CHAPTER 10
CONCLUSION AND SCOPE FOR FUTURE RESEARCH
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10.1 OVERVIEW

This thesis proposed and verified a holistic approach towards measuring the impact of microfinance on the social, economic and capability well-being of low-income families in the Deoghar District in Jharkhand. Through the measurement of impact and its in-depth analysis, this thesis uncovered important, latent issues that determined the overall scale and scope of microfinance impact in one underdeveloped eastern district of India. As most extant studies on microfinance in India have focused on the more developed and established microfinance markets of southern and western India, this thesis provided a novel insight from a region where microfinance solutions need to be significantly altered to suit their lofty goals of mass scale poverty alleviation and empowerment. Using a mixed methods approach of qualitative/inductive as well as statistical validation techniques this thesis provided insights into the impact measurement techniques in the field of microfinance. The present chapter summarizes the research findings of all the four studies along with the research contributions, recommendations contribution, and limitations of the study.

10.2 SUMMARY OF RESEARCH FINDINGS

This research study consists of four studies focused on measuring the impact of microfinance on a sample of borrower respondents. The findings of the studies are summarized below:

10.2.1. Study 1: Qualitative Study- Research Findings

Before measuring the impact of microfinance, this thesis inductively ascertained key themes and grouping criteria which were required for the measurement study. This was done through a Qualitative approach using Interviews (Semi-structured and open) resulting in caselets. The
randomly selected identified cases were asked to identify key success /failure story of the respondents known to them. Some of such success /failure stories were also interviewed.

These study uncovered new variables like distance from the city centre that influence the overall socio-economic impact in the Deoghar district Jharkhand. These impact factors were previously not emphasized much in the microfinance literature. Further impacts on migration were also included in the study as Jharkhand is a state having large scale of migration. The study shows that the performance of microfinance with respect to substantial reduction of migration has been unsatisfactory. When these variables which came from the caselets were tested statistically in the further studies, they were found to be influential while accessing the overall impact of microfinance. Various Hypotheses on the impact on the socio-economic and capability well-being were also tested.

10.2.2 Study 2: Microfinance Impact Estimation Using Control Group- Research Findings

Based on the dataset of 585 respondents (consisting of 368 Microfinance borrowers and 217 non borrowers) following were important findings:

1. The Economic and Social Well Being Impact variables of Increase in Income, Increase in Savings, Savings Differential, Reduction in Migration, Increase in social/community status and Increase in Family Status were found to be significantly higher than that of the control group consisting of non-Microfinance borrowers.

2. On the basis of Caste, OBC respondents showed greater variance across the eight impact variables studied as compared to SC and ST respondents.

3. On the basis of Age group, the <=30 years category showed more significant differences from the control group respondents. Such differences were not seen for other Age group categories. (Except exceptions detailed in the findings)
The data collected from 368 microfinance borrowers were analyzed through the use of grouping variables listed below:

- Distance from the district headquarters
- Loan type SHG/JLG
- Caste
- Education
- Age Group

In this study, the focus was to extract key differences based on the subgroups within the grouping variables selected. Some of the important findings are:

1. **Impact Variables grouped on Distance from District Headquarters**: Respondents living less than 10 Km from the District Headquarters were found to have significantly more means for Increase in Income (INC_Inc) and Training in Skills/Trades/Crafts (TRNG_SKL) than compared to other groups living more than 10 Km away from district headquarters.

   This finding could be attributed to the shallow penetration of microfinance in Deoghar district.

   Further, the increase in social status (SOC_STAT) was found to be significantly higher for respondents living within 10-20 Km from the district headquarters. More research is needed to understand the significance of this finding.

2. **Impact Variables grouped on Loan Type (SHG/JLG)**: The means for Increase in Income (INC_Inc) and Reduction in Migration were higher for JLG respondents as compared to SHG respondents.
3. **Impact Variables grouped on Age**: The Increase in Social Status (SOC_STAT) and Increase in savings (INC_SAV) were found to be significantly more for <30 years and 30-40 years than other groups. Hence a reverse relationship between age and increase in social status and Savings Increase is found.

4. **Impact Variables grouped on Caste**: The Increase in Income (INC_Inc) and Increase in Social Status were found to be significantly higher for OBC respondents when compared to SC and ST respondents. This suggests that the impact of Microfinance is more positive on OBC respondents than compared to SC and ST respondents in Deoghar district.

5. **Impact Variables grouped on Loan Cycle**: For loan cycles 3 and 4, the Increase in Family Support (FAM_SUP), Increase in Social Status (SOC_STAT), Increase in Savings (INC_SAV) and Increase in Income (INC_Inc) were found to be significantly higher. This confirms that the real impact of Microfinance loans emerges only after the initial loan cycle years.

6. **Impact Variables grouped on Education**: No significant differences found between the groups.

7. It is also interesting to note that some respondents used the funds received due to the loans for migration purposes directly. This finding has not been highlighted in previous impact assessment literature on Microfinance.

### 10.3 RESEARCH CONTRIBUTIONS

Between 2005 and 2010, microfinance has grown 62% annually in terms of the number of clients served and 88% annually in terms of the gross loan portfolio (M -Cril, 2011) making India the largest microfinance industry in the world. In this scenario where microfinance industry is booming and has been accepted worldwide as an important tool in alleviating
poverty, implementation of microfinance in Jharkhand, which is having significant infrastructure gap, poor social indicators and a high index of poverty, can be a boom.

Most studies of microfinance in India have been focused on the southern or the western part of India. These regions of India had a significant exposure to microfinance and academic studies focusing on the Socio-Economic Upliftment of people living below poverty line. However, the eastern region of India including the state of Jharkhand has not seen the same level of attention both in terms of exposure and academic studies, in this regard the present study makes a significant academic contribution

Further Deoghar “comes under ‘C’ category, i.e., the most backward district for industrial activities.” (Government of India). Also, Deoghar receives the Backward Regions Grant Fund (BRGF) from the Government of India. (Ministry of Panchayati Raj, 2009). A reality check of the impact of this programme on the upliftment of the socio-economic factors namely Income, Savings, Expenditures, Employment, Literacy, and Migration will be of vital importance.

This research attempted to find whether this movement of microfinance has in reality uplifted the socio economic conditions of the BPL people of Jharkhand and Deoghar district in particular. This Study apart from accessing the impact of microfinance on the people residing below poverty line in the Deoghar District of Jharkhand has also studied the microfinance customer satisfaction from the similar set of respondents. The impact of Microfinance activities in low income households has seen considerable academic attention in the recent past. A few studies have focused on Microfinance customer satisfaction in India. However, such studies have largely focused on MFI based Microfinance in the western and southern states of India. The present study focuses on the determinants of customer satisfaction of the
Self Help Groups- Bank Linkage Programme in the rural areas of Deoghar District in the eastern state of Jharkhand.

As discussed above, this thesis provided some important contributions. Firstly, the thesis proposed and tested a robust and comprehensive framework for microfinance impact measurement. The comprehensive framework includes the dimensions of social, economic and capability well-being. Secondly, this thesis measured the impact of microfinance in a backward district of eastern India: a region which has seen a paucity of impact measurement studies. Thirdly, the conceptualization of distance from city center and the impact on migration made novel contributions to the academic understanding of microfinance impact. Fourthly, the findings suggested that the impact of microfinance is more positive for Other Backward Castes as compared to Scheduled Castes and Tribes. More analysis is needed as to why castes are the dominant influencers of microfinance impact. Finally, this thesis measured the determinants of overall customer satisfaction of microfinance borrowers in Deoghar. By doing so, this thesis provided unique insights in understanding the satisfaction of microfinance borrowers by visualizing them as customers of a financial service.

10.4 RECOMMENDATIONS

The recommendations provided by this thesis are aimed at microfinance practitioners/government agencies as well as the academic community.

The studies above suggested that microfinance positively impacts social and Economic well-being in Deoghar district. However, the capability well-being dimension shows no significant change. For practitioners/government agencies this thesis recommends to include capacity building measures like training and sensitization of borrowers. From an academic standpoint, we argue that the lack of increase in capability well-being is captured using the comprehensive impact framework used in the thesis.
Distance from the city center, identified in the qualitative portion of the thesis, has significant connotations on the overall impact of microfinance in Deoghar. This finding points at the shallow penetration of microfinance and its associated activities in Deoghar. From an academic standpoint, distance from city center is identified and tested as an important and novel grouping variable for microfinance impact measurement.

The analysis of the impact of microfinance on migration in Deoghar district reveals some interesting findings. In some cases, the thesis finds that the microfinance loans were used directly for migration. This finding, in some sense, raises questions especially for the state government as it defeats the purpose of improving the lives of borrowers in the villages and communities of Jharkhand. Academically, the impact on migration adds an important aspect for a robust microfinance impact measurement framework.

10.5 LIMITATIONS

This thesis and its interrelated four studies have some limitations.

- Firstly, the thesis focuses on the microfinance borrower respondents only in the Deoghar district of Jharkhand, India. The choice of Deoghar district as the focus area was made due to a variety of reasons mentioned above. However, due to the focus on only one district, generalization across other districts/states is limited.

- Secondly, the data were collected through in-depth interviews and surveys. These instruments were applied to respondents, some of whom were illiterate. Even though necessary precautions were taken, it is possible that few respondents’ responses were not properly captured due to possible communication issues.

- Finally, this thesis focuses only on social, economic and capability well beings for evaluating the impact of microfinance. Other dimensions like environmental and psychological dimensions have not been considered.
10.6 SCOPE FOR FUTURE RESEARCH

This thesis uncovered and evaluated significant new dimensions with the aim of creating and testing a robust, holistic framework for microfinance impact measurement. Based on the contributions and limitations of the thesis (discussed above), various avenues of future research can be suggested.

Although, this thesis developed and tested a robust framework for microfinance impact measurement in Deoghar, Jharkhand; more research is required to test whether the suggested framework can be used successfully in other backward regions of India. Future studies should attempt to test the framework discussed in the thesis across other backward regions of India.

Identified variables like distance from city center and measurement of impact on migration are novel contributions of this thesis. These variables need to be tested further in other areas of India to understand their importance further.

Finally, this thesis considered three dimensions of well-being: economic, social and capability. Future works on this topic could possibly consider other impact dimensions like the impact on the environment and psychological well-being. Such impact dimensions are bound to shed more light on this important research topic.

The future researcher can further be undertaken in this regard in the following direction also:

- Focus on the relationship between migration and microfinance.
- Other statistical tools like SEM (Structural Equation Modeling) can be used.
- Comparative analysis of two or more Regions can be done.
- Meta-analysis of microfinance impact measurement analysis.