
<tr>
<td>Children’s Education</td>
<td></td>
<td>2</td>
<td>2%</td>
</tr>
<tr>
<td>Start a Business</td>
<td></td>
<td>4</td>
<td>5%</td>
</tr>
<tr>
<td>Build a House</td>
<td></td>
<td>10</td>
<td>23%</td>
</tr>
<tr>
<td>Income Smoothing</td>
<td></td>
<td>10</td>
<td>14%</td>
</tr>
<tr>
<td>% Total</td>
<td>23%</td>
<td>15%</td>
<td>1%</td>
</tr>
<tr>
<td></td>
<td>60%</td>
<td>71</td>
<td></td>
</tr>
</tbody>
</table>

Sixty percent of financial choices made were to use microfinance loans as can be seen in table 5.18 above. These decisions were undertaken by farming families who had no feasible means of repaying the loans to the NGO’s within the timeframes specified. The borrowers and their families were observed to be making decision trade-offs, opting to satisfy their short term needs and repeatedly looking for further loans to pay off earlier micro debts. For example, 34% of these loans were taken up for non-income earning reasons or shelter providing activity. This decision behaviour supports Duflo’s (2006) notion that because the poor make choices that are influenced by the subsistence needs of family members, their trade off processes become distorted by stress and pressure from family members. Evidence was also found to support Hammill, Matthew et al's (2008) concerns relating to escalating cycles of micro debt.

Village B Focus Group comments were typical.

*R1 I have 3-4 loans, if I fail to pay to one then I have to borrow from other (NGO) so that I never finish.*

I had to tell lie to the agents for borrowing. If I tell them about the true reason then they will not give me loan. The true reason of borrowing money is to pay other loan that I had borrowed from other NGOs.

The pressure these people are feeling was expressed also in Village B focus group.

Farmer 5: Now we have no peace and happiness, always in tension when/how to pay. We buy the cheapest goods from the market, somehow live life, it’s not life, if you want to eat good food where is the money, you owe me 500 tk how will you pay it?

This research was conducted in January 2008, just after cyclone Sidr had wiped out many crops in this region. The price of the staple food, rice, climbed from 40tk a kilo to 74 tk a kilo during this period (Khasru 2008) as a result of the cyclone and rising fuel transportation costs. These sorts of crises are a regular occurrence in this area (Asadullah and Rahman 2005) and are major contributors to the sustained levels of poverty and the feelings of ill-being and powerlessness. The men talk about “struggle” “no peace and happiness” “always in tension” “we are losing dignity and respect”.

Evidence was also found to support Hammill, Matthew et al’s (2008) concerns that families are reducing their food consumption and/or exchanging, selling or depleting their assets, such as livestock or land, in order to repay loans. The male farmers’ focus group discussions in Village A provide insights into this decision behaviour.

Farmer 1: Cannot afford to have proper meal each day. Need to rely on others for food. Despite hunger, I had to pay installments NGO will never care why I can’t pay.

Farmer 2: I had to sacrifice my land to pay the loan but I can spend few good days if I borrow.

Farmer 2: Does not matter if you die you have to pay the instalment, so sell house or land.
Farmer 4: These NGO is not good for us, our poverty level is increasing but we have no other option. Does not matter if you die you have to pay the installment or sell house or land? The poverty is becoming “boundary-less”.

Respondent 8 from Village A, a middle aged woman with a husband, three sons and a daughter at home makes the comment:-

“Our parents struggled but were happy and provided us food. Look now, this credit culture destroying us all”. “This credit will destroy the culture and community.”

Respondent 8 commented how “this credit will destroy the culture and the community”. Concerns of this nature were found in all three villages in the study in response to the negative effects of debt spirals created by the use of multiple micro loans.

These statements demonstrate a clear recognition within the community of the mounting social problems brought about by the consequences of taking loans that the families have no means of paying back. There are significant implications for the future social fabric of these communities. Their indebtedness to NGOs has become another contributor to the perpetuation of their poverty.

A one-on-one interview in with female respondent 2 from village B supports this view of the female focus group where they admit to lying about the purpose in order to gain access to NGO loans.

Women take loans for cultivation from BRAC. In reality, money is used to pay back loans incurred by them before.

I take loan from NGOs. I give the money to my husband for cultivation. He purchases fertilizer and seeds from the market.

Of all the other reasons for landlessness in this community, having to sell land to pay back NGO microfinance loans was observed to be one that is increasingly common.
5.4.5 Characteristics of Marketing Flows in the Matlab Villages: Discussion

Question three asked: What is the nature of the marketing flows linking those involved in making financial decisions in poor rural communities? (ii) How do marketing flows influence financial decision-making within the rural community studied?

The marketing flows within the villages effect financial decision making within the marketing systems operating within the villages. The information flows, the gathering and sharing of information about which loans to borrow, was mostly based on informal local knowledge passed through trusted family members; they were contained within “small world” boundaries (Layton 2007). There was little information gleaned from NGO agents to help with assessing risk. These information flows were dynamic, value laden, and carried imperfect and incomplete information on financial matters.

Vulnerability, which gives rise to feelings of powerlessness, anxiety and ill-being as proposed by Chakravarti (2006)’ influences the community members’ risk propensity in financial decision making and causes significant on-going financial pressures. The emotional reactions of the respondents at the point of making their financial decisions support arguments (Duflo 2006) that emotional responses to situations of heightened vulnerability lead to a short term view and risky financial decision making with little or no rational evaluation of the longer term consequences of the decision. There is evidence of a determination to take whatever financial risk is necessary in order to improve social status and respect, not just for the borrower but also for the family of the borrower. Many micro credit loans are taken on with little regard for the longer term consequences if the loan money cannot be repaid. Farmers’ appetites for financial risk taking clouds their perceptions of the contextual threats or opportunities of their actions and leads to biased risk perceptions (Brockhaus 1980; Vlek and Stallen 1980). These actions invariably increase their financial vulnerability and the chances of improving their longer term economic prospects.
There is evidence of both risky and non risky financial decision making in the three villages. These findings support the arguments by Keyes (1983) and Weber (1978) that both risky and non risky decision behaviour has a place within the social actions of people living in poor communities. Because there are very few ways available to insure against risk to income, micro credit has become a de-facto insurance vehicle in these communities. Micro credit acts as a means of inter-temporal resource transfer in order to achieve consumption smoothing, and to offset risks to vulnerable income streams and avoid the consequences of not having enough money to provide food for the family during the months of monsoon seasonal flooding. This appears to be the main purpose stated by villagers for deciding to take a micro loan.

Chakravarti’s (2006) suggestion that poor people may exhibit a lack of a future orientation in their decision-making, and the promise of immediate fulfilment of a need may have a significant influence on chosen consumption options which are impulsive and focused on the present (Lieberman & Trope 2000), is born out in this study.

Hammill, Matthew et al. (2008) reflected concerns about the consequences of the pressured financial choices poor consumers make with respect to microcredit offerings that have become increasingly available as a financial option from microfinance institutions. Hammill, Matthew et al. (2008) point out that these loans can potentially increase rather than reduce vulnerability at the household and community levels because they are increasing the debt burden, i.e. risk, of individuals and families. There has been very little literature to substantiate this argument however the findings of this study indicate that microfinance loans are significantly increasing household and community vulnerability because of increasing debt burdens relating to micro credit.

Financial decision making is also influenced by a dynamic set of socio cultural and contextual issues relating to social and cultural and environmental change which is occurring within in these communities. For example poor people’s agency (dapot) was found to be a
significant motivator of financial decision making in the villages studied. Improved status or personal power offset feelings of ill-being and powerlessness. Further examination of the influence of dapot falls outside the scope of this study however the findings here suggest it may be significant to improved understanding of the underlying components of the marketing systems in chronically poor communities and therefore warrants further investigation.

These changes (see diagram 5.16 below) and the challenges for the traditional value system affect the whole financial paradigm as it is unfolding in the three villages. Traditionally men would go out and produce the family income. Now, with the influence of NGO agents giving loans to women, this is causing changes to traditional social values and long held cultural practices and balances of power and influence, and the emerging social and cultural patterns are not well understood.
Diagram 5.16 The Interconnection of Marketing Flows In Relation to Financial Decision Making

- The physical environment and contextual conditions produced by chronic poverty are challenging with high levels of risk both known and unknown. Financial decision making options are severely constrained.

- Information gathering and sharing about which loans to borrow was mostly based on informal local knowledge, passed through trusted family members.

- Dynamic and value laden information flow. Imperfect information on financial matters.

- Bari family members have a strong influence of the nature of financial decisions.

- Desires for increased status and improved agency within the community is a strong input to decisions to take up multiple microloans in order to become successful at agriculture which will enhance status and agency.

- Desire for increased status and improved agency within the community is a strong input to decisions to take up multiple microloans in order to become successful at agriculture which will enhance status and agency.

- Informal financial entities such as patron landholders; local money lenders; local village cooperatives offering low cost or no interest finance have an influence on financial decision making.

- Some families decided not to adopt risky financial practices and used traditional sources of finance, their friends and relatives and local co-operatives.

- Financial decisions influenced by wives, in both younger and older farming households

- Feeling of satisfaction; peace of mind; no escalating micro-debt and sustainability attained.

- Financial decision makers are perpetuating the chronic poverty experienced by the rural villagers. They operate on very limited information which is accepted only from trusted sources within their limited marketing system, they tend to make expedient financial decisions aimed at offsetting perceived high levels of risk in the short term.

- Cultural context relating to social structures experiencing social change with impacts on individuals, and family groups; values (collective or individual) and morality perceptions are changing.

- The financial pressures and perception of risk in the villages exacerbated by the NGOs who did not appear to exchange any information on the risks associated with borrowing for agriculture nor did they explain the consequences for the borrowers and their families if they fail to repay microloans.

- Financial decisions to use microloans from NGOs made to offset conditions and expressions of chronic poverty; expedient and market driven; little evidence of trust and loyalty between borrowers and NGOs.

- Abandonment of traditional risk management practices by farmers

- A significant group of farmers are selling land in order to pay back microloans from NGOs

- Increasing microfinance indebtedness

- Increased feelings of dissatisfaction

- Bounded solidarity diminishing

- Feeling of satisfaction; peace of mind; no escalating micro-debt and sustainability attained.

- Abandonment of traditional risk management practices by farmers

- Increasing microfinance indebtedness

- Increased feelings of dissatisfaction

- Bounded solidarity diminishing

- Feeling of satisfaction; peace of mind; no escalating micro-debt and sustainability attained.

- Vulnerability, which gives rise to feelings of powerlessness, anxiety and ill-being, as proposed by Chakravarti (2006) causes significant financial pressures which influence the community members’ risk propensity in financial decision making.

- One of the key reasons for farmers’ feelings of vulnerability and disturbed peace of mind (Aliber 2001) was their concern about being able to provide good food and/or shelter to their families.

- The financial pressures and perception of risk in the villages exacerbated by the NGOs who did not appear to exchange any information on the risks associated with borrowing for agriculture nor did they explain the consequences for the borrowers and their families if they fail to repay microloans.

- Financial decisions to use microloans from NGOs made to offset conditions and expressions of chronic poverty; expedient and market driven; little evidence of trust and loyalty between borrowers and NGOs.

- Feeling of satisfaction; peace of mind; no escalating micro-debt and sustainability attained.

- Abandonment of traditional risk management practices by farmers

- Increasing microfinance indebtedness

- Increased feelings of dissatisfaction

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- Feeling of satisfaction; peace of mind; no escalating micro-debt and sustainability attained.

- Abandonment of traditional risk management practices by farmers

- Increasing microfinance indebtedness

- Increased feelings of dissatisfaction

- Bounded solidarity diminishing

- Feeling of satisfaction; peace of mind; no escalating micro-debt and sustainability attained.
5.5 Discussion of Findings

Financial decision making in chronically poor rural households is significantly affected by perpetually high levels of vulnerability. Increasingly, microcredit loans from NGOs are being taken up as a means of alleviating feelings of vulnerability and as a short term fix for escalating financial problems such as shortfalls in income during the monsoon months when there is widespread flooding and no agriculture is possible.

The traditional forms of reciprocal exchange among family and extended family members is now co-existing with an increasing number of market based financial exchanges with NGOs based not on trust but associated more with expediency and a short term need for cash. Little consideration is being given by borrowers to longer term consequences regarding how the loans will be repaid. Microcredit loans are actually increasing household and community vulnerability because of increasing debt burdens associated with their use in these poor communities. The level of microfinance indebtedness in the area is of real concern.

The traditional farming practices, barter exchange, and traditional forms of financial dealings within the villages, are increasingly being challenged by attempts by many farmers to grow cash crops, particularly maize, which is encouraged by NGOs who provide loans for maize seeds. Some NGOs offered maize seeds with loans. The financial choices made to use microfinance loans (60%) are very often being undertaken by families who have no feasible means of repaying the loans to the NGO’s within the timeframes specified. The borrowers and their families are making decision trade-offs, opting to satisfy their short term needs and repeatedly looking for further loans to pay off earlier micro debts. For example, 34% of these loans were taken up for non-income earning reasons.

The social relationships within the villages, and in particular the kinship of the extended family unit within the bari, are the dominant influences on decisions relating to money.
Consequently, financial exchange is “located not in the working of economic laws but in the social rules of power, symbol, convention, etiquette, ritual role and status” (Davis 1992 p 7). There is a growing acknowledgement within the villages of the mounting social problems brought on by the taking of micro loans when the families have no means of paying them back. There are significant implications for the social fabric of these communities in the future. Their increased indebtedness to NGOs has become another dimension for perpetuating their poverty and their traditions of bounded solidarity, where families support each other as best they can through common adversities, are diminishing.

The traditional mores within the villages define the desirable nature of status and respect. Traditionally defined achievement, such as a successful farmer having a higher status than a rickshaw wallah, gives rise to strong desires to achieve the higher status and respect. The findings of this study suggest that vulnerability, which give rise to feelings of powerlessness, anxiety and ill-being, as proposed by Chakravarti (2006) causes significant financial pressures which influence the community members’ propensity to risk in financial decision making.

In conclusion, this research maintains that financial decision making in the context of poor rural communities in Bangladesh is embedded in complex micro marketing systems incorporating the social capital accumulated through generations of struggle with chronic poverty. Desire for improved status as a way of overcoming feelings of ill-being and powerlessness brought about by a chronic state of deprivation within the village communities is a key motivator of increased micro credit indebtedness.

Boundaries for the social networks in these villages are maintained through strong ties of kinship and obligation which severely limits the transfer of knowledge on matters to do with financial dealings. The knowledge about financial matters is gained from trusted family members and is often inadequate and biased. These knowledge limitations subsequently influence the effectiveness of the micro marketing systems in which financial decision
making is embedded. The marketing flows in these systems were found to be very often working against the mitigation of poverty alleviation in the study area. A very significant component of this situation was the escalation of accumulated debt as a result of over borrowing of microfinance loans.

5.6 Conclusions

The purpose of this chapter was to answer the research questions about the nature of chronically poor rural community members’ financial decision-making and the influences on those decisions of their community-based relationships and the marketing flows linking those involved in making financial decisions.

The three key objectives of the research have been:-

1. To gain a better understanding of the nature of financial decision making processes and outcomes within the micro marketing systems operating in a poor rural context in Bangladesh from the perspective of the people who are making these decisions.

2. To gain a better understanding of the subtleties associated with the marketing flows linking those involved in making financial decisions in terms of the implications of the impact and consequences of those micro marketing systems on families within the rural community studied.

3. To gain a better understanding of the decision processes and outcomes specifically with respect to microcredit in the context of a chronically poor rural community.

The research has explored and identified the distinctive influences on consumer financial decision making in rural poor communities in an emerging economy and argues for the need to gain insights from the personal perspectives of chronically poor people in order to inform future initiatives in the area of financial services by formal financial institutions and NGOs.
Using a qualitative ethnographic research methodology and multiple data collection methods, the research involved rich, thick and deep data collection, recording and analysis in order to identify insights, meanings, patterns, themes and connections in the data.

Construction of the theoretical framework reveals two significant gaps. One gap concerns the existing understanding of consumers and their behaviour which is at the core of marketing. Much of what we know has been derived from empirical studies of consumers in western countries. More than 80% of the world's consumers are living in emerging consumer markets and transitional economies where very little consumer research has been conducted (Steenkamp and Burgess 2002; Burgess and Steenkamp 2006) and “the further advancement of consumer research as an academic discipline requires that the validity of our theories and models and their degree of generalizability and boundary conditions be examined in non-Western, emerging market contexts” (Steenkamp and Burgess, 2002 p 131). The other gap is that most consumer research tends to ignore poorer segments of the market (Chambers 1995; Chakravarti 2006; Duflo 2006).

The question posed at the beginning of the research was “how do people in chronically poor rural communities in Bangladesh make financial decisions; what are their perceptions of major influences on their financial decision processes and what are key outcomes of these decisions?”

In order to answer this research problem the following sub questions were.

Question 1:

(i) In what ways do chronically poor rural community members express their conditions of their poverty state?

There are physical, social, cultural and psychological expressions of chronic poverty in the study area and they all interact and reinforce each other. Feelings of perpetual vulnerability
accompanied by feelings of ill being and powerlessness are common expressions of chronic poverty which precipitate a strong desire for increased status/agency or dapot. so as to to meet the expectations of extended family members, neighbours and the community at large.

(ii) What effects do community members expressions of poverty have on their financial decision-making?

Conditions of chronic poverty which have a strong influence on financial decision making and become a defining element of the self imposed physical, environmental and socio-cultural boundaries surrounding the financial decision making context include;

- limitations resulting from conditions of chronic poverty, such as landlessness, and few and/or intermittent income opportunities;
- climate change, environmental challenges e.g increased flooding and increasingly more frequent crop failures
- increased opportunities to acquire credit and subsequent increasing levels of debt
- limited access to or engagement with information regarding financial matters
- aspirations to achieve community standing and status through successful farming

Social rules of power, symbol, convention, etiquette, ritual role and status are in operation within the baris, and informal financial entities such as patron landholders, local money lenders and local village cooperatives offer low cost or no interest finance. Bari family members have a strong influence on the nature of financial decisions, offer reciprocal financial support (either in cash or through barter) and demand reciprocity, trust and loyalty in informal financial dealings.

Farmers are taking micro credit loans from NGOs to mitigate the risks and vulnerability brought about by increasingly harsh climatic conditions and/or because of their desire for
improved status which would be earned by profitable crops of maize. Multiple borrowings of micro loans from NGOs are occurring more frequently and are very often taken up along with extra loans from relatives.

The cycle of debt to NGOs puts pressure on traditional values and leads to increasing levels of microfinance indebtedness. The use of micro loans from NGOs to offset conditions and expressions of chronic poverty are expedient and market driven but there is little evidence of trust and loyalty.

Question 2:

Do the characteristics of community-based relationships influence financial decision-making processes and outcomes and if so how?

Expressions of chronic poverty are defining the self imposed boundaries of the community relationships and social networks governed by strong ties of kinship and is influencing financial decision making. Bari family members are at the centre of influence for financial decisions. The bari members engage in reciprocal exchange in cash or bartered goods and services. Reciprocity, trust, and loyalty are linked to informal financial dealings with strong ties within the informal social networks and there is little evidence of weak ties.

Expressions of bounded solidarity influence, and are affected by, the nature of financial decision making with dynamic and value laden communication flows among bari members regarding financial decisions.

Financial decision making environment is changing, turbulent, complex and uncertain. Financial decisions to use micro loans from NGOs are being made more often to offset the physical conditions and expressions of chronic poverty. These financial exchanges are expedient and market driven with little evidence of trust and loyalty between borrowers and
NGOs. There is evidence of increasing microfinance indebtedness and the traditional bounded solidarity at the heart of traditional financial decision making is diminishing.

A desire for increased status by becoming successful at agriculture is a strong driver for decisions to take up multiple micro loans.

Question 3:

(i) What is the nature of the marketing flows linking those involved in making financial decisions in poor rural communities?

Information gathering and sharing about which loans to borrow is mostly based on informal local knowledge, passed through trusted family members. There are dynamic and value laden information flows with imperfect information on financial matters.

Vulnerability, which gives rise to feelings of powerlessness, anxiety and ill-being (as proposed by Chakravarti (2006)) causes significant financial pressures which influence the community members’ propensity for risk in financial decision making. One of the key reasons for farmers’ feelings of vulnerability and disturbed peace of mind (Aliber 2001) is their concern about being able to provide good food and/or shelter for their families.

The financial pressures and perception of risk in the villages is exacerbated by the NGOs who do not appear to exchange any information about the risks associated with borrowing for agriculture or explain the consequences for the borrowers and their families if they fail to repay micro loans. There is evidence of both risk-averse and escalating risk appetites and the flows of finance are influenced by both risk taking and risk aversion of some farmers.

(ii) How do marketing flows influence financial decision-making within the rural community studied?
Risk comes from the depletion of productive assets, increased micro debts, low productivity of maize crops, and continuing uncertainty due to physical conditions. Abandonment of traditional risk management strategies has led to increased microfinance indebtedness. There is a pattern of altered financial flows as NGO agents persuade and encourage families to take up micro credit loans.

In most cases the low risk financial decisions are made by mature couples who have a sense of well-being and who have attained status already within the community. The risky decisions are taken by those seeking status and respect. High levels of risk-taking are in order to maximise the short term benefits to themselves and their families and to improve their status within the village.

The patterns emerging from the data confirm that the incomes of the participants are perpetually vulnerable because of potential harvest failures as a result of floods or hurricanes. This has given rise, over time, to financial strategies which attempt to mitigate the risks that are a part of this rural existence. The development of traditional financial relationships is primarily through bounded solidarity, the close ties of informal social networks and family ties, and this was found to be a core component of their traditional risk management strategies. However, financial decisions leading to multiple micro credit loans are perpetuating the chronic poverty experienced by the rural villagers. The decision makers of these microloans operate on very limited information which is accepted only from trusted sources within their limited marketing system; they tend to make expedient financial decisions aimed at offsetting perceived high levels of risk in the short term.

The following chapter discusses implications of the findings of this research and suggests ways forward for the development of financial products and services that would meet the real needs of these communities and assist in improving the quality of life of poor families.
Chapter 6
Discussion and Implications

6.0 Introduction
This study has investigated the things that influence the financial decision making of chronically poor people in rural Bangladesh and in so doing a better understanding has been gained of the behavioural dimensions of chronically poor families and communities with respect to their financial decision making. This may assist financial services providers in these communities to meet the real needs of their customers.

A marketing systems framework, with particular attention paid to the marketing flows, has been applied as a lens for examining the nature of the financial exchanges occurring in the study villages (Layton 2007; Karnani 2008; Layton 2008). The concept of marketing flows within a marketing system is one of long standing in the marketing literature (Breyer 1937; Festinger, Schachter et al. 1948; Commons 1960; Alderson and Martin 1965; Fisk 1967; Bowerbox, Bixby Cooper et al. 1980; Dixon 1984; Bowerbox and Morash 1989). However little consideration has been given in the literature to the significance of the marketing flows within the social networks operating in poor communities. These flows of ownership and possession, finance and risk, and, importantly, information flows (Fisk 1967; Layton 2007) are a reflection of attitudes and behaviours within the networks in poor communities that have significant implications for the nature of financial decision making in the study area.

Few previous studies have applied naturalistic decision making theory to poor rural communities in emerging markets, however naturalistic decision making theory has supported this study of financial decision making from within what is a complex natural environment (Kabeer 1998; Romero and Stewart 1999; Baulch and Davis 2007; Dichter and Harper 2008) where understanding of decision processes are context bound (Lipshitz, Klein et al. 2001). Real life decision behaviour has been studied in a real life setting (Beach 1998) and in line with the naturalistic approach, this research began with a situation assessment
which looked at the characteristics of chronic poverty in the villages engaged with this study and the expressions of chronic poverty within that context. The naturalistic theorists recognise that many decisions are best understood as expressive behaviour, “that is, actions taken not as means towards desired ends but to express or actualize cherished values and ideals” (Lipshitz 1993) p 117) and this conceptualisation has been a useful frame in the exploration of decision making in poor communities and the identification of themes and patterns throughout the data.

The research found significant emerging themes which were often precipitated by expressions of cherished values and ideals (Lipshitz 1993) such as the desire for improved status as a way of overcoming feelings of ill-being and powerlessness but which instead is leading to increased micro credit indebtedness. More significantly it is increasing household and community vulnerability because of increasing debt burdens associated with the use of micro-credit. There are mounting social problems with the traditions of bounded solidarity within family groups diminishing as a result of increased use of multiple micro loans. Heightened vulnerability is also associated with flows of risk and finance within the villages in Matlab where vulnerability was found to be a key driver of the flows of risk and finance. Further, temporal perspectives which govern financial decision making are dependent upon the decision-makers’ values and ideals about what the future holds, their confidence in their ability provide for survival needs and how this will impact on them and their families.

Other themes emerging from the research include the 'small world' (Watts 1999; Hargreaves, Morison et al. 2007) nature of bounded solidarity in the villages where the close ties of family and informal social networks remain core components of their risk management strategies (Matin, Hulme et al. 2002) but the nature of these social networks is severely limiting the transfer of knowledge about financial matters.
In this chapter the findings of this research will be reported with reflections on the implications of the findings. In addition some suggestions will be made for further research.

6.1 Expressions of Chronic Poverty and Financial Exchange in the Rural Villages of Matlab

An important conceptual anchor point for this study has been the adoption of an expansive definition of chronic poverty as discussed in Chapter 2 which takes into account feelings arising from the vulnerability to shocks that chronically poor people experience over time as a result of insufficient material, human, social and cultural resources (Chambers 1989; Moser 1998; McGregor 2007; Niño-Zarazua and Copestake 2009). Drawn from the extant literature, the definition states that “chronic poverty relates to a process where people living long term on $2 a day or less, are subject to sustained physical, social, economic, political, psychological and/or spiritual deprivation which gives rise to any combination of physical weakness, perceived isolation, feelings of ill-being, vulnerability and powerlessness” (Greeley 1994; Chambers 1995; Ravallion 1996; Bird, Hulme et al. 2002; Barrientos and Shepherd 2003; Ravallion 2003; Mahbub Uddin Ahmed 2004; Osberg and Xu 2005; Chakravarti 2006; Reddy and Pogge 2006; Banerjee and Duflo 2007; Du Toit 2007).

Until recently, western definitions of poverty were based primarily on measures such as income levels, physical capital, employment measures (Chambers, 1995) or relative economic measures of utility (Sen 1984; Sen 1992). It does not adequately reflect the complex and dynamic perceptions the poor have of their own circumstances (Chambers 1995; Narayan and Kapoor 2005; Chakravarti 2006).

The concerns being raised in the economic and development literature regarding the effectiveness of financial assistance offered by NGOs through microfinance offerings (Karnani 2007; Karnani 2008; Karnani 2009) (Dichter 2006; Dichter 2007; Hulme 2007;
Dichter and Harper 2008) as discussed in Chapter 2 are born out in the findings of this research. Hammill, Matthew et al. (2008) specifically raised concerns about the current use of microfinance contributing to an escalating cycle of debt for poor communities in developing economies like Bangladesh and suggest that this debt cycle may even be the cause of families reducing vital food consumption and assuming more risk by taking out more loans, and/or depleting livelihood assets in order to repay loans. “Empirical research on each of these issues is relatively thin” notes Hammill, Matthew et al. p 118. This research has provided support for these concerns regarding the spiralling cycles of debt which were found to be commonly experienced in poor rural households of Matlab as a result of current choice behaviour with respect to finances.

The assumption discussed in Chapter 3 that chronically poor families remain in a state of chronic poverty because they do not have access to sufficient externally supplied finance to support economically viable initiatives which would alleviate their poverty (Beck, Levine et al. 2000; Helms 2006; Beck, Demirguc-Kunt et al. 2007; Ferrari 2008) is not substantiated. Access was available to a range of financial services from friends and relatives, money lenders, village lending co-operatives and NGOs in the study area as discussed in Chapter 2. However counter to the argument that if financial options were readily available to these poor communities they would then borrow in order to make productivity gains, repay the loan with interest and lift themselves from their chronically poor state (Gonzalez-Vega 1994; Hulme and Mosley 1996; Yaron 1997; Barrett and Swallow 2003; Clarke, Xu et al. 2003; Beck, Demirguc-Kunt et al. 2004; Levine 2005; WorldBank 2007; Gobezie 2009) very few productivity gains from NGO loans were identified and repayment of micro loans was often being achieved by cyclical borrowing of further micro loans from different NGOs leading to increased microfinance indebtedness.

The concepts of money, land and loans were found to be closely interlinked throughout the data. The reasons for the linkages can be related to the pressures on farmers’ traditional
farming practices and accompanying values. Some farmers were found to be selling off parcels of land; trading off their longer term wellbeing to offset immediate financial crises as discussed in Chapter 5. A significant group of farmers were selling parcels of their land in order to pay back micro loans which they had borrowed from NGOs, after experiencing crop failures and a subsequent disruption to their income streams. This behaviour was motivated by either farmer’s attempts to mitigate the risks and vulnerability brought about by increasingly harsh climatic conditions and/or their desire for improved status which would be earned by harvesting profitable crops. Further evidence of this pressure cooker of contextual issues has led to an increasing reliance on micro debt and other forms of credit at high cost (Karnani 2007; Dichter and Harper 2008; Premchander, Prameela et al. 2009) which was worsening their poverty.

6.2 Behavioural Dimensions of Community Based Relations and Financial Decision Making

The characteristics of community-based relationships have a profound effect on financial decision making processes (including financial decision making with respect to microfinance) as do the cultural underpinnings of Bangladeshi society. The deeply help cultural beliefs relating to mutual obligation, for example, as discussed in Chapters 3 and 5 carry over into the relationships between the poor consumer and NGO representatives.

An example of cultural and social influences on financial decision making is the significant number of financial choices being made by many poor families to take micro-credit loans from NGOs being driven by a desire for status in order to meet the expectations of extended family members, neighbours and the community at large (Anderson and Broch-Dur 1999; Hulme and Mckay 2005; Chakravarti 2006; Woolcock 2008). As discussed in Chapter 2, culture defines the way that individuals and groups are influenced by status. “Cultural irrationality is deeply entrenched in the lives of all of us, and because of culturally imposed blinders, our view of the world does not normally transcend the limits imposed by our culture”
These poor people are caught in “a process of lack, deprivation or suffering” (Du Toit 2007 p 6), which affects their perceptions of their own agency and, consequently, their choice behaviour (Kabeer 2002; 2004); hence the attractiveness of increased status.

Further, feelings of well-being (Chakravarti 2006) are experienced by successful farmers because they are accorded prestige by the community. “Traditionally it is accepted that if a farmer has stored rice for the year that household is of higher social strata” (Sultana 2008 p 7). Conversely, the increased incidence of crop failure and dwindling opportunities to earn a good income puts pressure on farmers’ abilities to maintain even a basic food supply for their families and these pressures lead to financial decisions to take more micro loans from NGOs in order to try to improve their situations. A significant trend emerging is where many farmers are attempting to grow maize for profit, encouraged by NGOs with loans for maize seeds and with some NGOs even making the micro loan contingent on the farmer buying maize seeds.

The financial exchanges which take place between the extended family members within the bari tend to take on a longer term perspective and in essence are a reflection of the family values of obligation to reciprocate equitably (Weber, Roth et al. 1978; Davis 1992). However, in financial exchanges that occurred beyond the family boundaries, which involved NGOs or others external to the groups as Mauss (1925) and Popkin (1979) suggest, a different set of values are seen to be in operation. These reflect more short term and expedient perspectives on the financial exchange relationship.

Social relations which engender reciprocity, moral obligation, trustworthiness, cooperation, and familiarity (Lewis and Weigert 1985; Msztal 1996; Hearn 1997; Glaser, Laibson et al. 2000; Welch, Rivera et al. 2005) discussed in Chapter 3 were found to be reducers of uncertainty and risk in the market (Welch, Rivera et al. 2005). The kinship among the
members of the extended family groups in the villages is the dominant influence on decisions relating to money.

Todd (1913, 1916) was among the first anthropologists to identify in some societies that the individual sense of self is often subordinated to the extended family, the 'clan'. These early conceptualizations by Todd rested on observations of the way in which the communities studied operated, sharing work, having some common ownership, and sharing food and the preparation of it. Observations within the villages which were part of the present study identified these expressions of collective thinking and behaviour amongst members of the baris as forming the basis of the power relations that exist among members of the clan (Blau 1964; Klein 1999; Thye 2000). Significant variations in the nature of financial decision flows have been identified and these were found to be contingent upon the nature of the power roles taken by close family members and other agents, such as NGO representatives, in the financial exchange process.

Reciprocal financial exchanges within family groups among kin were observed to be based on within-group trust where there is deep loyalty arising from the belief that there is a community-based safety net with regard to financial exchanges that has been built on loyal long-term relationships (Sawady and Tescher 2008). In contrast trust and loyalty were found to be problematic in the majority of the financial exchanges with NGOs where both parties, the micro loan giver and recipient, demonstrate pragmatic and expedient behaviour during the financial exchanges. That trust is the cornerstone of long-term relationships and a key determinant of relational commitment is well established in the literature (Sirdeshmukh, Singh et al. 2002). However, there is significant evidence from development research in emerging economies, as discussed in Chapter 3, which indicates that strong social ties within communities do not necessarily lead to economic prosperity (Narayan and Nyamwaya 1996; Woolcock and Narayan 2000). This is because group loyalties can be so strong that
members become isolated from opportunities for development and advancement, which in turn affects the nature of the flows of information throughout the communities.

The traditional way of life in the villages is under threat, and long standing social cohesion is stressed. Traditional farming practices, barter exchange, and financial dealings within the villages are being replaced by market based financial dealings through NGOs with very little evidence of accompanying risk protection practices or regulation on the part of the NGOs or the Government.

6.3 Women’s and Men’s Roles in Financial Decision Making

Kabeer (1994; 1996; 1998; 2002) identifies the patriarchal nature of Bangladeshi society as a significant cultural and social factor that is exacerbating chronic poverty. She cites as examples the continued systematic discrimination against women from birth, high levels of illiteracy amongst both men and women, early marriages, and unequal power relations between men and women. Mahbub Uddin Ahmed’s (2004) evidence from a United Nations Development Program assisted survey of 5,180 heads of household in two shires (upazilas) of Bangladesh was also discussed in Chapter 3. He argues that the key drivers of sustained poverty in Bangladesh are sociological and calls for “a definitional shift of poverty analysis, from economic dimension to sociological dimension” (Mahbub Uddin Ahmed 2004 p15). He highlights the agrarian socio-economic context with traditional, status bound society as a key contributor to chronic poverty. “At the macro level, poverty in rural Bangladesh is related to gendered social stratification,” (Mahbub Uddin Ahmed 2004 p15). This argument has been corroborated by this study as well as by two recent longitudinal studies in rural Bangladesh (Quisumbing 2007; Baulch and Davis 2007) where the social and cultural obligations relating to providing dowry (jotuk) expenses was found to be significantly increasing indebtedness, often to NGOs, because families were using micro credit to pay jotuk.
With respect to women's roles in their families' financial decision making, Kabeer's (2001) argument, outlined in Chapter 3, that their social and cultural constraints (women living under purdah rules) limited their opportunities to assist in their families' economic development. However conflicting evidence (Schuler, Hashemi et al. 1996) suggests that women’s enhanced contribution to family income because of micro credit loans translates into an increase in choices and a reduction in violence against women in their rural households. This study identified a shift in the power balance within power structures in the villages, particularly between young women and their husbands. Women's decision making agency is expanding with respect to financial decisions related to choice of crops, such as trials of maize. At the same time the cultural value system, the way of thinking about what is accepted and what is not accepted with respect to women’s behaviour in the community, was observed to be changing as well, with more opportunities for women to involve themselves in farming activities to support their families.

The findings indicate the increasing influence of wives in decisions about what crops to plant and where to go to borrow the necessary money in order to smooth incomes, cope financially or increase status and standing in the community. Many wives of poor farmers are now recognising that they were needed to help secure the family income, given the increased vulnerability of their situation because of climate change and the associated weather uncertainties and their increasing levels of debt because of multiple micro loans. The extra work that women is doing was observed to be generally related to sowing and planting seeds in the family plots and cultivating vegetables. Some younger wives were observed to be more engaged in harvesting, particularly of maize crops.

Another emerging pattern reflecting the changing roles of men and women was where the men of the villages were seen to be spending more time on non-agriculture and domestic activities, with many men working two or three jobs seasonally. The women are spending less time on domestic work and more time on home-based farming activities while the men
are away earning income off the farm. The pressures of increased microfinance indebtedness are contributing significantly to these changes.

6.4 Influence of Traditional Client/Patron Relationships and Poor People’s Agency

Financial decision making in chronically poor communities in the study area is influenced by a dynamic set of socio cultural behavioural issues. For example, poor people’s agency (dapot) was found to be a significant motivator of financial decision making in the villages studied. Improved status or personal power is highly sought after as a means of offsetting long standing feelings of ill-being and powerlessness brought about by a chronic poverty state.

The influences of traditional client and patron relationships in financial dealings also play a part in the nature of the financial exchanges occurring within the villages in the study. Hossain (2003) identifies specifically the roles of client and patron, defined by Platteau (1995, p 767) as “asymmetrical, long-term and multifaceted relations that comprise a strong element of affection and stretch over a wide and loosely defined domain”.

Hossain’s (2003) suggestion that these relationships remain an influence on financial exchanges with patrons providing loans in crises, grants or cash transactions and other financial benefits in kind such as favourable land or house tenure (Hossain 2003), is supported by this study. The findings indicate that the cultural patterns of client/patron relationship are still operating through informal financial exchanges amongst village members and relatives.

6.5 Marketing Flows

As outlined in Chapter 5, the five marketing flows identified as operating within marketing systems (Layton 2007) have helped to determine the nature of exchanges affecting financial decision making which is inextricably entwined in the social matrices of close family ties and social relationships (Granovetter 2005). Relationships are important for the acquisition of
information (Granovetter 1973; Burt 1992) and the relationships within social networks are known to have a significant effect on information flows within and beyond the social network as discussed in Chapter 3. These flows have implications for the quality of information given and received (Granovetter 2005). Borgatti and Cross (2003) point out that an individual’s decision to seek information from another person is informed by “characteristics of the relationship between the seeker and a set of other people he or she might turn to” (p 434).

Asymmetric information occurs very often within marketing systems because some people in the system are better informed that others (Layton 2007). Since full information about who is willing to supply money and who is willing to borrow is not easily available there is asymmetry. In this study the findings indicate that most people in the villages have a little access to expert information and relay on the knowledge of their immediate family within the bari with respect to financial dealings. The traditional rural way of life on the land in the Matlab district is characterised by limited access to, or engagement with, expert information regarding agricultural or financial matters and this situation is exacerbated by limited or no literacy within the family groups (as discussed in Chapters 2, 3 and 5). The social capital accumulated through generations of struggle with chronic poverty, social networking behaviours, and strong network ties supports the transfer of only limited knowledge, usually initiated by ‘within’ group members.

The effects of chronic poverty on the marketing flows associated with ownership or possession of physical assets relates specifically in the study area to the desire to own land and possess basic assets such as livestock and crops. However land is an emotive issue and the cause for feelings of ill-being by the farmers who are landless or own little land. Those who are successful farmers possess status, recognition and respect, because land is a possession highly valued in these communities. Land is mentioned in the data predominately in terms of the money it generates, the loans needed to buy it or work it, and
the potential to use it for profit through the growing of crops. The desire for land ownership and the social, cultural and psychological implications for financial decision making in relation to landlessness and loss of land are significant and particular to the social and cultural context.

Despite land being the major source of wealth and livelihood in rural Bangladesh, the ratio of land per person is one of the lowest in the world, estimated to be 0.12 ha per person (FAO 2001; Rahman and Rahman 2008). There is a direct connection between landlessness and chronic poverty in rural Bangladesh. Landlessness gives rise to indebtedness, powerlessness and feelings of ill-being and is a major cause of poverty in rural households (Sen 1995; Rahman and Manprasert 2006).

The production of profitable crops of rice and maize is a crucial component of the marketing systems of these communities and the production of the traditional crop, rice, has been important for centuries. Rice is the staple food in the study area which on the floodplains of Bangladesh, where the rice plant was first domesticated around the 5th millennium B.C (BangladeshRiceFoundation 2005). Rice, as well as being the staple food representing food security in the Bangladeshi diet, has become a symbol of prestige and wealth (Sultana 2008). “Even though crops other than rice may be more profitable, traditionally it is accepted that if a farmer has stored rice for the year that household is of higher social strata” (Sultana 2008 p 7). Decisions taken with respect to rice planting, harvesting, and marketing are a significant part of the financial decision making processes undertaken in rural households every season. Decisions to switch to growing maize and to use microcredit to do so, is putting pressure on the traditional sustainable subsistence marketing systems that have been operating for centuries and further research into the implications for the future sustainability of these rural agrarian communities is needed.
6.5.1 Flows of Finance and Risk

There are many economic milestones through the life of poor people when they need relatively large sums of money: children starting and/or continuing their education, a dowry for the marriage of each daughter, funeral expenses for family members, money to buy seed for next season’s crops, and money to build and repair houses. The amount of cash needed to meet such expenses is much larger than can normally be found in the household (Baulch and Davis 2007) as discussed in Chapter 2. For example, Baulch and Davis’s (2007) twelve year longitudinal study of the nature of poor people lives in 1787 households across fifteen districts in rural Bangladesh identified wedding dowries as the most significant large expense for rural poor households. This is followed by medical and funeral expenses (as discussed in Chapter 2). Dowry expenses related to jotuk were also found to be a heavy financial burden on the families in this study as discussed and is discussed in Chapter Five. These situations affect the financial flows through poor households and have a strong bearing on associated perceptions of risk.

One of the most common causes of financial crises in the study area is the frequent occurrence of natural disasters such as floods and cyclones which can ruin crops and affect people’s cash flow and food supply and destroy their homes. The anticipation of outlays to recover from these crises or shocks is a constant anxiety for many poor people (Matin and Hulme, 2004) as they have very limited access to appropriate financial products and services (Matin, Hulme et al. 1999) to meet their needs in these instances. The approach of poor people to mitigation of risk associated with often variable income streams has a major impact on the nature of financial decision-making (Alderman and Paxson 1992). Traditional risk management strategies in these situations have included farmers’ practice of crop and field diversification, households maintaining a diverse portfolio of occupations among family members, and family members being sent to work either in the city or overseas (as discussed in Chapter 2).
The degree of diversification depends on the household's preferences towards risk and the ability to smooth consumption against income fluctuations (Alderman and Paxson 1992). There was some evidence that poor households in the study area with variable income were more likely to sacrifice income for less risk (Eswaran and Kotwal 1990; Morduch 1990; Alderman and Paxson 1992). However there was a significant pattern of financial risk taking behaviour that supports Kahneman and Tversky's 'prospect theory' (1979) that when consumers frame situations negatively there is greater risk taking in decision-making. Propensity for risk taking, discussed in Chapter Three, influences an individual's perceptions of contextual threats or opportunities and leads to risk perceptions which are biased (Brockhaus 1980; Vlek and Stallen 1980).

Marketing flows relating to risk in chronically poor rural communities centre on the management of income risk and associated vulnerability. Rural households spend a considerable amount of effort developing risk mitigation strategies (Barnett, Barrett et al. 2008) and these strategies are closely linked to financial decision making (Kothari and Hulme 2003; Mosley, Garikipati et al. 2003; Hulme and Mckay 2005; Sen and Hulme 2006).

Because there are very few means available to rural communities to insure against risk to income, micro credit has become a de-facto insurance vehicle in these communities. They act as a means of inter-temporal resource transfer in order to achieve consumption smoothing, and to offset risks to vulnerable income streams in an attempt to avoid the consequences of not having enough money to provide food for the family during the months of monsoon seasonal flooding. This appeared to be the main purpose stated by villagers for deciding to take a micro loan.

6.6 Marketing Systems in the Villages

The evidence from this study suggests the marketing systems within these villages are operating in an environment that is changing, turbulent, complex and uncertain (Layton
2007). The flows of money and its equivalents in this study were not random, casual or arbitrary (Davis 1992) but rather they demonstrated patterns strongly influenced by family groups living together in baris within this particular socio-cultural context. The social networks in these communities are based on social capital accumulated through generations of struggle with chronic poverty, social networking behaviours, and strong network ties that have supported the transfer of limited knowledge, usually initiated by ‘within’ group members, and the social capital linking community members and NGO agents was found to be very weak.

These pre-established relationships within marketing systems influence present and future interactions (Takahashi 2005) in relation to the acquisition, consumption, maintenance, and disposition of financial products and services. It is apparent that the limitations and lack of flexibility around NGO micro loans did not meet the needs of the rural clients in this study who are generally reliant on profits from crop harvests in order to meet financial obligations. The rigid weekly repayment regimes required by most NGOs was in conflict with the rural rhythms of sowing and harvesting across seasons.

Cultural and social changes within the villages with respect to financial decision making processes and outcomes are having observable impacts on family groups, values, and morality perceptions (Layton 2007). For example, the nature of the working relationships between community members and NGO agents appeared tenuous, expedient and often negative views were expressed about the presence of NGO agents. The relationships appeared to be largely dysfunctional.

The marketing systems within these communities are changing rapidly as a result of accumulating micro debt for the majority of the farming families. The financial decisions to take on multiple micro loans are having generally negative effects on the financial well-being of the borrowers and may be potentially destructive in terms of their impact on the communities’ way of life with. For example, there are signs of increasing associated landlessness. The escalating micro debt in these villages have the potential to lead to
market system failures, with evidence already apparent of market distortions and, in some instances, corruption. Switching to maize crops is a significant example of how the marketing systems within the villages are being altered by the intervention of NGOs with their incentive programs to buy maize seed using NGO micro credit. There are few stories of successful, profitable crops so far.

The value sets learned during socialisation affect the moral character of economic decisions and transactions. This was discussed in Chapters 3 and 5. The value sets are a source of social capital because they promote economic actions which take into account the common good which is a concept central to the sociological perspective of economic action (Portes and Sensenbrenner, 1993). The values associated with economic decisions and transactions in the study villages were observed to be taking into account only the common good of the tightly knit bari family group’s short term needs. Longer term considerations relating to the moral duty to be honest in stating what the loans are for and having an intention to repay the loans on time were found to be distorted and there appeared to be a pattern emerging of a lack of ethical practices operating among the members of some family groups.

Because of the concerning financial decision making behaviour related to the escalation of accumulated debt as a result of over borrowing of microloans, an urgent rethink is required to overcome the mis-alignment between the real needs and wants of financial consumers in these communities and the financial products and services being offered.

6.7 Advances to Literature and Contributions to Knowledge

The Millennium Goals, derived from the Millennium Declaration which was adopted in September 2000 by the United Nations General Assembly, includes commitments to poverty alleviation (UN 2008). However, the inadequate progress towards reaching these goals “raises important questions about the policies and strategies (centred around
economic growth and human development) that have been adopted to achieve poverty reduction” (Hulme and McKay 2005 p 2).

This research has made a contribution to what is being considered now to be an important and strategic gap (Hulme and McKay 2005; Dichter 2006, 2007; Karnani 2008) in the knowledge regarding issues that dominate the lives of those experiencing chronic poverty; that is giving an opportunity for chronically poor communities to tell their own stories about their real situations and discuss their real needs. We can empower them by listening.

Barrett and Sparrow’s (2003) view that the future wellbeing of those experiencing chronic poverty depends on the options available to them and how they use their physical, human, natural, financial and social capital assets is right. Designing options that suit the real needs of people in chronically poor communities is an imperative, if as marketers, we are to be constructively engaged (Shultz 2007) in improving the future quality of life of these communities. However, to date there has been little constructive engagement with these issues from a marketing perspective yet marketing theory can provide valuable behavioural perspectives on the nature of financial decision making within chronically poor communities.

6.7.1 Advances to Literature

The advances to literature are now discussed.

This study supports the growing body of evidence suggesting that poor people, particularly the very poor, are using micro credit for purposes other than for developing new entrepreneurial business enterprises (Johnston and Morduch 2008; Kumar 2008) and evidence is presented of increasing debt spirals among poor rural families who use micro credit. Findings from this study indicate that micro loans issued to people without the income to repay are increasing the debt burden of poor consumers. This supports Mashigo’s (2006) study of poor households in South Africa which found that “poor households do not have any choice but to incur multiple debts and are exposed to over indebtedness. Debt spiral or over-
indebtedness means using loans to pay off other loans and by allocating more than fifty percent of monthly net income to loan repayments” (Mashingo 2006 p 2).

Hammill, Matthew et al. (2008) raise concerns about the consequences of the pressured financial choices poor consumers are making with respect to micro-credit offerings. They propose that microfinance loans increase household and community vulnerability because of increasing debt burdens relating to micro credit and this proposition is born out in the findings from this study. Evidence was also found to support their concerns that families were reducing their food consumption and/or exchanging, selling or depleting their assets such as livestock or land in order to repay micro loans. There was a significant pattern of increasing financial risk taking behaviour with respect to taking up multiple micro loans which supports Kahneman and Tversky’s ‘prospect theory’ (Kahneman and Tversky 1979) that when consumers frame situations negatively there is greater risk taking in decision-making.

The findings also support the idea by Keyes (1983) that decision behaviours in poor communities are prompted by traditional practices and are precipitated by emotional responses to situations. The traditional mores within the villages defined the desirable nature of status and respect. Traditionally defined achievements, such as a successful farmer having a higher status than a rickshaw wallah, give rise to strong desires amongst the community members to achieve the higher status and respect.

The poor make choices that are influenced by the subsistence needs of family members and their trade off processes become distorted by stress and pressure from family members (Duflo 2006). There was evidence of this behaviour in the findings which also suggests that vulnerability, which give rise to feelings of powerlessness, anxiety and ill-being, as proposed by Chakravarti (2006) causes significant financial pressures which influence the community members’ propensity to take risks in financial decision making.

Karnani’s (2007 p 2) statement that “although microcredit yields some noneconomic benefits, it does not significantly alleviate poverty, indeed, in some instances microcredit
makes life at the bottom of the pyramid worse”, is also supported by the findings. In addition, Dichter and Harper (2008) seriously question the benefits of micro credit and suggest it may be harmful and there is evidence in the research to add to the strength to this argument. Bateman (2010) goes further to argue that microfinance is “antagonistic to sustainable economic and social development” (Bateman 2010 p 1) and while there were a few exceptions in the findings, the findings from this study largely support this view.

6.7.2 Contributions

The contributions to knowledge are now discussed.

Findings from the data confirmed that financial relationships have traditionally been established primarily through bounded solidarity that exists within the close ties of informal social networks and family ties of village members. The families in this study, who managed to perpetuate this bounded solidarity, generally choose to use traditional financial products and services offered by family members, local shamities (co-operatives) or money lenders. This bounded solidarity was found to have been a core component of the traditional financial risk management strategies operating in the rural villages of this study. On the other hand, there are indications from the findings that social relationships within many families are changing and the bounded solidarity, identified as being traditionally strong in the villages, appears to be diminishing. There appear to be a number of reasons for this.

First, a key motivation for taking microfinance loans seemed to be that people want to attain higher status within their community. The present research suggests that this is being driven by the strong desire to alleviate feelings of powerlessness and ill-being brought about by the chronically poor state that has been the only experience of these communities for generations. The desire for improved status as a way of overcoming feelings of ill-being and powerlessness is leading to increased micro credit indebtedness and, most significantly,
increasing household and community vulnerability because of increasing debt burdens associated with the use of micro-credit.

Feelings of perpetual vulnerability accompanied by feelings of ill being and powerlessness are common expressions of chronic poverty which precipitate a strong desire for increased status/agency (dapot) in order to meet the expectations of extended family members, neighbours and the community at large. Significant variations in the nature of financial decision flows have been identified and these were found to be contingent upon the nature of the power roles taken by close family members and other agents, such as NGO representatives, in the financial exchange process.

Vulnerability was found to be a key driver of the marketing flows of risk, and finance in this context. The evidence indicates that flows of risk and associated expressions of vulnerability are closely associated with decisions relating to the flows of the finance within the village marketing systems. This contribution may be useful to users of marketing systems in this context.

Further, because there are very few ways for these rural communities to insure against risk to income, micro credit has become a de-facto insurance and act as a means of inter-temporal resource transfer in order to achieve consumption smoothing, to offset risks to vulnerable income streams and to avoid the consequences of not having enough money to provide food for the family during the months of monsoon seasonal flooding. This appears to be the main purpose stated by villagers for deciding to take a micro loan.

The traditional social and cultural demands for exchange reciprocity in relation to money or its equivalents have become distorted as a result of the introduction of microloans into these communities without any sustainable support mechanisms, information, or education to ensure the loans were being used productively in order to create new income streams. The evidence indicates that the financial decision to adopt a micro loan, very often leads to the
adoption of multiple micro credit offerings where one loan is taken to pay back another or many loans are taken at once from different NGOs. These multiple micro loans appear to be undertaken without consideration of longer term consequences. For example, the long term implications of the decision to sell land to pay back a micro loan is leading to an increase in landlessness. Growing levels of landlessness in this district can be linked to over borrowing from NGOs and the subsequent demands from NGOs for repayment of micro debt. The financial decision to sell land to pay off micro debt is a relatively common last resort practice adopted in order to repay micro debt.

Reciprocal financial exchanges within family groups among kin are based on within-group trust where there is deep loyalty arising from the belief that there is a community-based safety net with regard to financial exchanges. In contrast, trust and loyalty are problematic in the majority of the financial exchanges with NGOs where both parties demonstrate pragmatic and expedient behaviour during the financial exchanges.

In the study villages it appeared that the traditional farming practices, barter exchange and traditional forms financial dealings within the villages are being increasingly challenged by attempts of many farmers to grow maize for profit. Maize growing is encouraged by NGOs who provided micro loans specifically for this purpose and often make the loan offer contingent on the farmer buying maize seeds from them. These crops are failing often because farmers not understanding the necessary farming techniques, and/or the weather conditions are generally unsuitable.

To suit their own particular circumstances families with multiple micro loans are flouting the formal rules about how a microfinance group should operate. These families appear to have abandoned traditional risk management strategies that have helped families in this area survive the conditions of deprivation that they have lived in for generations. They appear to be struggling to develop new and appropriate risk management strategies. Their decisions to take up multiple micro loans is a concerning practice which seems to be an attempt at risk
management. It is particularly concerning in the observed absence of any provision of information, training or guidance from any NGO or other entity that could assist them to develop more sustainable financial strategies.

Micro loans are also being used as a method of income smoothing and are seen as a short term fix for financial problems - there is little consideration given to ow the loan will be repaid.

The findings also indicate a gap between the clients’ aspirations and that of the NGOs about the expectations of the nature of their relationship with NGOs. There is evidence to suggest clients’ expect NGOs offering micro loans to take on the traditional role of patron and adopt “responsibility to offer protection against crisis” (Hossain 2003 p 11). Borrowers from the villages in this study, because they realised that the NGO agents were not going to behave in the expected manner, became resentful of the behaviour of the NGO agents who demonstrated poor and unprofessional practices in the operation of their financial dealings. This became a mirror for the borrowing behaviour of many families who demonstrated few values in their financial exchanges with NGOs. A typical example of this behaviour from the findings is the practice of villagers lying to NGOs about the reasons for taking the loans. Another example is the way in which the women superficially followed the guidelines to acquire the loans, only to immediately hand over the money to their husbands.

There are also indications that the traditional roles within families are changing. Some of the men were trying to work two or three jobs seasonally, while many women were spending less time on domestic work and more time on home-based farming activities. There is evidence of the rising influence of young wives in decisions about what crops to plant and where to go to borrow the necessary money in order to smooth incomes and cope financially across all the seasons. Older women are more reticent to discuss their roles in decision making however they too appear to be influential in the decision making processes within
their families arranging dowry for their daughters, buying land, building houses and borrowing from NGOs.

The traditional way of life in the villages is under threat, and long standing social cohesion is stressed by market based financial dealings through NGOs with very little evidence of accompanying risk protection practices and regulations.

6.8 Practical Implications for the Financial Marketing Systems in Matlab.

This research focuses on the nature of the relationships that exist within the marketing system, and on the behavioural dimensions of financial decision making within the marketing systems operating in these communities (Dixon and Wilkinson 1989; Varman and Costa 2008) and the wider societal impact of the financial decision behaviour identified (Dixon 1984). This is a practice approach to marketing which emphasises the connections between the “social and material entities” (Araujo and Kjellberg 2010 p 202) of market systems within a specific context, with the aim of contributing to the shaping of well functioning and beneficial community and societal relationships (Sheth and Sisodia 2005; Shultz 2007; Layton 2009) with respect to financial dealings. This understanding of the role that marketing systems play as an integral part of the social fabric of poor rural communities, assists in determining the influences of social interconnections, community and family ties and cultural norms on financial decision making behaviours and outcomes.

Financial exchange within traditional subsistence marketing systems based on family structures has existed in chronically poor communities like those in this study for centuries. These systems have been irrevocably altered by the introduction of microfinance which has brought with it added risk. For the most part, the NGOs and MFIs who have introduced microfinance (and micro credit in particular), have not provided the necessary support systems of information, education, advice and good governance practices needed to maintain viability. The outcome is that the traditional bounded solidarity which has been the
core of the traditional risk management strategies in these villages is diminishing and the level of microfinance indebtedness is increasing along with an increasing loss of the most important asset these families have; their land. The traditional way of life in the villages is under threat and long standing social cohesion is stressed.

Micro loans have been introduced into communities that are already coping with high levels of sustained vulnerability and risk and while there have been traditional risk management strategies in place, in the face of accelerating access to micro credit these traditional strategies are breaking down. There is an urgent need to re-examine the processes for introducing new microfinance options into these already fragile and unstable marketing systems.

6.9 Further Research

Hulme and McKay (2005) presented a paper to an International Conference on the Many Dimensions of Poverty pointing out that the failure to achieve significant progress towards the Millennium Goals brings into question the current understanding and conceptualisation of chronic poverty and they are critical of the limited knowledge about chronic poverty that exists currently (Hulme and Mckay 2005). The findings of this study suggest the same. There is an urgent need to broaden and deepen the knowledge about issues that dominate the lives of those experiencing chronic poverty and it may well be that furthering understanding of marketing systems and subsystems in communities such as those in this study can contribute to an improvement in their living standards and the quality of life (Pecotich, Rahtz et al. 2010) Specifically, further research is needed to better understand the influence of dapot. The findings from this study suggest I dapot or the desire for status and agency may be significant to improving understanding of the underlying components of the marketing systems in chronically poor communities and therefore warrants further investigation.
The flows of risk identified in this study may also be of significance for other decision making areas and could be the focus of further research.

Research is also needed to understand the dynamics of the relationship between NGOs and the NGO agents they deal with. The clients seemed to have an expectation that NGO agents offering micro loans would reflect the traditional values of a patron who has “responsibility to offer protection against crisis”, (Hossain 2003 p 11) NGO agents often resort to harassment and stand over tactics in order to ensure repayment of micro credit loans and did not take any responsibility to offer protection against crisis.

More broadly, exploratory research is needed to better understand how NGOs operate and why they interact the way they do with their clients.

6.10 Conclusion

If markets and marketing are primary drivers or creators of society as suggested by Lusch (2006) then all future initiatives to introduce new financial products and services into vulnerable communities in emerging markets such as those in this study, need to be part of constructive engagement to develop robust marketing systems over the longer term and with clear societal goals to improve the quality of life for the people in these communities (Schultz 2007). The villages in this study have complex webs of social and financial exchange (Lusch 2006). Understanding the most micro-actions of those involved in financial exchanges within this context will provide the means to develop a holistic approach to sustainable financial exchange systems (Lusch 2006; Cardona 2003).

The most important aspect of future financial marketing initiatives in areas such as the villages in this study is to take a holistic approach to the assessment of risk and vulnerability taking into account the economic, social, cultural and environmental elements of the market (Cardona 2003). Robust risk management strategies to address vulnerability and risk must be the first priority for NGOs and MFIs.


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Hossain, N. (2003). The Real-life Relationship between Donors and Recipients in Bangladesh: Exploratory Research into the Sociology of Aid relations, DFID.


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Appendix 1

Demography and Geography of Bangladesh

Bangladesh has the world's largest river deltas, created by the Ganges, the Brahmaputra, the Meghna rivers and their tributaries. Rivers, wetlands and floods are the basis of the way of life in Bangladesh. Seasonal flooding caused by heavy monsoon rainfall between July and September floods one-third of the country every year. In essence, Bangladesh is virtually one vast flood plain, with most of the country being only a few feet above sea level, with the exception on one hilly area in the south east.

Bangladesh is a country with a population of approximately 150 million (Asian Development Bank, 2008; CIA, 2008), making it the third largest Muslim country in the world. According to the World Bank, nearly half the world’s population is less than 25 years of age and 90% of these live in emerging markets (World Bank, 2007). Bangladesh follows the World Bank demographic profile for developing countries with 33.4% of the population being 14 years or below and more than 50% being below 25 years (US Census Bureau International Database 2008; CIA, 2008).
Appendix 1

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This is in contrast to the age demographic profiles in ‘western’, developed countries where there are rapidly aging populations. Bangladesh’s huge population size, together with a population density already five times greater than that in any other ‘mega’ country (>100 million population) (Streatfield and Karar 2008), creates a very challenging situation for this basically agricultural society. Some significant issues are:

- Land available for agriculture has reached saturation point which affects the capability to expand food production (Rahman and Rahman 2008; Streatfield and Karar 2008).
- Climate change is affecting agriculture because of changing flood and drought patterns (Streatfield and Karar 2008).
- In 2006 in Bangladesh, GNP per capita was US$ 400 (Sultana 2008).
- Literacy rates are approximately 50% among men and 31% among women, according to a 2004 UNICEF estimate.

Estimates of the proportion of the population living in poverty vary. The World Bank estimates that over 80% of people live in rural areas and 75% of the population lives below the $2 per day economic poverty threshold (World Bank 2002).

**The Way of Life in Matlab, Bangladesh**

The people who have taken part in this research are from the rural area in the southern delta region of Bangladesh see diagram 3.1 below. Matlab is a rural subdistrict of the Ganges-Meghna Delta with a population of 550,000 situated about 55 kilometres southeast of Dhaka city (Anwar, Killewo et al. 2004). As in most areas of flood-prone southern Bangladesh, the rural people barely subsist on rice growing and fishing. They use mostly water
transportation, and follow the male-dominated cultural pattern with women generally living secluded lives in the family compounds (Fauveau, Stewart et al. 1991).

Map of Matlab, Bangladesh

The poor people in Matlab are coping with personal deprivation (Chakravarti, 2006) brought about by many factors including the seasonality of work, the physical privations brought about by the annual floods during the monsoon months and frequent natural disasters, all
which give rise to intermittent incomes and increasing landlessness, as has been discussed in section 3.2.

Rural Life in the Baris

The rural villages are divided into *baris* or extended family clan enclaves with a common area in front of or surrounded by houses where relatives from one clan will live. See Diagram below.

Plan of a Common Bari in Matlab
The floors of most houses in the bari are made from rammed earth, with either corrugated iron (if someone in the family can afford that or it has been donated) or woven palm frond walls. The houses are set on high ground where possible, in order to stay above the level of the flood waters during the annual monsoon and flood season which is one of the most significant environmental factors affecting the levels of poverty in the district (see photograph below).

Matlab A1

The photograph A.1 above shows a typical bari in one of the villages where data was collected. The common area in front of the houses is where the women of the extended family gather to cook every day around the communal cooking pots and fire hole that can be seen in the photo. The women who have husbands that are working either in the fields or pulling a rickshaw rarely leave this compound.

Seasonal Cyclones and Floods
The seasonal cyclones that can devastate the countryside occur every few years and also have a significant effect on the levels of chronic poverty in the Matlab district. For example, in January 2008 when the data was being collected, the effects were evident of a major cyclone in the research area which forms part of southern delta region of Bangladesh that had occurred the November before. The cyclone, named “Sidr”, (meaning hole or eye) left more than 3,000 people dead, destroyed or damaged 1.4 million houses, and affected the lives of more than 8 million people in this delta region (Oxfam 2008).

**Lack of Basic Utilities**

No piped, running water was found in any of the houses in the three villages in the Matlab district. Water is drawn from the local “pond”, a dam like structure situated next to each bari in the district. The ponds are designed to capture water during the wet season for use year round for a multitude of household uses, see Photograph Matlab A2 below.
Matlab A2

Tube wells are the other source of water and there is usually one in each village. Many have been marked with red paint to indicate that they contain high levels of arsenic. However the villagers use them anyway as they had no other source of drinking water (Aziz, Boyle et al. 2006). This study by Aziz, Boyle et al (2006) found that residents of Matlab are among the millions at risk in Bangladesh from widespread arsenic contamination of the water supply. The findings showed that lack of convenient access to safe drinking-water resulted in people continuing to drink arsenic-contaminated water (Aziz, Boyle et al. 2006).

Very few of the houses in Matbab have electricity with most of them using kerosene lamps or candles after dark. Extended hours of electrical blackout on a daily basis were observed during the data collection period.
Most people cannot afford to buy gas for cooking and firewood is scarce and the wood is damp most of the year. Sticks are collected and dried out, covered with cow dung and left to dry in the sun which is what is shown in the photograph below. This is the cooking fuel used in the baris’ communal cooking area, with one fire hole, serves to cook the food for the whole clan as shown in the photographs Matlab A3 and Matlab A4 below.
Lack of Mechanised Tools.

The photo Matlab A5 below shows a woman in a Matlab village spreading rice out to dry on a concrete bridge across a canal. It is the only flat dry place in or near the village where she can do this. Her broom for sweeping and spreading the rice is made from rushes cut from the river’s edge. She had no mechanised or modern tools to assist her.

The photo Matlab A6 below shows another woman, with the same kind of broom, made from rushes, working beside the river bank. No mechanised tools were observed being used by women anywhere in the district.
Matlab A6

The photographs, Matlab A7 and Matlab A8 below show women doing their washing by the river's edge. The women from the baris wash clothes together in the river and dry them on the grassy banks.
Agriculture, Food and Its Meaning

The wetlands in Bangladesh, including the Matlab district, are a traditional source of food and livelihoods for millions of rural people and in the monsoon season when all of the floodplains are under water the local people supplement their basic diet of rice by catching fish and collecting wild vegetables from both public and private lands. In doing this they are exercising their customary rights to access private and public land for food, fodder, fuel and building materials during the seasonal period of flooding when all resources are scarce (Sultana 2008).

Rice is Life

The most important agricultural crop is rice because it is the staple food and is eaten at least twice a day accompanied by small amounts of vegetables and fish when they are available (Tetens, Thilsted et al. 1998). In fact the floodplains of Bangladesh are one of the oldest cradles of human civilization where the rice plant was domesticated around the 5th millennium B.C (BangladeshRiceFoundation 2005).

Rice, as well as being the staple food representing food security in the Bangladeshi diet has become a symbol of prestige and wealth as well (Sultana 2008). “Even though crops other than rice may be more profitable, traditionally it is accepted that if a farmer has stored rice for the year that household is of higher social strata” (Sultana 2008 P7). Specifically, over 77% of Bangladesh's agricultural land grows rice and nearly 70% of the population participate in some way, making it by far the most important provider of rural employment. About 75% of the total calorie and 55% of total protein intake of an average Bangladeshi are obtained from rice. Rice therefore, has a significant effect on rural life style and culture (BangladeshRiceFoundation 2005) and is an integral part of the economics of the area. Decisions taken with respect to rice planting, harvesting, and marketing are a significant part of the financial decision making processes undertaken in rural households every season.
Crop Diversification, Gender Influence and Increased Well-Being

While rice takes up almost 80% of agricultural land, in recent years there have been strong arguments put forward for farmers to diversify into crops such as maize, pulses, oilseeds and potatoes (Oakley and Momsen 2005; Rahman 2009). Farmers are encouraged by government bodies to combine rice planting with crops that can replenish the soil and increase nutritional intake in the diets of rural communities. Crop diversification is another important financial decision to be taken by rural families which has significant implications for the economic well being of the family because an increase in the variety of the food available to the average Bangladeshi may influence the allocation of productive resources and therefore affect farmers’ chances of increasing their incomes (ADB 2009; Rahman 2009).

However, even though diversified crops such as potatoes, vegetables, onions and cotton are potentially more profitable than rice, there has been limited interest in them from farmers because of perceived higher risks associated with their growth (Mahmud, Rahman et al. 1994).

There is however, an emerging view in the geographical and agricultural literature that rural women are becoming more influential with regard to the choice of crops grown in any particular rural area (Howard-Borjas 2001; Gururani 2002; Briggs, Sharp et al. 2003; Oakley and Momsen 2005). “Across the globe, and particularly in tropical regions rich in biodiversity, in villages, on farms, in homesteads, forests, common pastures, fields and borders, it is women who manage the majority of all plant resources that are used by humans” (Howard-Borjas 2001P 2).

Women’s views about these issues are affected by local social influences and the environmental and climatic changes in the local areas (Oakley and Momsen 2005). These changes include increasing floods, competition from new crops or demand from the women’s families for particular foods. The findings from a recent study in Bangladesh (Oakley and
Momsen 2005) demonstrated a significant connection between the crops that were chosen to be planted in the two villages in the study and women’s preferences. Over half the women in both villages participated in the decision making process regarding the types of field crops to be planted in the village. “These data show the extent to which the decision-making process is a household choice, one in which women exert considerable influence” (Oakley and Momsen 2005 P 203). Yet the study also found that the manner in which rural women exert that influence over decisions of what to plant is difficult to define because it is “embedded in asymmetrical relations of power and ...it is also difficult for women to articulate their knowledge or even consider their knowledge valuable” (Gururani 2002 P317). This last point raised by Gururani (2002) regarding women’s reticence to openly discuss their knowledge and their participation in decisions on these matters is important. This reticence on the part of women to communicate their contributions to the family’s financial well being is widespread in Bangladesh and is perpetuated by the patriarchal social structures existing in the Matlab district where purdah rules still apply for the majority of women (Kabeer 1994; Kabeer 1996; Kabeer 1998; Oakley and Momsen 2005).

**Maize**

Wheat has become the second most important cereal crop in Bangladesh after rice but is not grown in the Matlab district because the land is unsuitable, being low lying and waterlogged for months at a time during the monsoon rains and subsequent annual floods. Hybrid maize, however, is emerging as a potentially high-value crop in Bangladesh and some farmers in the Matlab area are beginning to experiment with it as a cash crop to be grown in conjunction with rice and other vegetables such as potatoes and peanuts.

Economically, hybrid maize is far more profitable than rice (Ali, Waddington et al. 2008), wheat, or most other crops grown during the winter season (Rabi). Maize cropping has been encouraged by the Bangladeshi government over the past decade in conjunction with the development of the poultry industry. Maize production is expected to expand at about 15%
per year because of increasing demand for feed from the growing poultry industry. Small amounts of hybrid maize are being trialled by farmers in the Matlab district. However, the majority of the trials are occurring during the pre-monsoon (Kharif-1) period when there is quite a bit of rain and farmers have found that maize crops grown during this period of the year are at significant risk of water logging and post-harvest drying problems (Ali, Waddington et al. 2008).

Over the last three or four years signs of stagnation and possibly decline in maize yields across the country have started to emerge and there are growing concerns that continuous production of high yield maize will lead to depletion of mineral nutrients from the soils unless appropriate nutrient inputs are given and management followed. Soil nutrient depletion is often accelerated with maize versus rice or wheat because of the higher biomass production, greater nutrient requirements, and increased nutrient removal (Ali, Waddington et al. 2008). Decisions to plant maize, therefore and the season chosen are significant also with respect to financial well being for rural families.

Another significant financial issue for farmers thinking of growing the hybrid maize being promoted by the government is that the seed is expensive and while hybrid maize is potentially a high value crop; its cultivation costs are also higher than most other alternative crops such as rice and wheat. This situation creates some challenging and risky choices for poor farmers and many may choose to only plant small areas of hybrid maize. Further, many poor farmers in the Matlab district and other parts of the country use MFI's to finance this speculative farming activity. The risks for these farmers are exacerbated also because they do not usually have access to information about appropriate crop management practices and as a result, in practice, farmers often have to depend on trial and error (Ali, Waddington et al. 2008).

The issue of how farmers finance their activities, whether they be speculative farming or more traditional forms of agriculture, affects the levels of risk for these farmers and their
families. There is a complex set of issues related to the financial dealings of rural community members. These issues are discussed in the following section.
Appendix 2

List of Banks and Insurance Companies Operating in Bangladesh

The commercial banking system dominates Bangladesh's financial sector. Bangladesh Bank is the Central Bank of Bangladesh and the chief regulatory authority in the sector. The banking system is composed of four state-owned commercial banks, five specialized development banks, thirty private commercial banks and nine foreign commercial banks. The Nobel-prize winning Grameen Bank is a specialized micro-finance institution, which revolutionized the concept of micro-credit and contributed greatly towards poverty reduction and the empowerment of women in Bangladesh.

Central Bank

- Bangladesh Bank

Pursuant to Bangladesh Bank Order, 1972 the Government of Bangladesh reorganized the Dhaka branch of the State Bank of Pakistan as the central bank of the country, and named it Bangladesh Bank with retrospective effect from 16 December 1971.

Private Commercial Banks

Private banks are the highest growth sector due to the dismal performances of government banks (above). They tend to offer better service and products.

- AB Bank Ltd
- BRAC Bank Limited
- Dutch Bangla Bank Limited
- Dhaka Bank Limited
- Eastern Bank Limited
- Islami Bank Bangladesh Ltd
- Pubali Bank Limited
- Uttara Bank Limited
- IFIC Bank Limited
- National Bank Limited
- The City Bank Limited
- United Commercial Bank Limited
- NCC Bank Limited
- Prime Bank Limited
- SouthEast Bank Limited
- Al-Arafah Islami Bank Limited
- Social Islami Bank Limited
- Standard Bank Limited
- One Bank Limited
- Exim Bank Limited
- Mercantile Bank Limited
- Bangladesh Commerce Bank Limited
- Mutual Trust Bank Limited
- First Security Islami Bank Limited
- The Premier Bank Limited
- Bank Asia Limited
- Trust Bank Limited
- Shahjalal Islami Bank Limited
- Jamuna Bank Limited
- ICB Islami Bank
- Moon Bank Limited
### Foreign Commercial Banks

- Citibank
- HSBC
- Standard Chartered Bank
- Commercial Bank of Ceylon
- State Bank of India
- Habib Bank
- National Bank of Pakistan
- Woori Bank
- Bank Alfalah

### Specialized Development Banks

Out of the specialized banks, two (Bangladesh Krishi Bank and Rajshahi Krishi Unnayan Bank) were created to meet the credit needs of the agricultural sector while the other two (Bangladesh Shilpa Bank (BSB) & Bangladesh Shilpa Rin Sangtha (BSRS)) are for extending term loans to the industrial sector. The Specialized banks are:

- Asian Development Bank
- Grameen Bank
- Bangladesh Krishi Bank
- Bangladesh Development Bank Ltd
- Rajshahi Krishi Unnayan Bank
- Basic Bank Ltd (Bank of Small Industries and Commerce)
- Bangladesh Somobay Bank Limited (Cooperative Bank)
- Ansar VDP Unnayan Bank

BASIC Bank Limited (Bangladesh Small Industries and Commerce Bank Limited)
Insurance Companies Operating in Bangladesh

Bangladesh Co-Operative Insurance Ltd.
Bangladesh General Insurance Co. Ltd.
Bangladesh National Insurance Co. Ltd.
Central Insurance Co. Ltd.
Uttara Bank Bhaban,
Northern General Insurance Co. Ltd.
Paramount Insurance Company Limited
People's Insurance Co. Ltd.
Phoenix Insurance Co. Ltd.

http://www.bdwebguide.com/insurance2.htm
Appendix 3

Interview Guide for Focus Group Discussions

Basic questions:

First Name
Age (Approximately)

Discussion Guide:

1) Education and occupation of family members, primarily those who contribute money to the family?

2) Does your family own land?

3) Do you own your own home?

4) What is your house made of?

5) How many rooms?

6) Furniture?

7) How many people in your household?

8) How much would you spend a day of food?

9) Do you eat rice and vegetables every day? Fish? Meat? How often?

10) Do you children do to school? How many? How often?

11) How much do you spend on their education in a year?

12) Do you own livestock? Cows? Goats?

13) From what sources do you earn your money?
14) What about other members of your family?

15) Within your family group do you help each other with your occupations? How?

16) Do you ever work together? When? Doing what?

Financial Decision Making

17) Have you ever borrowed money? How?

18) Has anyone else in your household borrowed funds?

19) Who has lent you money in the past twelve months?

20) How will you pay it back?

21) How much interest is charged?

22) Did you have to leave your village/community to get the loan?

23) Where do you put your savings?

24) Where would you like to put your savings?

25) How much do you have saved now?

26) Do you have insurance?

27) What are your daily/weekly expenses? What is your daily/weekly income? How do you earn it?

28) What are the slow and fast times for business or crops?

Financial Decision Making Capacity within the Household/Community

29) Do you talk to anyone about your finances? Who? What do you talk about?

30) Do you have any major expenses coming up soon? What?
31) How do you get the money together for weddings? Or for Diwali/Hari Raya?

32) Do you want to be part of a savings or loan group? Why/why not?

33) Do you have a local bank? Other kind of financial institution?

34) Do you use it?

35) Why/Why not?

36) Do you have any questions for me?
Appendix 4

Interview Guide for In-depth Interviews

At the beginning of the fieldwork, please collect basic information about the chosen families.

1. Names of husband and wife and other significant family members
2. Religion
3. Marital status
4. Education
5. Household composition (who lives in the household on a regular basis)
6. Landholding
7. Occupation of each member of the household
8. Sources of income
9. Household assets (a good guess)
10. Financial involvement with NGO’s, financial involvement with family members or other types of financial involvement.

Discussion Guide for in-depth Interviews

1. Tell us about the important financial dealings you and your family have had over the past year and what is the nature of them, e.g. are you saving for a relative’s wedding? Building, repairing or extending your house, educating children, planting crops?
2. What sort of information do you need to make these decisions?
3. What sort of information do you regularly get?
4. Who provides you with this information?
5. What types of information would you like to get that you are not getting now?
6. What would be the most helpful improvements for your financial dealings?
7. Which sources of financial assistance do you rely on most often?
8. Why do you rely on these sources?
9. When making decisions about borrowing money, what things are most important to you in helping you to decide who you will deal with?
10. What are the things that you need money for?
11. What financial products and services would be most helpful to you to help you meet your needs?
12. Is it easy or difficult to get access to these financial products and services that you need?
13. What are your sources of income?
14. Who makes the financial decisions in your family?
15. Who influences those decisions?
16. What networks or groups of people do you connect with who may influence the way you make your financial decisions?
17. What is the nature of the influence that these networks have on the way you make your financial decisions?
18. In your financial dealings, with which other people or groups or organisations do you link?

Questions for the women who participate in Microfinance activities

1. What was the purpose of your microfinance loan or savings plan?
2. Do you manage the money or pass it to your husband?
3. How do you benefit from the loan?
Appendix 5
Information Sheet

An invitation to participate in the research project:

Influences on the Financial Decision Making among the Rural Poor in Bangladesh

Aims of the Study

You are invited to participate in this research project which is being undertaken for a PHD thesis at the University of Western Sydney, Australia. The research seeks to contribute to an identified gap in the research on financial decision making and the influences that informal social networks have on the processes and outcomes of that decision making. The aims of the study are to:

- Identify the family and community decision making processes as they relate to financial decisions, such as the decision to use microfinance products and services or the decision to use traditional financial offerings from local community members such as deposit takers and/or local money lenders.
- Identify the nature of social network interaction in rural poor families and the influence of these networks on financial decision making processes and outcomes.
- To assess the family influences and the community influences on financial decision making.

How the research is conducted.

I will be coming to your location every 2-5 days in a week to observe the existing social networks and to conduct interviews and focus groups. If you would like to participate you can contact me personally whenever you see me. Alternatively, you can reach me through my local research assistants who will be coming to your location with me and will act as translators and helpers as I collect information. If you agree to participate in this research you will be read a letter of consent. During the interviews, focus group discussions and observation, conducted at your convenience, you may be asked a number of questions which relate to your financial decision making. Formal interviews will last between one and two hours. Focus groups will last between one to one and a half hours.

Researcher’s Details

The research will be conducted by Laurel Jackson for a PHD with the School of Marketing, University of Western Sydney. Laurel is being supervised Professor Richard Fletcher and Dr David Low from the faculty of the School of Marketing and professor Bobby Banerjee from the School of Management.

1. Participatory observation invites participants to engage with the research on a day-to-day basis. Participants will meet and see the researcher and her assistants in the studied locations.
2. Personal interviews provide participants with the opportunity to engage with the researcher on a one-to-one basis. Interviews may last from 30 minutes to one hour. An early consent will be taken to allow the interview to be recorded at a suitable time and place agreed upon by the interviewee and the interviewer. Transcription of the interviews will be available to participants to verify the content.

3. Focus group interviews allow participants to engage with the researcher on a group basis. Each focus group will last for between one and two hours. An early consent will be taken to allow the interview to be recorded at a suitable time and place agreed upon by the interviewees and the interviewer. Transcription of the individual interviews will be available to participants to verify their consent.

The information you provide will be completely confidential and no names of you or others discussed will be disclosed in the results of the research. The material will be kept at the University of Western Sydney for exclusive use in this research.

At any time you will be able to withdraw from this research as it is entirely voluntary and there is no explanation required to withdraw.

Further Explanation

If you have any further enquiries or need any further explanation regarding this project please feel free to contact me or my supervisors.

- Dr David Low: Phone +61 2 9685 9683, email d.low@uws.edu.au
- Professor Bobby Banerjee: Phone +61 2 9852 4545, email b.banerjee@uws.edu.au
- Bangladesh contact details to be advised.

If for any reason any aspect of the research causes you stress, the Bangladesh Rural Development Board (BARD) Dhaka Bangladesh and Imam of the communities can be contacted regarding assurance of confidentiality and support and counseling (details for contact will be given later when researcher reaches the location).

This study has been approved by the University of Western Sydney Human Research Ethics Committee. The approval number is H5549. If you have any complaints or reservations about the ethical conduct of this research, you may contact the ethics committee through the Research Ethics Officers (tel: +61 2 47360883 or +61 2 47360884). Any issues you raise will be treated with confidence and investigated fully, and you will be informed of the outcome.
Appendix 6

Consent Forms
Research Topic: Informal Social Networks and Financial Decision Making: Influences on the Financial Interfaces among the Poor in Bangladesh

Name of Participant: 
Name of Investigator: Laurel Jackson

To be read aloud to the participant in Bengali (translation provided by authorised government recognised translator)

1. I have read and/or had the information read to me the information sheet for this study and have had the details of the focus groups, interview and observations explained to me. I have been given the opportunity to ask questions and these questions have been answered to my satisfaction. I understand that if I need to know more about the study I can ask questions at any time. I consent to participate in the project named above. A written copy of the information has been given to me to keep.

2. I acknowledge that:
   a) I have been informed that I am free to withdraw from the project at any time without explanation or prejudice and to withdraw any unprocessed data previously supplied.
   b) The project is for the purpose of research.
   c) I have been informed that the confidentiality of the information I provide will be safeguarded subject to any legal requirements.
   d) Interviews will be noted, recorded and transcribed and that I have access to those transcriptions to verify data.
   e) That pseudonyms will be used in any publication arising from the research.

Signature ....................................................Date..................

(participant)

I hereby state/declare that I have read and understood the nature of my involvement in this study and am willingly participating in it. I know I can withdraw from this research at any time without giving any explanation for my action.

Name of Participant..............................................................

Note: This study has been approved by the University of Western Sydney Human Research Ethics Committee. The Approval Number is .........................
If you have any complaints or reservations about the ethical conduct of this research you may contact ......... Any issues you raise will be treated in confidence and investigated fully, and you will be informed of the outcome.