CHAPTER 3

RESEARCH OBJECTIVES
In order to carry out the research, certain areas have been selected and research questions have been framed on the basis of those selected areas. In order to achieve the research objectives an empirical study has been made. This study includes both secondary data as well as primary data. The secondary data has been collected from annual reports and balance sheets of the sample district and Primary Agricultural Credit Societies (PACS) for specific time periods as per the requirements. Secondary data is used to study the first and the last objectives. A well framed questionnaire has been used to collect primary data from the different individuals belonging to different villages of the same sample district but of two different blocks. Three PACS have been identified from the two blocks for the purpose of research. Individuals belonging to individual liability loan contract system (individuals who are direct members of PACS) and joint liability loan contract system (individuals who are members of self-help groups) and non-members were surveyed. The women SHGs are considered for this purpose. The survey was carried out twice for the impact study – the first in 2005-06 and the second one in 2007-08. The rest of the research objectives make use of the primary data. The following research objectives form the basis of this research.

The role of Primary Agricultural Credit Societies in Hooghly district is noteworthy because it acts as a Micro Finance Institution. It not only caters to the agricultural and allied activities which is the main objective of all PACS but it also nurtures and forms self-help groups and provides credit facilities to these groups. Thus PACS lends both for individual liability as well as joint liability loan contract system. As the amount of loan granted for individual liability as well as joint liability loan contract system by the different PACS considered in this study is not large, they can be termed as microcredit. Hence there is a need to calculate the cost of lending microcredit by PACS both for individual liability as well as joint liability loan contract system to understand which loan contract system is more profitable and also to ensure whether these PACS are sustainable and efficient in lending for both the purposes by analyzing their financial performance. Therefore the first objective is to -

1. Evaluate the cost of lending microcredit by PACS for individual liability loan contract system and joint liability loan contract system in two blocks of Hooghly district of West Bengal to understand which loan contract system is more profitable for PACS and analyze the financial performance of these PACS in order to ensure sustainability and efficiency of PACS.
The financial performance of PACS will ensure their sustainability and efficiency justifying the role of PACS. Once the role of PACS is validated then it is imperative to find out which factors influence an individual to become a member of PACS i.e., join individual liability loan contract system or become a member of self-help group formed and nurtured by PACS i.e., join joint liability loan contract system or stay away from either of the systems. Thus the second objective follows as -

2. Identify the factors which influence a rural household to link himself/herself directly with Primary Agricultural Credit Societies for credit contract under individual liability micro-credit contract or to take the initiative to join self-help group under Primary Agricultural Credit Society so that if required he (she) can take credit under joint liability credit contract.

After identification of factors when it is decided which type of individual will join which type of loan contract system, it is important to find out the impact of microfinance programmes provided by PACS on each of the loan contract systems in improving the economic conditions of the members of individual liability and joint liability loan contract system because the main objective of microfinance is to improve the standard of living of rural participants through provision of self-employment generating activities. Thus the third objective is to -

3. Investigate how effective the joint liability microfinance programme through Primary Agriculture Credit Societies are in improving the economic condition of the rural participants and also investigate the effectiveness of microfinance programme for the individuals who have become members of individual liability loan contract system.

After investigating the quantitative aspect of impact of microfinance programme by PACS for both individual liability and joint liability loan contract system, it is essential to investigate the qualitative aspect of the impact of microfinance programme. The qualitative aspect includes the empowerment of rural women particularly of self-help groups vis-à-vis the non-members. As the self-help groups are formed on the basis of trust, cooperation and reciprocity which are the structural element of social capital, therefore the role of social capital is important in evaluating the empowerment of rural women. Thus the fourth objective is to –
4. Estimate Women Empowerment Index, investigate whether different elements of social capital play an influential role during the time of calculating Women Empowerment Index and determine the effectiveness of joint liability microfinance programmes through Primary Agricultural Credit Societies in empowering rural women socially and economically.

The role of micro insurance in reducing the cost of lending microcredit by PACS and also reducing poverty leads us to the next objective. The PACS considered for the research provide crop insurance scheme to its loanee members of individual liability loan contract system but no insurance scheme is provided to members of joint liability loan contract system. Most of the members of individual liability loan contract system are small and marginal farmers therefore the amount of credit is also small. The sum insured which is dependent on the loan amount is thus less. The amount of premium which is a certain fixed percentage of the loan amount paid by the small and marginal farmers is also less and varies from crop to crop. Thus crop insurance scheme provided by PACS to members of individual liability loan contract system can be considered as one form of micro insurance. Hence it is important to check how far the crop insurance scheme is viable in stabilizing farm income to reduce poverty and also examine the performance of PACS with respect to micro insurance.

5. To test the commercial viability of crop insurance scheme of PACS in the two blocks of Hooghly district of West Bengal during disaster years and also examine their performance of crop insurance scheme to understand whether farm income stabilised as a result of it or not.

Thus the research questions are interwoven in a well-knit manner to form the basis of this research and the interlinkages between the objectives is clearly stated and understood. The reason for selecting these research objectives is thus justified. On the basis of these research objectives the methodology of the research has been designed. The following chapter discusses the methodology i.e., the sample size and design to achieve the above mentioned objectives.