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**The Mediating Influence of Motivation on Microcredit Training and Capital Creation**

Sheikh Ashiqurrahman Prince, Ishraat Saira Wahid, and Hafiz T.A. Khan

**Abstract**

Since many lives and livelihoods have been devastated by Covid-19 in 2020, microcredit provides loans to the poor who do not qualify for traditional bank loans has become an important aid for poverty reduction. This study investigates how microcredit training creates capital for microcredit borrowers both directly and through motivation. Using Ability, motivation and opportunity (AMO) theory it also demonstrates how socio-demographic features impact their training, motivation, and capital creation. Using stratified random sampling, 364 pieces of data were gathered from a microcredit institute operating in the northern region of Bangladesh. A series of statistical analyses were used, such as Cronbach’s alpha, confirmatory factor analysis (CFA), and the structural equation model. The results show that microcredit training directly affects borrowers’ capital creation, while borrowers’ motivation mediates the relationship between microcredit training and their capital creation. In addition, training has a significant effect on borrowers’ motivation, and borrowers’ motivation has a direct effect on capital creation. Furthermore, a high standard of education was found to be a positive factor in influencing the training of borrowers, their motivation, and their capital creation. The findings will help the government, concerned organisations, and decision-makers to improve their policies and programmes for alleviating poverty and generating rural employment in Bangladesh. This study makes a significant contribution to these aims by applying the effect of AMO theory in microcredit research that has previously been unexplored.

**Keywords:** Microcredit training; borrowers’ motivation; borrowers’ demography, borrowers’ capital creation; Ability-Motivation-Opportunity (AMO) Theory; poverty reduction; Bangladesh.

* 1. **Introduction**

Poverty is a lingering problem in third world countries, and microcredit has become the most important method to address it (Elahi and Danopoulos, 2004). In 2020, Bangladesh's progress towards poverty reduction was seriously disrupted by the Covid-19 pandemic. About 17.5 and 20 million new poor people were created in the nation by the pandemic. During this time, the poverty rate in Bangladesh's urban areas has increased three-fold, mainly due to the large number of people in cities and towns losing their jobs or reducing their salaries. The nation needs more anti-poverty schemes directly targeting the newly developed as well as the previously existing urban poor because of the substantial increase in poverty and the growing number of slums populated by poor and extreme poor people. As the government does not have infinite funds at its disposal, it must make more effective use of its money (Jamal, 2021). The micro-credit scheme, which includes the extension of small loans to micro-entrepreneurs and low-income households who are not eligible for traditional bank loans due to their lack of secure jobs or collateral security, can be extended to cover the loss of income and employment resulting from Covid-19 pandemic. Microcredit has become an important development strategy in recent years for reducing poverty, especially in developing and the least developed countries. Although Bangladesh has huge growth potential, almost half of the country's population lives below the poverty line, with 80% living in rural areas. The alleviation of poverty and the creation of rural employment are the top two national priorities in the development agenda of the government of Bangladesh (Ahmed, 2004).

Previous research indicates that in the last thirty years, the microcredit sector has served nearly 40 million borrowers with loans totalling 17 billion USD in mid-2006 (Katsushi and Azam, 2012). The concept of microcredit has been introduced as a powerful tool to eradicate poverty. The idea behind the concept is to help people at the grassroots level by providing them small loans, with the goal of allowing them to become self-sufficient. Microcredit facilitates poor people to borrow money without collateral, which in turn helps them to start their own businesses. In order to access loans, poor people with no physical collateral form a group to get access to loans so that borrowers can mutually monitor, sanction against non-repayment, and maintain their individual reputation. These loans have a high repayment rate, contributing toward the efficacy of the system (Ahlin and Townsend, 2007). Traditional financial institutions have failed to extend credit facilities to the poor without collateral, which is a prime reason for the perpetuation of poverty (Yunus, 2000).

Predominantly, the rural economy of Bangladesh is based on agriculture. The agricultural sector contributes to the country’s food security, facilitates and creates opportunities for rural household income, and supports income generation, which directly impacts the GDP of the Bangladeshi economy. According to the Bangladesh Economic Review, (2013), the country earned around $226 million in the period from 2012-2014 by exporting agricultural products. It is worth noting that Bangladesh is a microcredit pioneer, and it maintains the largest and most successful microcredit industry in the world. Microcredit institutions and programmes have been implemented in Bangladesh by specialised government organisations, semi-formal institutions, and non-government organisations (NGOs) to expand credit facilities in remote areas in Bangladesh to help poor people (Katsushi and Azam, 2012; Mahmud et al., 2014).

A number of studies in the literature appear to confirm that microcredit training improves borrowers’ capital creation (Nkundabanyanga et al., 2017; Atiase et al., 2019; Baxter et al., 2014; Rahman and Khan, 2013; Kassim and Rahman, 2018). However, other studies have found that microcredit training does not improve borrowers’ capital creation (Sigalla and Carney, 2012; Bodnaruk and Simonov, 2015); thus, there is conflicting evidence on whether microcredit training actually creates capital for borrowers.

Previous studies have demonstrated that the motivation of microcredit borrowers has a positive effect on their capital creation (Raven and Le, 2015; Jebarajakirthy and Lobo, 2014; Rashid et al., 2018; Garcia et al., 2020; Ray-Bennett, 2010; Mahmud et el., 2020). Further studies confirmed that motivation could mediate the relationship between attitude and the intention to obtain microcredit (Jebarajakirthy and Lobo, 2015). However, there are limited studies suggesting that motivation mediates the relationship between microcredit training and borrowers’ capital creation.

The socio-demographic features of microcredit borrowers were found to be important in a number of studies (Coelho et al., 2018; Khan and Rahman, 2016; Bai et al., 2019; Atmadja et al., 2016), but Sigalla and Carny (2012) found that not all socio-demographic features were important.

Focusing on this knowledge gap, this study investigates how microcredit training creates capital for microcredit borrowers both directly and through borrower’s motivation and how socio-demographic features impact their training, motivation, and promotes capital creation based on the ability- motivation-opportunity (AMO) theory. It is evident that the literature on microcredit and borrowers’ capital creation is plenty (Atiase et al., 2019; Tundui, and Tundui, 2020; Mahmood and Rosli, 2013), however in case of microcredit training and capital creation, the valid literature is rare. This underpins the need for in-depth understanding to investigate a rarely studied topic that the current study has addressed.

The study is organized following a logical sequence based on the aim of the study. Literature review presents the definitions key theories used in this study, a critique of literature as well as the reasons to choose the constructs of the study indicating their original sources with proper citations. The conceptual model has been developed based on the knowledge gap found in the literature review, indicating the hypotheses and explaining the main theory used (AMO) in the research. Methodology presents the overall research framework, including survey region, samples, methods of questionnaire development and design, data collection and the measurement of construct of the research. Results, including a series of statistical analyses such as Cronbach’s alpha, confirmatory factor analysis (CFA), and the structural equation model, highlight the results of data analysis, which are arranged to follow the research questions and objectives. Discussion summarises the main findings and engages in a critical discussion of issues arising from this study. Conclusion summarises how this research was carried out, the summary of key findings as well as the strategies for policy implementations.

Thus, study will not only make an original contribution to the existing microcredit research, but will also help significantly to the government, non-government organisations (NGO) and microcredit practitioners and decision-makers to improve their policies and programmes to alleviate poverty and generate rural employment in Bangladesh.

**2. Review of the Literature**

Since the study aims to investigate how microcredit training creates capital for borrowers both directly and through motivation and how socio-demographic features impact their training, motivation, and promotes capital creation, defining the terms and theories relevant to the purpose of this is imperative and described in the following sections below.

**2.1 Definition of relevant theories**

**Microcredit**

In this context, micro means ‘small’ and credit means ‘liability’ (Hornbyand and Wehmeier, 1999), so microcredit here represents a ‘small liability’. Microcredit is a small loan provided by micro financial institutions (MFIs) to the poor on the basis of trust and personal relationships between staff and borrowers to enable them to become self-sufficient (Rahman and Khan, 2013).

A microcredit programme involves the extension of small loans to micro-entrepreneurs and low-income households who do not qualify for bank loans due to a lack of steady employment or collateral security. Microcredit is provided to the poor so that they can use the funds not only to generate income and develop enterprises, but also for community uses, such as healthcare and education, allowing them to care for themselves and their families (Rahman and Khan, 2013).

**Microcredit training**

Training is defined as ‘a planned and systematic modification of behaviour through learning events and programmes, instructions and exposures, which enable individuals to achieve the levels of knowledge, skills and competence needed to carry out their work effectively and efficiently’ (Armstrong, 2007, p. 308). Similarly, training can be defined as ‘the process of obtaining or transferring knowledge, skills and abilities that are needed to carry out a specific task or activity’ (Combs and Davis, 2010, p. 9).

Using the definitions mentioned above as guidance, we infer that microcredit training is the training provided by MFIs to their borrowers enhances their skills, knowledge, motivation, and efficiency so that they can become self-sufficient and repay their loans.

**Capital and capital creation**

Capital can be defined as a large amount of money that is used to start a business or be invested to make more money. Capital also refers to equipment or buildings that are crucial for the production of products or for making businesses more competent, but that is not used directly to create money (Marshall, 1998).

Capital is also the inventory of resources involved in the manufacturing of products and services. The term ‘human capital’ refers to knowledge, training, and skills that people bring with them to the labour market. ‘Physical Capital’ includes land, buildings, and machinery, as well as all stocks of goods both finished and unfinished that are produced by companies and families (Karst et al., 2000).

The term capital creation refers to net capital accretion for a specific nation during an accounting period. It is simply the addition of capital goods to an existing capital base (Investopedia, 2015). Capital creation is described as an increase in the real capital stock in a country involving the formation of more capital goods, such as machines, tools, transport equipment, materials, and electricity, which are used for the future production of goods (Seth, 2019).

Based on this discussion, we can conclude that capital creation involves the manufacture of additional capital goods. Capital goods include buildings, machinery, instruments, equipment and vehicles, and are generally used in the production of goods and services.

Apart from defining terms and theories, identifying and examining literature relevant to the aim of the study is also essential. This study provides a snapshot of the existing literature on relevant research questions in the following section.

**2.2** **Microcredit training and capital creation**

While it has been established that, microcredit enhances borrowers’ capital creation (Atiase et al., 2019; Tundui, and Tundui, 2020; Mahmood and Rosli, 2013), in the case of microcredit training, the literature on the subject is very scarce. In other words, ahandful of studies in the current literature have investigated whether micro credit training improves borrowers’ performance, such as that for capital creation. A rigorous statistical analysis of 70 micro-finance institutions in Uganda conducted by Nkundabanyanga et al. (2017) discovered a positive relationship between financial management practises and loan performance of borrowers. The significant influence of entrepreneurship training on the performance of micro and small enterprises is also suggested by Atiase et al. (2019), who investigated the impact of training on the performance of financial non-governmental organisations in Ghana. Baxter et al. (2014) conducted a qualitative study in East Africa and discovered that non-governmental organisations were optimistic when discussing training, seeing it as a necessary activity to help prepare young entrepreneurs to understand, identify, and deal with different contextual factors affecting their livelihoods.

Rahman and Kahn (2013) explored the association of social advancement microcredit programmes in Bangladesh and found that the lack of sufficient training and loan facilities negatively influenced the effectiveness of such programmes. In a similar vein, Kassim and Rahman (2018) further identified a number of microcredit training related features such as post-disbursement monitoring, inexperienced field workers, technical assistance, weekly payment, accessible database, hiding the business, family member illness, lack of motivation and over-stretched financial commitments as reasons behind loans defaults in Bangladesh.

A study by Sigalla and Carney (2012) in Tanzania, however, showed that despite attending a microcredit training scheme, some women entrepreneurs succeeded while others failed to generate economic growth. In the European context, Bodnaruk and Simonev (2015) gathered data from bank and estate holdings and conducted descriptive analysis in Sweden and did not find any evidence that financial experts (who had training) were better than their peers (who did not have training) in their investment decisions.

Although two of the studies mentioned above displayed some negative findings on whether microcredit training could improve borrowers’ capital creation, this study incorporates such training as a major variable to investigate whether it could help improve borrowers’ capital creation in Bangladesh. Hence, this study argues that:

*H1: Microcredit training is positively related to the creation of capital.*

However, in the current literature, some studies have also focused on the relationship between microcredit training and motivation, as presented below.

**2.3** **Microcredit training and motivation**

Some researchers have argued that microcredit training has a positive impact on motivation which enhances borrowers’ ability to create capital. For instance, Raven and Le (2015) surveyed 120 women business owners in Vietnam using robust statistical analysis, including structural equation modelling (SEM), and discovered that training programmes improve motivation, success, and enhancement of entrepreneurs’ perceptions. Jebarajakirthy and Lobo (2014) conducted a study in Sri Lanka where they applied SEM to data gathered from 1,603 survey respondents and identified a set of motivational features such as entrepreneurial desire and self-identity as key predictors of micro credit purchasing intentions. Rashid et al. (2018) applied exploratory factor analysis (EFA) and multiple regression analysis to generate findings from data gathered from 245 young and educated microcredit borrowers in Bangladesh and confirmed that weekly/monthly meetings and investment-related training were the most important factors influencing satisfaction.

Considering the valid results of the studies mentioned above, this research assumes that motivation also plays a significant role in capital creation by microcredit borrowers in Bangladesh and proposes the following hypothesis:

*H2: Microcredit training adds confidence to the motivation levels of borrowers.*

Notably, motivation has been added to the current study to investigate how it affects the capital creation of borrowers.

**2.4 Motivation and capital creation**

In the current literature, few studies have investigated how motivation improves borrowers’ capital creation. For example, a study by Garcia et al. (2020) was conducted in Sierra Leone and involved 1,925 respondents, including 854 active women borrowers from a microcredit institute called Bangladesh Rural Advancement Committee (BRAC), and indicated that both aspiration and hope are statistically and positively significant with economic welfare for female empowerment and self-employment. Raven and Le (2015) further mentioned that training programmes improve the business performance of Vietnamese women entrepreneurs. On a similar vein, Ray-Bennett (2010) argued that microcredit motivated rural women borrowers to recover their assets back after they have lost all of their belongings which was destroyed by natural disaster. In addition, according to Mahmud et el. (2020) microcredit helps borrowers to decrease their vulnerability and enhance their motivation by rebuilding their assets after post disaster recovery.

In light of the above findings, our study argues that borrowers’ motivation improves performance for capital creation and hypothesises the following:

*H3: Borrowers’ motivation statistically and positively affects their creation of capital.*

It is worthwhile to mention that the mediating role of motivation may have a significant effect on the creation of microcredit capital.

**2.5 Motivation mediation**

The mediating variable explains why and how certain effects occur (Baron and Kenny 1986). Only a few studies have suggested that motivation mediates the relationship between microcredit training and borrowers’ capital creation. For example, in their study conducted in Sri Lanka, Jebarajakirthy and Lobo (2015) discovered that family norms and entrepreneurial desire mediate the relationship between attitude and the intention to obtain microcredit. In a similar vein, Mariyono (2018) surveyed 250 chili farmers in Java using SEM for the analysis and discovered that microcredit directly impacts household prosperity and indirectly impacts farmers’ sense of well-being. Although Mariyono (2018) discovered that microcredit could act as a mediating force, this study assumes that microcredit training will help improve the creation of capital through the mediation effect of borrowers’ motivation.

A number of studies have discovered that motivations, such as entrepreneurial desires and the sense of well-being, could act as mediators, this study argues that motivation will mediate the relationship between microcredit training and its capital creation. Hence, the study proposes the following:

*H4: Borrowers’ motivation mediates the relationship between microcredit training and the creation of capital.*

However, in the existing literature, borrowers’ socio-demography has been found to be one of the most important attributes of microcredit and capital creation, as suggested by a significant number of studies.

**2.6 Borrowers’ socio-demographics**

Several studies have shown that socio-demographic characteristics can significantly influence the ability of microcredit borrowers to create capital. For instance, Atmadja et al. (2016) confirmed a positive relationship between the level of education and the performance of an enterprise. Bai et al. (2019) further indicated that the education of farmers was the most important determining factor for their credit worthiness. Khan and Rahman (2016) suggested that in Bangladesh, women’s demographic characteristics such as age, number of children, education, and place of residence are important factors for their involvement in economic activities through microcredit. A study by Sigalla and Carny (2012) discovered that while socio-demographic features were significant for some respondents in their study, they were not significant for others.

We can conclude from the above discussion that although socio-demographic features showed contradictory findings regarding capital creation by microcredit borrowers, this study has considered these features to see if they influence receiving microcredit training, generating motivation, and creating capital, and proposes the following hypotheses:

*H5: Socio/demographic features of borrowers have a positive effect when they receive training.*

*H6: Borrowers’ socio-demographic features have a direct effect on their motivation towards business.*

*H7: Borrowers’ socio-demographic features have a direct effect on their creation of capital.*

This study explores the role of training and motivation on how microcredit borrowers build capital using the ability-motivation-opportunity (AMO) theory, which is described below:

**2.7 Ability-Motivation-Opportunity Theory**

Ability, motivation and opportunity (AMO) theory has been one of the most applied theories in the field of strategic human resource management research since 2000 (Paauwe and Boselie, 2005). Wahid and Hyams-Ssekasi (2018) used AMO to investigate the performance of Bangladeshi employees working in the telecom sector of the country. There are limited studies, however, using AMO to investigate the performance of microcredit borrowers. This study uses AMO as a new approach in its investigation of microcredit in Bangladesh and will therefore help to expand knowledge in this area.

The AMO theory suggests that the performance of trainees is dependent on employee ability, motivation and opportunity. The theory contends that trainers can enhance the performance of trainees by positively focusing on their abilities (A) to perform the job, motivating (M) them to perform and helping the trainees to nurture opportunities (O) for their own profit (Boxall et al., 2009; Fu et al., 2015; Bos-Nehles et al., 2013).

There are therefore three interrelated components to the AMO theory: first, the abilities and skills of the trainees that are essential for helping to improve performance; second, the motivation of trainees that is necessary to improve their work; third, opportunities that are vital in order to make effective use of human potential (Hyde et al., 2009).

**2.8 Summary of the literature review**

**Table 1**: Microcredit variables that are most commonly used and suggested to be significant or not significant by other researchers

|  |  |  |
| --- | --- | --- |
| **Variables** | **Author(s) suggested** | **Author(s) did not suggest** |
| Microcredit training and capital creation | Nkundabanyanga et al., 2017; Atiase et al., 2019; Baxter et al., 2014; Rahman and Khan, 2013; Kassim and Rahman, 2018. | Sigalla and Carney, 2012; Bodnaruk and Simonov, 2015 |
| Microcredit training and motivation | Raven and Le, 2015; Jebarajakirthy and Lobo, 2014; Rashid et al., 2018; |  |
| Microcredit motivation and capital creation | Garcia et al., 2020; Raven and Le, 2015; Ray-Bennett, 2010; Mahmud et el., 2020 |  |
| Motivation mediates | Jebarajakirthy, and Lobo, 2015; Mariyono, 2018 |  |
| Socio-demographic features | Coelho et al., 2018; Khan and Rahman, 2016; Bai et al., 2019; Atmadja et al., 2016. | Sigalla and Carny, 2012 |

Table 1 shows that there is conflict in the literature as to whether microcredit training creates capital for borrowers. A number of studies, for example, found that training in microcredit does improve borrowers’ capital creation (Nkundabanyanga et al., 2017; Atiase et al., 2019; Baxter et al., 2014; Rahman and Khan, 2013; Kassim and Rahman, 2018) whereas another stream of research found that such training did not improve it (Sigalla and Carney, 2012; Bodnaruk and Simonov, 2015). Also, some studies found that microcredit training has a positive impact on motivation which enhances borrowers’ ability to create capital (Raven and Le, 2015; Jebarajakirthy and Lobo, 2014; Rashid et al., 2018) whereas other studies confirmed that microcredit motivation has a positive effect towards the creation of capital (Garcia et al., 2020; Raven and Le, 2015; Ray-Bennett, 2010; Mahmud et el., 2020). In the similar vein, a number of studies further confirmed that motivation mediates the relationship between attitude and the intention to obtain microcredit (Jebarajakirthy, and Lobo, 2015; Mariyono, 2018). However, limited studies suggested that motivation mediates the relationship between microcredit training and the creation of capital.

A number of studies found that the socio/demographic features of borrowers was important for their ability to create capital (Coelho et al., 2018; Khan and Rahman, 2016; Bai et al., 2019; Atmadja et al., 2016) whereas another study found that not all socio/demographic features are important (Sigalla and Carney, 2012).

Having identified the knowledge gap in existing literature consistent with the AMO theory, this study investigates whether microcredit training (enhanced skills and abilities) both directly and through motivation (creating motivation to perform) creates capital for microcredit borrowers (by providing opportunities) through which borrowers’ socio-demographic features impact on their training, motivation, and facilitation in capital creation. Focusing on the knowledge gap, this study has developed several research questions and objectives.

**2.9 Research Questions and objectives**

Based on the above discussion, the study developed the following research question:

• How microcredit training creates capital for microcredit borrowers both directly and through motivation and how socio-demographic features impact their training, motivation, and capital creation?

To answer the research question, the following objectives should be pursued:

• How does microcredit training influence the creation of capital by borrowers?

• How does microcredit training affect borrowers’ motivation, which in turn could affect their ability

to create capital?

• Which socio-demographic features of borrowers affect microcredit training, borrowers’

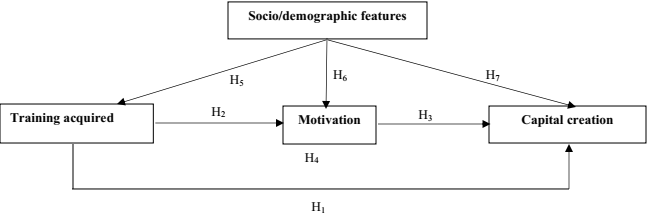
motivation and their capital creation?

There is a plenty of evidence supporting that microcredit enhances borrowers’ capital creation (Atiase et al., 2019; Tundui, and Tundui, 2020; Mahmood and Rosli, 2013), in the case of microcredit training, the literature on the subject is very scarce. This underpins the need for in-depth understanding to investigate a rarely studied topic where it investigates mediating influence of motivation on microcredit training and capital creation based on the AMO theory. Therefore, this study makes an original contribution to the existing literature that has been previously unexplored.

**3.1 Conceptual model**

The literature review for this study identified the theories, concepts, and variables of microcredit training and borrowers’ capital creation. Based on the knowledge gap, a conceptual model was developed for this study. This model was designed to show how microcredit training both directly and through motivation creates capital for microcredit borrowers and how, through using the AMO theory, socio-demographic features impact their training, motivation, and capital creation.

**Figure 1:** The conceptual model



**Ability-Motivation-Opportunity Theory**

The conceptual model incorporates the AMO theory, which suggests that training can increase the ability of trainees to perform better in their jobs, build enthusiasm (motivation), and creates more opportunities to make their business successful. The more the ability and motivation of microcredit borrowers are enhanced, the more capital would be created for the borrowers. In other words, the model indicates that microcredit training improves borrowers’ financial solvency (ability), interpersonal communication skills, which facilitates their microcredit operation capability for example, effective implementation of microcredit operations (motivation) which in turn helps to expand their business (opportunity). The model further indicates that borrowers’ socio-demographic features positively impact their training and motivation towards capital creation. To put it simply, the success of the microcredit training received by the borrowers motivates them to prosper in their business depends on their socio demographic characteristics of borrowers, such as their economic solvency, education, age, marital status, family size, etc.

**Independent variable**

The conceptual model indicates that borrowers’ capital creation is dependent on the effectiveness of training. In addition, the success of training programmes, motivation, and capital creation also depend on the socio-demographic features of borrowers. Therefore, microcredit training and borrowers’ sociodemographic and demographic features are the independent variables for this study.

**Dependent variable**

According to the model, borrowers’ capital creation is the dependent variable, as it depends on how effectively microcredit training is conducted and the extent to which the borrowers are motivated to create capital using it. Hence, borrowers’ capital creation is the dependent variable of this study.

**Mediating variable**

The mediating variable explains why and how certain effects occur (Baron and Kenny 1986). According to the model, microcredit training affects borrowers’ motivation, which in turn affects their creation of capital. Therefore, borrowers’ motivation is the mediating variable of the study.

**4. Research methodology**

**4.1 The setting**

The district of Lalmonirhat is situated in the northern part of Bangladesh and was selected as the survey region for this study. It has a poverty rate of 42% and is one of the 10 poorest districts recognised by government authorities, where poverty in some locations peaks at 60-70% (Statistics, 2011).

**4.2 Stratified random sampling**

In order to focus on the overall population of the microcredit institute, the study used stratified random sampling, which allows researchers to obtain a sample population that best represents the entire population being studied by dividing it into subgroups called stratums. By estimating each of the component parts more accurately, the researcher obtains more precise estimates for each stratum, and stratified sampling results in more reliable and detailed information (Kothari, 2004).

Information was collected from a registered microcredit institution operating in the Lalmonirhat region using a stratified random sampling method that uses common features to divide the complete population into distinct subgroups or stratums. Respondents were then surveyed based on random sampling from each stratum.

The microcredit institution has a total of 25 branches in Lalmonirhat across five upazilas (each upazila is an administrative region in Bangladesh) with five branches on average in each upazila. Three branches were selected from each upazila, meaning that 15 branches represented the entire population of the research. The survey produced a 10% response rate (25 responses, 375 answers) from each branch to ensure that microcredit borrowers across the district were represented; 11 questionnaires were discarded after sorting as they did not meet the necessary standards. A total of 364 pieces of data were considered for the study.

**4.3. The three-pronged approach**

A three-pronged strategy including a literature review, interviews with experts, and a pilot survey, was adopted to create the survey questionnaire and to develop the hypotheses (Jitrawang and Krairit, 2019; Prince, 2018).

**Literature review**

To collect theories, concepts, and thoughts, literature linked to microcredit, motivation, and capital creation were explored first. An original study questionnaire was then created along with a collection of hypotheses with data extracted from the literature.

**Interviews with experts**

Appropriate professionals were interviewed to cover all relevant elements of the research model using the original questions and hypotheses. These professionals included academics from West London University, UK, and executives of microcredit institutions in Bangladesh. The problems and conclusions were subsequently checked and finalised based on the suggestions of these experts.

**Pilot survey**

The questionnaire was screened to determine whether it performed well among microcredit borrowers by conducting a pilot test for the focus group. Initially, microcredit institution borrowers were surveyed. Prior to conducting the real survey, three steps were iteratively performed to obtain the optimum answers.

**4.4 Ethical approval**

This study was approved by the University ethics committee of Bangabandhu Sheikh Mujibur Rahman Sheikh Mujibur Rahman Science and Technology University, Gopalganj, Bangladesh as a non-risk project.

**4.5 Questionnaire design**

In a tabular format, the first portion of the questionnaire included the sociodemographic characteristics of borrowers. The second section of the questionnaire assessed how microcredit training both directly and through motivation creates capital for microcredit borrowers and how their socio-demographic features impact their training, motivation, and capital creation. The questionnaire was developed on a 5-point Likert scale where 1= strongly disagree and 5 =strongly agree. The questionnaire provided a way to obtain insight into the views of borrowers.

**4.6 Measures**

**Microcredit training**

The borrowers’ microcredit training acquired was measured using eight items frequently used in previous studies and proposed in the pilot study, including: Training helps me to understand my business very well, training helps me to understand the mission and goal of my business, training helps me to manage my business resources well, training helps me maintain s cash book to record small and large day to day expenditures of the business, I receive training for problem solving ability, interpersonal and communication skills in this NGO, training help me to evaluate myself according to my talents and abilities, and I have good opportunities to advance my career because of training, the NGO trainers have unique combination of skills.

**Ability**

The borrowers’ capability factors (ability) were evaluated using the eight items proposed in the current literature and the pilot study: I can do my business planning well because of training, I can identify business resources because of training, I know the right way to manage a business because of training, I can assess business risks, forecast sales, and manage costs, I can monitor the system of utilising the funds for recipients, and I have improved human relation skills because of training.

**Motivation**

Borrowers’ capability factor (motivation) was measured using twelve items frequently used in the existing literature and a pilot survey: I always strive for efficiencies in my operations, I think my work/business is much meaningful and satisfying, I keep the daily records of cashbooks to decide how much money I have and how much I spend, microcredits loan that I took make me feel happy, I like using microcredits, the very thought of using microcredits excites me, my household income has increased because of microcredits, obtaining microcredits has impressed my close family members, I love becoming an entrepreneur through microcredit financing, I am proud to use microcredits, I receive motivations for conducting my business, and It is useful to stick to this programme for the betterment of my financial position.

**Opportunity**

Capability factors (opportunity) were further evaluated using these three items: Do you feel that you have good opportunities to expand your business because of training? is the business growing? Do you think you have more business prospects because of training?

**Capital creation**

The research included eight items to assess how much borrower capital is generated by microcredit. The items included questions related to the development of economic and human capital by borrowers: There is enough liquidity to meet my obligation, I have been able to be creative in finding new ways to differentiate my services – improved performance, the business helps me to increase my profit and decrease my expenses, the business has helped me to improve my family status through generating income, the business has helped me to generate employment, and those who work in my business can utilise their abilities efficiently, the business has created values for money for myself and people who are engaged in the business, I could improve the welfare of people who are engaged in the business.

**5. Results**

The data gathered by the survey were analysed using IBM SPSS version 21. The values in the questionnaire given by the respondents were first analysed through Cronbach’s alpha to test the internal accuracy of the scale. The study ensured that the alpha value of each construct was acceptable (< 0.7) (Pallant, 2013). Thus, internal consistency of the scale was ensured by this study.

To determine the structure of the data set factor, a confirmatory factor analysis (CFA) was carried out using IBM SPSS AMOS version 21. The resulting model produced good indices, as shown in Table 2.

**Table 2:** The initial model fit summary (CFA model)

|  |  |  |
| --- | --- | --- |
| **Fit Statistics** | **Acceptable threshold levels** | **Obtained** |
| *X2* | Low *X2* relative to df | 442.616 |
| df |  | 194 |
| p | 0.00 accepted for large sample size | 0 |
| *X2*/df | Between 2 to 5 | 2.235 |
| GFI | > 0.85 | 0.895 |
| IFI | > 0.85 | 0.916 |
| CFI | > 0.85 | 0.915 |
| PRATIO | Close to 1 | 0.857 |
| PCFI | >0.8 for good fit and >0.7 for acceptable fit | 0.784 |
| RMSEA | < 0.08 | 0.058 |

*Source: Arbuckle, 2013; Arbuckle et al., 2004 cited in Magistris and Gracia, 2008; Gaskin, 2011; Hooper et al., 2008; Hair et al., 2008.*

Since the above fit statistics of our study’s model fall within the acceptable threshold ranges, our proposed model is a good fit.

**Inter-construct correlations, Cronbach’s alpha, and composite reliability:**

The composite reliabilities (CR) that measure the construct reliability with unit weights (Bacon, 1995) of training acquired, motivation, and capital creation are 0.761, 0.847, and 0.832, respectively, which are greater than 0.75, indicating good reliability. The internal consistency reliability of all the constructs was assessed using Cronbach’s alpha and ranged from 0.851 to 0.754, indicating good internal consistency (Pallant, 2013). Descriptive statistics, inter-construct correlations, Cronbach’s α, and composite reliabilities for all the constructs are reported in Table 3.

**Table 3:** Inter-construct correlations, Cronbach alpha, and composite reliability

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Construct | Mean | S.D. | C.R. | Training acquired | Motivation | Capital creation |
| Training acquired | 4.09 | 0.43 | 0.76 | **0.754**^ |  |  |
| Motivation | 3.98 | 0.57 | 0.85 |  | **0.851**^ |  |
| Capital creation | 3.84 | 0.62 | 0.83 |  |  | **0.846**^ |
| ^ diagonal values in bold represent the Cronbach alpha. | | | | | | |

A structural equation model (SEM) was then used to conduct path analysis to examine the relationships between a dependent and two or more independent variables (Stoelting, 2002). Various modification indices are shown in Table 4, which confirms that they are essential for a good model fit.

**Table 4:** The model fit summary (SEM model)

|  |  |  |
| --- | --- | --- |
| **Fit Statistics** | **Acceptable threshold levels** | **Obtained** |
| *X2* | Low *X2* relative to df | 496.457 |
| df |  | 184 |
| p | 0.00 accepted for large sample size | 0 |
| *X2*/df | Between 2 to 5 | 2.698 |
| GFI | > 0.85 | 0.882 |
| IFI | > 0.85 | 0.893 |
| CFI | > 0.85 | 0.891 |
| PRATIO | Close to 1 | 0.797 |
| PCFI | >0.8 for good fit and >0.7 for acceptable fit | 0.71 |

*Source: Arbuckle, 2013; Arbuckle et al., 2004 cited in Magistris and Gracia, 2008; Gaskin, 2011; Hooper et al., 2008; Hair, et al., 2008.*

Since the above fit statistics of our study’s model fall within the acceptable threshold ranges, it may be suggested that the proposed model suits well.

The results of the structural equation model indicate that at the P <0.01 significance level, training directly affects borrowers’ capital creation (H1). The result also confirms that training has a significant link to borrowers’ motivation (H2), and borrowers’ motivation has a significant effect on capital creation (H3).

In order to find which socio-demographic features have an effect on training received (H5), borrowers’ motivation (H6), and capital creation (H7), the study also included all the socio-demographic variables with each construct (training acquired, motivation, and capital creation) and then ran the model.

The results indicate that the highest education of borrowers was the only socio-demographic factor that simultaneously influenced training acquired (H5), borrowers’ motivation (H6), and capital creation (H7).

To assess whether motivation mediates the relationship between microcredit training and capital creation, the Sobel Test was conducted to see if there was a mediating effect between an independent and dependent variable with the help of a mediating variable. The results of the Sobel test are shown in Table 5.

**Table 5: Sobel mediation test (H4)**

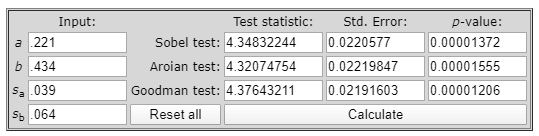
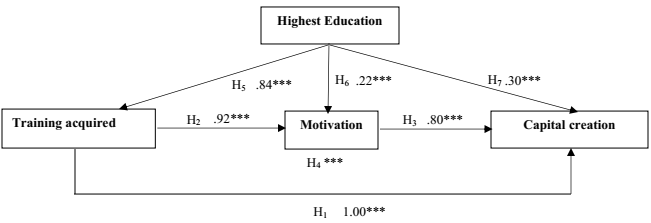


Table 5 shows that the mediation result is significant (p-value 0). In other words, motivation (mediator) significantly mediates the relationship between microcredit training (independent variable) and capital creation (dependent variable) (Preacher et al., 2001). Top of Form

The study draws on the following structural model based on the above results found in the analysis stage.

**Figure 2:** The following model is derived from the structural equation model generated using AMOS version 21



**Table 6: Results of hypotheses testing**

|  |  |  |
| --- | --- | --- |
| Hypothesis | Relationship | Result |
| H1 | *Microcredit training is positively related to the creation of capital.* | Supported |
| H2 | *Microcredit training adds confidence to the motivation levels of borrowers.* | Supported |
| H3 | *Borrowers’ motivation statistically and positively affects their creation of capital.* | Supported |
| H4 | *Borrowers’ motivation mediates the relationship between microcredit training and the creation of capital.* | Supported |
| H5 | *Socio/demographic features of borrowers have a positive effect when they receive training.* | Supported |
| H6 | *Borrowers’ socio-demographic features have a direct effect on their motivation towards business.* | Supported |
| H7 | *Borrowers’ socio-demographic features have a direct effect on their creation of capital.* | Supported |

**6. Discussion**

This study hypothesises that borrowers’ motivation mediates the relationship between microcredit training and the creation of capital (H4). Although other studies on microcredit suggested that motivation mediates (Jebarajakirthy, and Lobo, 2015; Mariyono, 2018), few studies have investigated the mediating role of motivation in the relationship between microcredit training and borrowers’ capital creation. Hence, this study extends the current literature on this subject by exploring a significant new dimension in the form of a new methodological approach.

It is evident that training on microcredit helps borrowers improve their performance (capital creation). However, this study argues that when motivation plays an intermediate role between borrowers’ training and capital creation, performance (capital creation) enhances even more. Motivation is therefore a stimulating variable that enhances the relationship between training and borrowers’ capital creation. To put it simply, when borrowers receive training on how to manage their businesses well, they can perform better through their inner stimuluses such as desire for efficient performance, sense of entrepreneurship, pride, satisfaction, and happiness in realising the importance of their work.

In order to improve motivation of the microcredit borrowers towards expanding their business, government and concerned authorities (NGO’s or other Microcredit Institute) should acknowledge their work, share their success story in the media so that more poor people are encouraged and motivated towards availing microcredit, offer rewards to the successful microcredit borrowers so that these positively motivate potential borrowers and help reduce poverty-stricken people.

This study also found that microcredit training adds confidence to the motivation levels of borrowers (H2), and that borrowers’ motivation statistically and positively affects their creation of capital (H3). These findings support the previous studies conducted by Raven and Le (2015), Jebarajakirthy and Lobo (2014), Rashid et al. (2018), and Garcia et al. (2020), Ray-Bennett (2010) and Mahmud et el. (2020).

Training can help microcredit borrowers understand how their work fits into the structure, mission, objectives, and achievements of their business. As a result, trainees become more inspired and enthusiastic about their job by realising what they are doing is important to their business success. Training helps microcredit borrowers manage their business operations well, which in turn excites them and enhances their happiness and satisfaction as well as pride among their family friends and acquaintances.

Motivated borrowers can lead to increased productivity and help achieve higher levels of output. When employees are motivated to work, they put their best effort into the tasks they undertake. Once that worker meets some initial goals, they realise a clear link between effort and results that further motivates them to continue at a high level.

It is evident that training ensures a series of benefits for improved motivation and performance for microcredit borrowers. However, it is noted that there are some reasons that make the training less successful, such as lack of interest in training, limited budgets and training resources, information overload, lack of planning, and poor timing of training. Hence, the microcredit institute should focus on these issues to help make the microcredit programme more successful.

The present study hypothesised that microcredit training is positively related to the creation of capital (H1) and found the hypothesis significant. This finding confirms those of Nkundabanyanga et al., 2017; Atiase et al., 2019; Baxter et al., 2014; Rahman and Khan, 2013; Kassim and Rahman, 2018 and contradicts the findings of Sigalla and Carney, 2012 and Bodnaruk and Simonov, 2015.

Human beings have inherent potential, but without proper encouragement, many human qualities will not express themselves. Training that helps a person develop a particular skill or behaviour also helps microcredit borrowers in a variety of ways. For example, microcredit training helps a Bangladeshi borrower understand the mission and goal of their business, manage business resources well, maintain a cash book to record small and large expenditures, increase problem-solving abilities, build interpersonal and communication skills, and improve performance and efficiency. It was observed, however, that many microcredit borrowers do not understand these aspects or actively participate in training programme. Furthermore, the trainers hired by the microcredit institution involved in this study frequently lacked the skills and qualifications required to train the microcredit borrowers. The microcredit institute should therefore focus their efforts on these issues to encourage as many borrowers as possible to take part in training programmes and learn the necessary skills from appropriately skilled and professional trainers.

The results of this study further show that a high standard of education influences the training of borrowers’ (H5), their motivation (H6) as well as their creation of capital (H7). These findings support those of Coelho et al., (2018); Khan and Rahman, (2016); Bai et al., (2019); Atmadja et al. (2016), but contradict those of Sigalla and Carny, 2012.

Education involves a process of receiving or giving systematic instruction. Especially if it is done through a school or university, it can help an individual to better understand their job. An educational programme can help a person understand the interrelationships between ideas and techniques when doing any job. It is likely that when educated borrowers receive instruction from trainers on a microcredit programme, they will better understand the methods and approaches for success compared to less educated borrowers. As a result, educated microcredit borrowers will aspire to engage in business, pursue new business opportunities, work efficiently, generate revenue, and in so doing, achieve fulfilment and self-actualisation. The highest education influences the will of a person to acquire microcredit training and increases their motivation for microcredit business success. However, Bangladesh has one of Asia's lowest literacy rates estimated in 2019 at 73.9%(Alamgir, 2019). Although Bangladesh Government has taken some initiatives to increase literacy rates in the country. However, the government needs to take bold steps and initiate number of strategies to educate the country’s root level citizens starting from primary, secondary level including adult learners in the country, by setting up adult learning centre, incorporating basic education across the workplace, establish more schools & colleges, create online platform by incorporating technology-based learning etc.

**Contribution to academic research**

This study has investigated how microcredit training creates capital for microcredit borrowers both directly and through motivation and how their socio-demographic features impact their training, motivation, and capital creation using the AMO theory. The results show that microcredit training directly affects borrowers’ capital creation, and borrowers’ motivation mediates the relationship between microcredit training and their capital creation. Previous studies have demonstrated that the motivation of microcredit borrowers has a positive effect on their capital creation (Raven and Le, 2015; Jebarajakirthy and Lobo, 2014; Rashid et al., 2018; Garcia et al., 2020; Ray-Bennett, 2010; Mahmud et el., 2020). However, limited number of studies suggested that motivation mediates the relationship between microcredit training and borrowers’ capital creation. This new relationship has been explored in the present research, i.e., the mediating role of motivation between microcredit training and its capital creation and its significant and positive results. The present study has established a new finding which was unexplored in the field of microcredit research.

In addition, training has a significant effect on borrowers’ motivation, which in turn has a direct effect on capital creation. Furthermore, a high standard of education positively influences the training of borrowers, their motivation, and their capital creation. The empirical findings of our study will help guide other academics to select significant variables while carrying out further work on similar areas.

The creation of capital through microcredit is not a new area in the microcredit research (Atiase et al., 2019; Tundui, and Tundui, 2020; Mahmood and Rosli, 2013). However, in the case of microcredit training, the literature on the subject is very rare. Focusing on the knowledge gap, this study investigates the mediating influence of motivation on microcredit training and capital creation based on the AMO theory Thus the study makes an original contribution to the existing microcredit literature. In addition, the present study has helped expand the literature on this topic by making use of a new theory- AMO. The conceptual framework of the study and the associated hypotheses examined microcredit training toward capital creation based on the ability, motivation, and opportunity (AMO) theory is mostly used in the Human Resource Management (HRM) field. However, the theory has contributed in the microcredit research field and validate the theory in the microcredit field which is an unexplored research arena. The study has also contributed to a unique conceptual model for testing the effectiveness of microcredit training on capital creation not only in Bangladesh but also in the global context.

**Contribution to practitioners**

The findings of this study will also guide the microcredit entrepreneurs of both Bangladesh and abroad to find what attributes and practises (such as training, motivation, and socio-demographic features) will influence the attitudes and behaviour of microcredit borrowers toward their capital creation. The study will also enable the government, organisations, and decision-makers to strengthen their micro-credit policy and programmes in Bangladesh.

**7. Conclusion**

Poverty alleviation and rural development through microcredit has become an important agenda item for the government of Bangladesh, since Covid-19 has devastated many lives and livelihoods in 2020. It is evident that microcredit research is very extensive, but limited research has focused on how microcredit training affects borrowers’ capital creation. However, the findings of the research were found to be quite modest. Through a review of the literature, this research collected concepts and theories and identified variables and was able to identify the knowledge gap. Identifying this gap has enabled the researchers to develop a unique conceptual model that depicts how microcredit training creates capital for microcredit borrowers both directly and through motivation and how their socio-demographic features impact their training, motivation, and capital creation using the AMO theory. The results indicated that microcredit training directly affects borrowers’ capital creation, and borrowers’ motivation mediates the relationship between microcredit training and their capital creation. In addition, training has a significant effect on borrowers’ motivation, and the borrower’s motivation has a direct impact on capital creation. The study recommended a number of approaches for policy implementation to strengthen the microcredit training programme, such as ensuring proper planning for training, increasing the training budget, deploying more professional trainers etc. In addition, the study suggested strategies to increase motivation towards microcredit borrower’s capital creation, such as, acknowledging borrowers’ work, sharing their success story in the media, offering rewards to the successful microcredit borrowers etc. Furthermore, the findings indicated that microcredit borrower’s literacy rate or enhanced education level positively influences the training of borrowers, their motivation, and their capital creation. The government of Bangladesh should take initiative to ensure educational opportunities to rural people through providing access to formal and non-formal schooling. In addition, in this technological revolution era government can introduce and make aware of the rural people regarding importance of education through online platform and through mass media. These initiatives will lead to poor people aware of microcredit loan disbursement and repayment procedure simple to understand. The results of this study will not only contribute significantly to micro-credit research, but will also assist government organisations, microcredit practitioners (private and public level) and decision-makers in enhancing poverty alleviation policies and programmes and in generating rural employment in Bangladesh.

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**Appendix**

**The Mediating Influence of Motivation on Microcredit Training and Capital Creation**

We are conducting the research to understand the mechanism of microcredit activities in Bangladesh. As part of the research we are asking you few questions regarding your experience so far about microcredit and this may take approximately 15 minutes of your time. You may wish to draw the interview at any time during the survey. Your information will help us understanding the microcredit and its effect on rural development in Bangladesh.

You are kindly requested to CAREFULLY fill out the following the questions.

**Demographic Information**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Particulars** | **Answer** | | | | | | | | | | | | | |
| Your age in years? |  | | | | | | | | | | | | | |
| Your gender? | Male | | | | | | | | | Female | | | | |
| You live in (Thana)? |  | | | | | | | | | | | | | |
| Do you have formal education? | Yes | | | | | | | No | | | | | | |
| If ‘yes’ then your highest education? | School graduate or less | Vocational degree | | | College degree | | | | Bachelor  degree | | | Master’s  degree | Other (please specify) | |
| Marital status? | Single | | | Married | | | Separated | | | | Widowed | | | Divorced |
| Number of children? |  | | | | | | | | | | | | | |
| Family1 size of the household? |  | | | | | | | | | | | | | |
| 1Family refers to beneficiary, his/her spouse, children of beneficiary who are living together and taking meal from same kitchen. | | | | | | | | | | | | | | |
| Types of household? | | | Male-headed | | | | | | | | | Female-headed | | |
| Major occupation of the household head? | | |  | | | | | | | | | | | |
| Your business? | | |  | | | | | | | | | | | |
| Average monthly income of your Family? | | |  | | | | | | | | | | | |
| Do you receive training from the NGO? | | | Yes | | | No | | | | | | | | |
| What did you get the training? (how many years ago?) | | |  | | | | | | | | | | | |

| **Statements** | **Strongly disagree** | **Disagree** | **Neither agree nor disagree** | **Agree** | **Strongly**  **agree** |
| --- | --- | --- | --- | --- | --- |
| **(1)** | **(2)** | **(3)** | **(4)** | **(5)** |
| Please score your OPINION on the following statement |  |  |  |  |  |
| 1. **Training Acquired** |  |  |  |  |  |
| Training help me to understand my business very well. |  |  |  |  |  |
| Training help me to understand the mission and goal of my business |  |  |  |  |  |
| Training helps me to manage my business resources well |  |  |  |  |  |
| Training helps me how to maintain cash book to record small and large day to day expenditures of the business. |  |  |  |  |  |
| I get trained for problem solving ability, interpersonal and communication skills in this NGO. |  |  |  |  |  |
| Training help me to evaluate myself according to my talents and abilities. |  |  |  |  |  |
| I have good opportunities to advance my career because of training. |  |  |  |  |  |
| The NGO trainers have unique combination of skills. |  |  |  |  |  |
| 1. **Capability factors (Ability)** |  |  |  |  |  |
| I can do my business planning well because of training |  |  |  |  |  |
| I can identify business resources because of training |  |  |  |  |  |
| I know the right way to manage a business because of training |  |  |  |  |  |
| I can assess business risks |  |  |  |  |  |
| I can forecast sales |  |  |  |  |  |
| I can manage cost |  |  |  |  |  |
| I can monitor the system of utilizing the funds for recipients |  |  |  |  |  |
| I have improved human relation skill because of training |  |  |  |  |  |
| **3. Capability factors (Motivation)** |  |  |  |  |  |
| I always strive for efficiencies in my operations. |  |  |  |  |  |
| I think my work/business is much meaningful and satisfying |  |  |  |  |  |
| I keep the daily records of cashbooks to decide how much money I have and how much I spend |  |  |  |  |  |
| Microcredits loan that I took make me feel happy |  |  |  |  |  |
| I like using microcredits. |  |  |  |  |  |
| The very thought of using microcredits excites me |  |  |  |  |  |
| My household income has increased because of microcredits |  |  |  |  |  |
| Obtaining microcredits has impressed my close family members |  |  |  |  |  |
| I love becoming an entrepreneur through microcredit financing |  |  |  |  |  |
| I am proud to use microcredits. |  |  |  |  |  |
| I receive motivations for conducting my business. |  |  |  |  |  |
| It is useful to stick to this programme for the betterment of my financial position. |  |  |  |  |  |
| **4. Capability factors (Opportunity).** |  |  |  |  |  |
| Do you feel that you have good opportunities to expand your business because of training? |  |  |  |  |  |
| Is the business growing? |  |  |  |  |  |
| Do you think you have more prospects of business because of training? |  |  |  |  |  |
| **5.** **Capital creation** |  |  |  |  |  |
| There is enough liquidity to meet my obligation |  |  |  |  |  |
| I have been able to be creative in finding new ways to differentiate my services – improved performance |  |  |  |  |  |
| The business helps me to increase my profit and decrease my expenses |  |  |  |  |  |
| The business has helped me to improve my family status through generating income. |  |  |  |  |  |
| The business has helped me to generate employment. |  |  |  |  |  |
| Those who work in my business can utilize their abilities efficiently. |  |  |  |  |  |
| The business has created values for money for myself and people who are engaged in the business. |  |  |  |  |  |
| I could improve the welfare of people who are engaged in the business |  |  |  |  |  |

***Thank you very much for your time and effort***