CHAPTER 3

RESEARCH METHODOLOGY

The previous chapter was based on review of literature that helped in extracting the research gap for the study. In order to bridge the research gap objectives and hypotheses were framed, which are as under:

3.1 Statement of the problem
3.2 Objectives of the Study
3.3 Hypothesis of the Study
3.4 Research design and methodology
3.5 Generation of scale items
3.6 Nature and sources of information
3.7 Selection of study area
3.8 Sample design
3.9 Reliability and Validity
3.10 Statistical Tools and Techniques Used in the Study
   3.10.1 Arithmetic Mean
   3.10.2 Coefficient of Correlation
   3.10.3 Regression Analysis
   3.10.4 Chi-Square
3.11 Scope of the Study
3.12 Limitations of the study
3.13 Scope for Future Research
3.14 Organisation of the study

3.1 STATEMENT OF PROBLEM

Microfinance is widely recognized as a strategy to fight against inequality, poverty and vulnerability. Microfinance is a broad category of services, which includes microcredit. The terms micro credit and microfinance tend to be used interchangeably to indicate the range of financial services offered to the poor and vulnerable populations, low-income individuals/households and micro-enterprises. Microcredit is the provision of
credit services to poor clients, although microcredit is one of the aspects of microfinance. Critics often attack microcredit while referring to it indiscriminately as either microcredit or microfinance, due to the broad range of microfinance services. Microfinance is a movement whose object is "a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers. Many of those who promote microfinance generally believe that such access will help poor people to come out of poverty, for others, microfinance is a way to promote economic development, employment and growth through the support of micro-entrepreneurs and small businesses. Despite some successes witnessed, all promises of microfinance are yet to be fulfilled. In reality the system of microfinance has been designed to give low income communities quick and easy access to socio-economic services, and providing opportunities for self-employment and thus a chance to uplift themselves out of poverty. The non-availability of the funds to the poor is considered the major constraint for getting beneficial opportunities. If the funds are made available to the poor then it is expected that they can change their destiny. Since socio-economic development became institutionalized in the form of the objectives guiding development banking, the elimination of poverty has been proved elusive. Therefore, it is pivotal for a country like India to address such issues of rapid growth of urban as well as rural population viz-a-viz poverty, social security and youth unemployment. Keeping all the above issues in mind researcher, aimed to study the Micro finance programmes, so as to address the current issues faced by MFP providers as well as MFP receivers. This study has also focused on contribution MFP towards alleviation of poverty.

3.2 OBJECTIVES OF THE STUDY

Proposed study seeks to achieve following objectives.

1. To know about the programmes/schemes of microfinance.
2. To examine the management of microfinance programmes.
3. To identify the constraints faced by microfinance providers.
4. To know the extent to which microfinance programmes implemented in District Rajouri.
5. To study the socio-economic status of beneficiaries in the study area.
6. To study the impact of microfinance on poverty alleviation.
7. To trace out the problems and to suggest the remedial measures from management’s perspective.

3.3 HYPOTHESIS OF THE STUDY

The review of core studies within the framework of aforesaid gap lead to the formulation of following hypotheses.

H-1: There is positive impact of effective management of microfinance programmes in employment generation.

H-2: Microfinance plays a positive role in poverty reduction.

3.4 RESEARCH DESIGN AND METHODOLOGY

The scheme of data collection, interpretation and processing for the purpose of research is known as research methodology, in this process the data may be collected for either practical or theoretical concerns. Additionally, some important aspects in research methodology include validity of research data, ethics in research and the reliability of measures. Moreover, the formulation of research questions in addition with sampling weather probable or non probable is pursued by measurements which includes surveys and scaling. This process is followed by research design, which may be either experimental or quasi-experimental. Data analysis and finally writing the research paper are the last two stages, which are organised carefully into graphs and tables so that only imperative and relevant data is shown. Furthermore, research methodology encompasses the procedures undertaken by the researcher to complete the research in order to attain the specified objectives laid down in the study. Research methodology is of great importance as it helps the researcher to identify the ways in which the research can be effectively conducted.

In this research work the researcher expounds research design as a systematic planning and organising of the activities which will enable the researcher to obtain the relevant data, evidence and information as part of the research project. Research design is
of enormous significance as it assists in the researcher in smooth and efficient sailing through the research project. Moreover, it facilitates in yielding maximum information by putting in minimum efforts and also bequeaths maximum reliability of the results. Additionally, the research design helps to avoid the misleading conclusions that could be arrived through the strenuous exercise. It also facilitates the researcher to define precisely his aims and objectives, population to be studied, the nature of the measurements and the way of interpreting the results. Therefore, it can be said that research methodology plays a pivotal role in the overall quality of the research process.

3.5 GENERATION OF SCALE ITEMS

The generation of the scale items was finalized after reviewing the existing literature and detailed discussion with the subject experts. The questionnaire comprises of 7 sections which are self administered. The First section of the questionnaire addresses the dimensions pertaining to the examination of the management of MFP to the population. To analyse this phenomenon 18 statements were dexterously devised by the researcher. Second section of the questionnaire consists of the statements pertaining to the extent to which there is implementation of MFP in Rajouri district. To study this prodigy an 11 statement questionnaire was used. Third section of the questionnaire addresses the compression related to the impact of MFS on poverty. In order to study this relationship the researcher has devised a 7 statement questionnaire. The last statement in the questionnaire incorporates information pertaining to the overall feel of the respondent related to the fact that they feel that MFS helps them to elevate the financial condition of the MFS holder. Fourth section contains questions pertaining to the constraints confronted by MFP providers. This section consists of 9 questions only. Fifth section encompasses the questions pertaining to the constraints confronted by MFP receivers. It comprises of 7 questions. Sixth section of the questionnaire comprises of employment generation, it has 5 statements to understand the above mentioned phenomenon. Last but not the least the 7th section which covers the demographic and the general information associated with the operation in the study area. This study aims to investigate the management of microfinance Programmes and their contribution to poverty alleviation in Rajouri Districts of J & K on five point Likert scale. Where for each item, 1 represents
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strongly disagree, 2 as disagree, 3 represents neither agree nor disagree, 4 for agree and 5 represents strongly agree.

3.6 NATURE AND SOURCE OF INFORMATION

The intention of the study is to understand the impact of effective management of microfinance programmes on employment generation, poverty alleviation process in the study area. The researcher also seeks to analyse the weather microfinance plays a positive role in poverty reduction or not in the Rajouri Districts of J & K. The study is based on the following dimensions; socioeconomic status, performance, employment opportunities, problems faced and demographics of the respondents. For the above mentioned reasons, the study is based on both primary data as well as secondary data.

Primary Data:

The present study is based on both primary and secondary data. The primary data will be collected from the sample respondents. Moreover, the primary data was collected by personally distributing the questionnaire to the people located in Rajouri region. A sum total of 390 micro finance programme beneficiaries were approached for projecting their individual opinion pertaining to the role of management of microfinance Programmes and their contribution to poverty alleviation in Rajouri Districts of J & K. Additionally, the respondents were requested to fill the questionnaire by selecting the alternate choices available in the questionnaire. The questionnaire consists of five point Likert scale and also incorporates both open ended and closed ended questions.

Secondary Data:

The secondary data has been taken form various websites, doctoral thesis, research papers, books and research articles related to the concerned study. Moreover, the secondary data has been collected from different sources like District Rural Development Agency (DRDA), Department of Economics and Statistics, Office of the Block Development Officers, Banks and other sources. In order to deduce conclusions, the data collected from primary and secondary sources would be arranged in a systematic manner and suitable statistical tools and techniques will be used for analysis and interpretation.
3.7 SELECTION OF THE STUDY AREA

District Rajouri is selected for the present study. Rajouri is located in the foothills of Peer-Panjal range of Himalayas, with an area of 2,630 sq.km in the west of Jammu Division. As per the Census of 2011, the population of Rajouri District is 6,19,266 out of which 3,32,424 and 2,86,842 are males and females respectively and the population below poverty line is 1,33,843. Rajouri has an average literacy rate of 68.54%, out of which male literacy is 78.38% and female literacy is 57.20%. In District Rajouri there are seven Tehsils namely; Rajouri, Nowshera, Sunderbani, Kalakote, Koteranka (Budhal), Thannamandi and Darhal.

3.8 SAMPLE DESIGN

The sampling method used by the researcher in this study is stratified random sampling. Where the data was collected from the people associated with management of microfinance Programmes in Rajouri Districts of J & K. The total number of units/beneficiaries of the study area worked out from the relevant sources comes to be 489. After preliminary examinations it was revealed that out of 390 filled questionnaires, only 344 questionnaires were complete and valid for the analysis, which constituted 88.20 percent response rate for the study.

3.9 RELIABILITY AND VALIDITY

The data collected during survey has been tested for reliability and validity of its construct. The overall as well as internal consistency of the instrument has been tested by measuring the value of Cronbach’s Alpha. The reliability estimates (Cronbach’s Alpha) for Section one of the questionnaire was found to be .890, however, the reliability estimates for section two is .801, for section three is .821, for section four is .744, for section five is .775 and for section six is .779. The results of the Cronbach’s alpha exceed the lower limit of acceptability which is 0.67 (Hair et al., 199
Table 3.1: The value of Cronbach’s Alpha for different variables

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Variables</th>
<th>No. of items</th>
<th>Reliability Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Examining the Management</td>
<td>19</td>
<td>0.890</td>
</tr>
<tr>
<td>2</td>
<td>Implementation of Schemes</td>
<td>12</td>
<td>0.801</td>
</tr>
<tr>
<td>3</td>
<td>Poverty</td>
<td>8</td>
<td>0.821</td>
</tr>
<tr>
<td>4</td>
<td>Constraints faced by MFP Provider</td>
<td>9</td>
<td>0.744</td>
</tr>
<tr>
<td>5</td>
<td>Constraints faced by MFP Receiver</td>
<td>7</td>
<td>0.775</td>
</tr>
<tr>
<td>6</td>
<td>Employment Generation</td>
<td>5</td>
<td>0.799</td>
</tr>
</tbody>
</table>

3.10 STATISTICAL TOOLS AND TECHNIQUES USED IN THE STUDY

After rationally ordering the collected data it was tabulated and entered in Statistical Package for Social Sciences (SPSS, version-20.0). The data was consequently subjected to various statistical tests with the help of SPSS software. After the analysis data has been presented in the form of tables and graphs. The statistical techniques used are Arithmetic mean, chi-square test, and Regression and Correlation analysis.

3.10.1 Arithmetic Mean

Arithmetic mean is derived by dividing the sum total of all observations by the total number of observations. If the mean score value of the statements is high, it indicates that the existence of the corresponding dimension is highly prevalent. On the contrary, lower mean value indicates that the existence of corresponding dimensions is merely influencing the decision-making process of the Entrepreneurs. Standard deviation helps the researcher to evaluate the significance of the mean value. As the mean describes the central location of the data, the standard deviation describes the spread of the same data.

From the central location, the more is the spread, lesser accurate is the value of mean. Therefore, the more is the value of standard deviation, the less is the significance of the mean value or vice-versa.
3.10.2 Chi-Square Test

Chi-Square is used in case of discrete data in the form of Frequencies. It is generally a test of independence and is used to estimate the likelihood that some factor accounts for the observed relationship. This test usually evaluates the probability that observed relationship results from chance.

Formula for Chi Square test is

\[ X^2 = \sum (fo-fe)^2/fe \]

\( FO = \) Frequency of occurrence of observed or experimentally determined facts.

\( Fe = \) Expected frequency of occurrence.

Here we usually calculate the critical value which is then compared with the tabulated value for the data and accordingly decision is being made by the researchers.

3.10.3 Correlation Analysis

In the context of the present research has been namely used to evaluate if relationship exists between various variables. Pearson correlation has been adopted. Correlation is a structural technique that enables to determine whether and how strongly the pairs of variables are related, significantly, correlation analysis helps in providing an insight into the degree of relationship existing between the variables under consideration. The coefficient of Correlation signifies the direction as well as degree of correlation, the Pearson product or simply correlation coefficient “r” determines the strength of linear association between the two qualitative variables. The magnitude of the Pearson’s correlation coefficient varies from zero where no associates is determined to ± 1.00 where there is a perfect correlation precisely, the pearson’s correlation coefficient attempts to draw a line of the best fit through the data comprising if the two variables and simultaneously indicate how far away the data points are to the line of the best fit.

The Spearman’s correlation “r” may also be used in case the paired observations are converted into ranks.
3.10.4 Coefficient Of Correlation

Correlation is a statistical technique which helps the researcher to understand the proximity between two variables in order to comprehend the relationship between them. In other words, correlation is directed towards measuring the degree of association between two variables and it refers to any broad class of statistical relationships involving dependence between two variables. The higher is the value of correlation between the variables, the more is the probability of one variable explaining the changes in the other variable provided the significance value is less than 0.5. There are several correlation coefficients, often denoted by ρ or r, measuring the degree of correlation. The most common of these is the Pearson coefficient of correlation, which is sensitive only to a linear relationship between two variables. Other correlation coefficients have been developed to be more robust than the Pearson coefficient of correlation.

Usually, in simple correlation between two variables the researchers are looking for a linear relationship. Correlation is always between -1.0 and +1.0. If the correlation is positive, the variables are directly related to each other whereas if the correlation is negative, the variables are inversely related to each other. In the present study, correlation has been used to examine the relationship between customer satisfaction, brand loyalty, service quality, demographics and pricing policy of the fast food restaurant chains. The following formula has been used to calculate coefficient of correlation.

\[
r = \frac{n \cdot \Sigma dx \cdot dy - \Sigma dx \cdot dy}{n \cdot \Sigma dx^2 - (\Sigma dx)^2 \cdot n \cdot \Sigma dy^2 - (\Sigma dy)^2}
\]

Where,

- \(r\) = Coefficient of correlation.
- \(dx\) = Deviation of x series from an assumed mean.
- \(dy\) = Deviation of y series from an assumed mean.
- \(\Sigma dx \cdot dy\) = Sum of the product of the deviation of x and y series from their assumed mean.
- \(\Sigma dx^2\) = Sum of squares of x series from an assumed mean.
- \(\Sigma dy^2\) = Sum of squares of y series from an assumed mean.
3.10.5 Regression Analysis

Regression analysis is a statistical tool which enables the analysis of several variables where the relationship between a dependent variable and one or more independent variable is deemed to be estimated. To be more specific, regression analysis helps individuals to comprehend the changes in the typical values of the dependent variable while variation is shown in any one of the independent variables. Keeping the other variables as fixed, the regression analysis is also used to identify which amongst the independent variables are related to the dependent variables as well as enable in commenting upon the form of relationships established. This statistical device is also used to determine the regression line which describes the average relationship persisting between X and Y variables. The regression equation of Y on X is experienced as:

\[ Y = a + bX \]

Where,

Y= dependent variable and

X= independent variable

3.11 SCOPE OF THE STUDY

In this research work the scope of the study in terms of research indicates the parameters of the study within which the study will be executed. In other words scope defines specific boundaries where the objectives, knowledge, instructions or outcome of activities are found. This also determines the accepted range of the study around which the method of investigation should be centered. The study attempts to understand the role of Management of microfinance Programmes and their contribution to poverty alleviation in Rajouri Districts of J & K. The study also includes the effect of microfinance programmes on the entrepreneurship promotion. It also includes the relationship between Microfinance and the role it plays in poverty reduction. Additionally, the study inculcates the problems confronted by the microfinance providers in order to grow in this region. It
also enumerates the relationship between effective management of microfinance programmes and its consequence in employment generation.

3.12 LIMITATIONS OF THE STUDY

All possible efforts were made to maintain objectivity, reliability, and validity of the study, yet certain limitations could not be ignored and are required to be kept in mind whenever its findings are considered for implementation. These limitations are discussed as under:

1. The study has measured the Management of microfinance programmes and their contribution to poverty alleviation on the basis of the units/beneficiaries’ responses which might have been guided by their likes and dislikes.

2. The scope of the study was limited to Rajouri District only.

3. The information obtained about the MFPs is not fully free from subjectivity. The elements of subjectivity might not have been checked completely as the units/Beneficiaries have responded on the basis of their own experience and perception regarding MFPs statements in the scale.

4. A minimum sample should have been taken from MFP providers and receivers, other stakeholders should also be involved in the study.

5. Many of the respondents couldn’t cooperate, because of their busy schedule and data confidentiality policies of the organizations.

To certain extent the aforementioned limitations have affected the findings of the study. In spite of these insurmountable lacunae at the individual level, an effort has been made to maintain the validity and reliability of the research work, and as such research in future ought to be initiated carefully in the light of aforementioned limitations.

3.13 SCOPE FOR FUTURE RESEARCH

The study brings out that there is significant impact of management of microfinance programmes and their contribution to poverty alleviation in district Rajouri.
This study has taken into consideration factors such as Age of the beneficiaries, Religion, Gender, Income and Educational level of the beneficiaries which shows that there has been an increase in income levels and employment generation among the poor in the study area and the poverty level of the beneficiaries goes down. However, there might be other factors such as regional topography, caste of the beneficiaries, type of family, number of family members, and type of microfinance scheme etc which might influence the increase in income levels and employment of the beneficiaries which can become a future scope of study. The poorest of the poor households are not able to access to formal microfinance services, while poor households are slowly increasing to borrow from the MFIs. They are the potential clients of microfinance institutions. There is potential for future research on developing innovative models of microfinance products that would suit the needs and demands of poorest of the poor and attract more poor households. Secondly, future research could be conducted on impact of microfinance programmes on the education level of the poor households in district Rajouri as well as in other districts of Jammu And Kashmir State. Thirdly, a future research could be conducted to study how far the Banks have made an impact on increasing the outreach and improving the standard of living of poor households. Fourthly, Future research could be undertaken on the following aspects such as role of microfinance in women empowerment, microfinance and its role in financial inclusion, microfinance and employment generation and many more. Last but not least this study has been conducted in a small area and the result can’t be applied to other districts of the state. Hence it is a small initiative and the study indicates that a similar research can be conducted at a macro level in Jammu and Kashmir or at national level to find the overall impact of the microfinance programmes on employment generation and poverty.

3.14 ORGANISATION OF THE STUDY

The researcher has dexterously planned the research work keeping in mind the objectives and the hypothesis of the study. Hence, after a prolonged exchange with the concerned scholars and learned associates in the field pertaining to the study the scholar has decided to bi-furcated the research work in five chapters. These five chapters are elucidated as bellow:
CHAPTER ONE:

**Introduction:** This chapter would be introductory in nature and would introduce the problem and enumerate the objectives of the research work under the study.

CHAPTER TWO:

**Review of Literature:** In this chapter a survey of the existing literature on the subject would be made and the need for the current study would be highlighted.

CHAPTER THREE:

**Methodology of the study:** This chapter would explain the methodology of the research which would be followed.

CHAPTER FOUR:

**Data Analysis and Interpretation:** This Chapter would present the main results of the survey. With the application of statistical tools, the analysis and interpretation of the data would be discussed in detail to delineate the conclusions.

CHAPTER FIVE:

**Findings and Conclusion:** This chapter dealt with the main Findings of the study

CHAPTER SIX:

**Recommendations and Suggestions:** This chapter would summarize the main findings of the study and would note down the main conclusions and policy implications for the organizations about which the study is related.