CHAPTER – 4

RESEARCH METHODOLOGY

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CHAPTER - 4: RESEARCH METHODOLOGY

4.1 Need for the Study

In India, the number of those living in poverty is 363 million, out of which 260 million are in the rural areas and 103 million in the urban areas. (Report of the Expert Group to Review the Methodology for Measurement of Poverty submitted to the Planning Commission 2014). For the overall sustainable development of the country, it is extremely important that the development of the poor also takes place. Although the economic growth of India during the last decade has been very impressive, about half of the population has not been able to participate in the growth story of India. Inspite of the several efforts of the Government of India through its poverty alleviation programmes, the rate of reduction of poverty has been very slow. The growing microfinance sector in India is showing good progress. With the introduction of technology and innovations, it is slowly becoming easier for microfinance to expand its outreach and at the same time become sustainable service providers.

The outreach of microfinance has increased considerably during the last three decades. However, various studies on the subject reveal that microfinance services reach those households that are either just below poverty line or above poverty line. “Poorest of poor are excluded (Ghosh, 2005). The MFIs and the SHG-Bank linkage programmes are working well, but still have limitations to reach out to the poorest of the poor households. Many studies bring out that the poorest of the poor are left out of the microfinance programmes.

It is therefore important to improve the outreach of microfinance to also cover the poorest and those living in remote areas of the country. It is also needed to explore and adopt the strategies and methods to sufficiently deepen and broaden microfinance in India to enable it to cover such people in its ambit. Microfinance product innovations, innovations in
delivery mechanisms, use of new and improved technologies are expected to bring out solutions to the constraints on expanding the outreach.

As per the NABARD Financial Inclusion Report (2015), the MFIs in Gujarat are growing at a high rate. This study attempts to assess and identify the financial needs in rural areas, assess the extent to which such needs are fulfilled through microfinance and identify the constraints limiting the outreach of microfinance to the poorest in rural Gujarat.

4.2 Research Aims and Research Questions:

Main aims of research are:

- Assessing and identifying financial needs in rural areas of Gujarat
- Exploring the extent of fulfillment of such needs through the microfinance at present
- Identifying the constraints/problems limiting the outreach of microfinance to the poorest

Research Questions

1. What is the nature and extent of financial needs in the rural areas of Gujarat?

2. Are such needs different for very poor, poor, non-poor population in the rural areas, if so, what is the difference in terms of financial quantum and nature?

3. To what extent such needs are being met for very poor, poor, non-poor section of the rural society?

4. What are the existing institutions and instruments meeting such needs?

5. To what extent such needs remain unmet in the case of very poor, poor and non-poor population?
6. What are the reasons for such needs remaining unmet in case of very poor, poor and non-poor population

4.3 Research Hypothesis:

Keeping in view the aims of research and research questions, the following research hypothesis have been developed

1. There is a significant association between income levels of households and purpose of borrowing by households.

2. Membership of Self Help Group and occupation of households:
   
   2(a) There is a significant association between membership of self help groups and occupation of very poor households
   
   2(b) There is a significant association between membership of self help groups and occupation of poor households
   
   2(c) There is a significant association between membership of self help groups and occupation of not so poor households

3. There is a significant impact of income level, purpose of borrowing, occupation of households and getting loan from SHG on membership of SHG

4. There is a significant impact of borrowing from SHG, Borrowing from Banks and MFIs on increase in income

5. There is a significant impact of income of households, occupation of households, range of borrowings, purpose of borrowings and increase in income on accessibility of microfinance through formal and informal sources.

4.4 Methodology

The research design is descriptive. Extensive literature review has been carried out as part of secondary data. The current microfinance products available in the market have been studied. Detailed interactions have been carried out with households to understand their financial needs and
how such needs are currently being met. More emphasis has been given on the qualitative data received through focus group discussions, household interviews and case study development.
4.4.1 Data Collection

A Questionnaire was designed for carrying out survey with the respondents. This questionnaire was a combination of open-ended and closed-ended questions, which was translated into Gujarati for the rural households. The questions were also kept simple so that they could comprehend and give their responses.

Focus Group guidelines were also prepared to carry out focus group discussions along with formulation of the leading questions for carrying out focus group discussions in the villages. Focus group discussions were carried out with groups of men and women in every village, wherein approximately 8 to 10 villagers participated. In every village, a focus group discussion was conducted to understand more about the financial needs of the rural households and how and from where they are able to get easy access to money. The current constraints faced by them in getting timely access to finance were understood and their expectations from microfinance service providers were captured.

Case Study guidelines were also prepared. These were also translated into Gujarati. Case studies of men and women who had benefitted from various sources of microfinance were taken. Those villagers, who had glaring experiences to share were selected. This experience could be shared with and become a source of learning to other villagers. Five such Case Studies are studied.

The products and services offered by various microfinance service providers were studied through indepth personal interviews. Four interviews were carried out with the Officials of NBFC Microfinance Institutions such as Suryodaya Micrfinance Limited, Pahal Financial Services Pvt. Ltd., Swayam Micro Services, Equitas Micro Finance Private Limited, one detailed interview with SEWA following the SHG model and one interview with SAATH Charitable
Trust, that follows the Cooperative model, to understand their products and marketing of their products, what were the challenges they faced in delivering their products and services, how they planned for expansion of their services and what measures they take to reach out to the remotest and poorest strata.

4.4.2 Sampling

Gujarat State comprises of 33 districts, sub-divided into 248 talukas, (7 new districts added in 2013 having 18,618 villages and 242 towns.) Eleven districts were selected to carry out this study. The sample selection was done such as to get information from villages of east, west, north and south of Gujarat. At least two villages from each of the eleven districts were selected. The criterion for selection of village was to cover a village which was in proximity of a town and other in a relatively remote area.

Currently, there are 18 MFIs operating in Gujarat, covering 23 districts, out of which five are the poorest districts and have more than 296 branches across Gujarat. Out of these MFIs, 5 MFIs have their head quarters in Gujarat. Banaskantha, Sabarkantha, Panchmahal, Bharuch, Dangs, Narmada, Valsad and Navsari are the poorest districts of Gujarat, out of which Dangs, Narmada and Navsari districts earlier had no presence of MFIs, but now MFIs have reached these remote areas as well.

The needs and views of 375 households from 11 districts of Gujarat (Ahmedabad, Anand, Dahod, Dangs, Gandhinagar, Kutch, Mehsana, Patan, Sabarkantha, Surendranagar, Vadodara) were taken. Convenience sampling method has been used to carry out household survey.
### Table 4.1: District, Block and Village Information

<table>
<thead>
<tr>
<th>Districts</th>
<th>No. of Villages</th>
<th>Blocks</th>
<th>No. of Households</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ahmedabad</td>
<td>Makhiyav, Chekhla</td>
<td>Sanand</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>Anand/Kheda</td>
<td>Vaso, Pij</td>
<td>Matar, Pij</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Aravalli</td>
<td>Takhatpura, Demai, Zakaria</td>
<td>Bayad</td>
<td>40</td>
<td>Earlier part of Sabarkantha</td>
</tr>
<tr>
<td>Vadodara</td>
<td>Kamrapatti, Alikherva, Desan</td>
<td>Bodeli, Sankheda</td>
<td>37</td>
<td>Sankheda is now Chhota Udepur District</td>
</tr>
<tr>
<td>Dahod</td>
<td>Saat Kunda, Amli Pani Chhotra</td>
<td>Devgadh Baria</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>Dang</td>
<td>Sarwar, Kudkas</td>
<td>Ahwa, Vaghai</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td>Gandhinagar</td>
<td>Palej, Bhuteshwar, Palaiya, Nandol</td>
<td>Dehgam, Gandhinagar</td>
<td>43</td>
<td></td>
</tr>
<tr>
<td>Kutch</td>
<td>Nana Nakhatrana, Moti Gadhiyari, Morigar</td>
<td>Nakhatrana</td>
<td>39</td>
<td></td>
</tr>
<tr>
<td>Mehsana</td>
<td>Ganeshpura, Vadu, Takiya</td>
<td>Kadi, Nandasan</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Patan</td>
<td>Gotarka, Bhilod, Gulabpura</td>
<td>Radhanpur</td>
<td>38</td>
<td></td>
</tr>
<tr>
<td>Surendranagar</td>
<td>Rozva, Vadgam, Surel</td>
<td>Dasada, Visavadi</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30</strong></td>
<td><strong>17</strong></td>
<td><strong>375</strong></td>
<td></td>
</tr>
</tbody>
</table>
An attempt has been made to cover poorest of the poor, poor and not so poor households. Referring to the classifications by National Council for Applied Economic Research (NCAER) in its study, titled India Human Development Survey (IHDS) based on data for the year 2011-12, used income classifications, referring the same and households in this study have been classified into three categories: the poorest of the poor, poor and not so poor. Those with annual income less than Rs. 30000 as very poor, with annual income between Rs. 30000 and Rs. 50000 as poor and those with annual income in the range of Rs. 50,000 to Rs. 80000 as not so poor.

### 4.3.3 Reliability Test

<table>
<thead>
<tr>
<th>Case Processing Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>Valid</td>
</tr>
<tr>
<td>Excluded&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

<sup>a</sup> Listwise deletion based on all variables in the procedure.

<table>
<thead>
<tr>
<th>Reliability Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cronbach’s Alpha</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>.685</td>
</tr>
</tbody>
</table>

The test was conducted for five questions and the Cronbach’s Alpha was found to be 0.685 which means that the primary data is reliable.
4.4.3 Data Analysis

Qualitative information from the open ended questions, focus group discussions and individual interviews were fully read, categorised and the major responses coming out were attempted to put as coded responses and analysed. Data is also analysed in the form of percentages and presented in the form of pie and bar charts.

Quantitative data was analysed using SPSS. Statistical tools such as logistic regression and chi square analysis have been used to test the hypothesis mentioned above.

A Discriminant Analysis has been conducted to find out which variable is relatively better in discriminating between borrowers and non-borrowers from Banks, MFIs and SHGs. The two variables which have been used for discrimination between borrower and non-borrowers are annual income of the households and range of borrowings.

4.5 Limitations of the Study

The study has been conducted in eleven districts of Gujarat using the convenience sampling method, which has its own limitations. The findings of this study may not be generalized for Gujarat as a whole due to the limitation of sample size. There may be cultural, societal and demographic differences within different pockets of Gujarat which might affect the microfinance needs of the households. Certain demographic characteristics of households in terms of number of members of the households, number of earning members of the households, age of the earning members of the households and family life cycle stage of households may vary and have not been taken into consideration in this study and can become a future scope for research. There are many microfinance institutions operating in Gujarat, however, many were not
available to discuss about their products and approach, making it difficult for the study to capture all the details from MFI perspective.