3.1 Origin of the Research

The present research has originated from the question: Can Microfinance work for India? In the past few decades, microcredit programmes have been used throughout the Third World to promote grassroots entrepreneurship. These programmes, which provide very small business loans, have helped literally millions of low-income people to improve their material well being. The Grameen Bank in Bangladesh, for example, has disbursed a total of more than $1.5 billion to about 2.4 million borrowers, with a default rate of less than 3%. Such figures have helped to convince many that poor people are not necessarily bad credit risks.

Microcredit's success overseas has caught the attention of Indian policy makers, business leaders and charitable organisations. They see it as a way to reduce the widespread incidence of poverty and unemployment in India. But, so far, the results of microcredit programs in India have been decidedly mixed. On the one hand, Indian microcredit programs have helped many poor but ambitious borrowers to improve their lot. More than half of the loan recipients escaped poverty within five years, with an increase in their average household assets, and their reliance on financial support from outside. On the other hand, most of these programs have been limited in their outreach. This has been
attributed to lack of viable proposals from people who would be likely to repay the money, and sometimes to a lack of demand. It is generally accepted that Indian microcredit programmes need greater efficiency, and more stringent operational standards. A question often asked is: How can these programmes be made more effective? Indian programmes have considerable room to enhance both their efficiency and outreach. Making entrepreneurs out of people who have few resources is a matter not only of increasing the supply of capital, but also of nourishing the demand for it. The popularity of microcredit depends on what is offered and the way in which it is offered. Certainly, what is required is not charity.

It is estimated that the microcredit business alone is of the size of about Rs. 30,000 crores, This should be enough motivation for banks to step in to fill this large gap by offering new savings and credit products, new delivery mechanisms, and new systems and procedures. This calls for a review of microcredit programmes from the perspective of:

(i) Strengthening the existing institutional set-up of rural financial intermediaries;

(ii) Creating a conducive and supportive environment for encouraging and mentoring new MicroFinance Institutions (MFIs) to bridge the gap in delivery of financial services to the poor.

Another question that stems from this is: How can Microcredit Programmes be used to bring about the economic empowerment of women? Empowerment of women, as of the poor, has always been one of the primary aims of policy makers. However, various studies have revealed that
women do not have access to the banking system even for making deposits, let alone avail credit facilities from it. An effective Microcredit Programme can also solve this problem. By bringing women in its fold, the social and economic upgradation of women can be achieved. The success story of the Grameen Bank in Bangladesh bears testimony to this. Women, who constitute 48.15% of the Indian population, can be used as the force that can bring about not just self-empowerment, but also the empowerment of their kith and kin.

The research done here, therefore, seeks answers to these two questions. In order to find the answers, a few hypotheses have been set. Firstly, it has been hypothesised that the existing plan for use of microcredit to fight against rural poverty is powerful and effective. The second hypothesis investigates if the economic status of the target group is judiciously ascertained before microcredit support is extended to them. Third hypothesis states that the NGOs can help in creating an alternative model for women’s empowerment. The Null Hypothesis claims that Microcredit can be developed into a useful strategy to fight against poverty and to bring about the economic empowerment of women.

3.2 Two-stage Research Design

The nature of the study is such that a two-stage research design has been used. The first stage has been exploration, with limited objectives:

(1) Clearly defining the research question, and
(2) Developing the research design.
Since much about the topic was not known, and operating in an unknown area, it was difficult to predict the problems and cost of the study, the major dimensions of the research task could be established only after a preliminary exploration. The exploration led to a clear development of concepts, helped in establishing priorities, developing operational definitions, and in improving the final research design.

The exploratory study conducted involved a search of secondary literature, which were basically studies made by others for their own purposes. The researcher started with various management libraries in and around Delhi (MDI was the richest of them), and several articles from Delnet were also very helpful. These reports revealed an extensive amount of historical data. It also helped identify methodologies that proved successful or unsuccessful.

Experience surveys also contributed to the exploratory study. While published data were the most valuable resource, it was realised that only a fraction of the existing knowledge in any field is put into writing. Thus, a great deal of help would come by seeking information from persons experienced in the area of research, to tap into their collective memories and experiences. The researcher met managers from Small Industries Bank of India (SIDBI), Rashtriya Mahila Kosh (RMK) and National Bank for Agricultural and Rural Development (NABARD). In interviewing these officials, the objective was to seek their ideas about important issues or aspects of the subject and discover what is important across the subject's range. The investigative format used was flexible to allow exploration of various avenues that emerged during the interview. What is being done? What has been tried in the past without success? How have things changed? What are the change producing elements of the situation? What
problem areas and barriers can be seen? Whom can the researcher count on to assist and/or participate in the research? What are the priority areas? The first stage of exploration ended with the formulation of the hypothesis stated above, and this gave a proper direction to the entire research work.

### 3.3 The Probe

The hypotheses which were to be tested in the course of the research have been mentioned above. The first hypothesis states: The existing plan for use of microcredit to fight against rural poverty is powerful and effective.

For probing into this statement, the researcher initiated a descriptive study to determine what the current microcredit delivery system in India is like. The objective was that a mere description of the microcredit situation as it prevails would provide important information to do further research. Of course, the descriptive study was based on the previous understanding of the research problem gained during the exploratory study.

The descriptive study was done in two ways:

1. **Secondary Data:** A literature survey of published articles and books discussing theories and models of microcredit delivery used in different contexts, as well as empirical studies on the successful ones. This was the logical first step, since secondary data is faster and cheaper to gather than primary data. Investigating secondary sources saved me from having to "reinvent the wheel" in primary data collection. It proved to be of immense value. However, secondary data sources could not meet the research needs completely, since the data had been gathered for some other
purposes, and in some cases, was also somewhat outdated. This called for some primary investigation into the hypothesis.

(ii) **Case Study:** In research, the case study has two distinct features. Firstly, the case study can be used in establishing valid and reliable evidence. Secondly, the case study can become a vehicle for creating a story or narrative description of the situation being studied, in such a way that the resulting narrative represents a research finding in its own right, and thus can be said to have added something of value to the body of knowledge. The researcher studied the role and performance of Gurgaon Gramin Bank (sponsored by Syndicate Bank), and conducted a non-positivistic analysis. This required a holistic interpretation of the evidence because my focus was on learning about the microcredit delivery process used by the bank.

The researcher chose to do a case study of this bank for several reasons. The first was that this bank was approachable physically, since the head office is located in Gurgaon, and the branches are scattered in nearby villages, all of which are well-connected by road. The second and more important reason was that in Haryana, the success of this bank in popularising microcredit is an oft heard and oft repeated story. A third reason for choosing to do a case study of this bank was that Gurgaon Gramin Bank has been active in the formation and financing of women self-help groups, which has resulted in the economic empowerment of women covered by this bank. Since the emphasis of the present research is on the effectiveness of microcredit programmes in bringing about the economic empowerment of women, this was a major charm in doing an in-depth analysis of the operations of the bank. And finally, the officials of the
bank were cooperative right from the word go, and their support to the cause of the research encouraged the researcher to study their bank.

The findings of the researcher’s investigation into this hypothesis, and the case study of the Gurgaon Gramin Bank have been presented in Chapter 4 of the thesis. It seeks to provide an explanation of the observed phenomena, and demonstrate an understanding of the subject of the investigation in its context and environment.

The researcher encountered a few difficulties in the course of her probe into the subject, and these were:

1. The difficulties that individuals faced when trying to recall events accurately.
2. The difficulties that individuals had in disclosing important feelings.
3. The suspicions that individuals had about revealing information that might reflect poorly on themselves, or their superiors.

Although all three of these difficulties exist in all area of social sciences, they are particularly noticeable in business and management studies, where an informant’s career, or even his or her job may be prejudiced by providing all information indiscreetly. The researcher tried to improve the validity and reliability of the research by the process of triangulation, which involves a number of distinct activities. First, the researcher sought multiple sources of evidence to support all-important assertions. Second, the researcher tried to obtain corroborative evidence from several different informants in the bank. Finally, on the issue of bias, the researcher strongly feels that bias cannot be
totally eliminated, and should be recognised and its implications acknowledged and accepted.

Since the form of the case study is primarily narrative, the researcher has tried to be very accurate in the description. The researcher has also tried to include all relevant facts, and omit circumstances that have no bearing on the situation. The researcher has also tried to maintain a logical sequence as well as continuity and cohesion throughout the narrative. Besides terminology that has become commonly accepted in the field of microfinance, the researcher has kept the language simple.

The second hypothesis that was set for the research: The economic status of the target group is judiciously ascertained before extending microcredit support to them. In researching this hypothesis, the researcher again used two methods:

(i) Direct Observation: All evidence other than observation is essentially hearsay, and its reliability needs to be examined. The same goes for the hypothesis. Most people who talked about microcredit commented sceptically that it was not getting directed to the really deserving target groups because there is no sure shot way of ascertaining the economic status of an applicant seeking microcredit support. With this kind of a general feeling, it was decided that observation was one of the most valuable ways of collecting reliable evidence. For this purpose, the researcher observed the functioning of empowerment cells in the Additional Deputy Commissioner's Offices at various locations in cities of
Haryana. The objective was to gain an insight into the process of certifying the economic status of an applicant.

(ii) **Interviews:** The researcher did open-ended interviews with officials in charge of microcredit programmes like Haryana Harijan Kalyan Nigam, District Dairy Development Department, Gramin Swarojgar Yojana etc. at the ADC office. Such interviews were also conducted with officials of Gramin Banks through which these schemes are operated. The objective of holding open-ended interviews was to ask the respondents for the facts of the matter, as well as their own insights into certain occurrences. The interviews were focused since the respondents were interviewed for one hour on the average. Although the researcher followed a set of questions, the interviews were informal in manner. Here again, the researcher was aware of the likelihood of bias on part of the respondents, as well as inaccurate articulation and listening on my part. Therefore, the researcher tried to corroborate evidence collected with documents available at the office, as well as through the direct observation that was made. The research findings are presented in Chapter 5 of the thesis.

The **third hypothesis that was formulated states:** The NGOs can help in creating an alternative model for women's empowerment. The modern banking system is not designed to serve poor women with small credit needs, as they are generally unable to meet the exhaustive documentation requirements as well as other formalities associated with dealing with banks. Bank officials have been charged with an apathy towards serving the needs of these poor women, who have the potential to manage flourishing microenterprises, and also improve the social and economic standing of their
families. It is believed that NGOs that operate at the grassroots levels, and are more aware of the needs and constraints of these poor women, are more favourably placed to organise them into SHGs so as to avail microcredit support. The past work of NGOs in this area has brought them the recognition, and they are being touted as indispensable intermediaries in the microcredit delivery process.

In order to study the role of NGOs in the process of microcredit delivery, the researcher used two methods:

(i) **Questionnaire Method**: The main reason for using questionnaire research was to obtain the information that could not be easily observed or that was not already available in the written/computerised form. Evidence from the questionnaire survey was then used for hypothesis testing, description and explanation.

Questionnaire (Appendix 2) was prepared in Hindi, because the respondents were rural women. These women were already organised into self-help groups, mostly with the intermediation of some NGO that was active in the area. The type of information that was sought was evidence on the role of NGOs in formation, nurturing and linking of SHGs to banks, making them eligible for microcredit support, and using peer pressure within the group to ensure timely repayments. The questionnaire was administered to the respondents through a field officer of the Gramin Bank in the villages surveyed. In all, 50 respondents from 6 villages were covered. These villages were Badshahpur (distt. Gurgaon), Prithla (distt. Faridabad), Sunped (distt. Faridabad), Binguri (distt. Palwal), Gharot (distt. Palwal) and Khambi (distt. Palwal). Results of an analysis of the respondents are given in Chapter 6 of the thesis.
(ii) **Meetings²**: In order to understand the perspective of the NGOs on their role in the formation, nurturing and linking of SHGs, the researcher had meetings with field level workers of NGOs such as Anarde, Samriddhi, and Stree. The meetings were informal discussions where the researcher sought the comments of these NGOs on their strengths in intermediating in the process of formation of SHGs vis-à-vis that of banks. Similar meetings were repeated with bank officials to get an understanding of their perception of their role in the process, and their comparison of self to NGOs.

The alternative hypothesis reads: **Microcredit can be developed into a useful strategy to fight against poverty and to bring about economic empowerment of women.** After the entire research exercise to test the hypotheses that were formulated at the beginning, the researcher is back to the question that triggered off the entire research. The conclusion drawn is presented in Chapter 8 of the thesis. The investigations that have been conducted during the course of this research study have led to this conclusion. Besides these investigations, the internet and the world wide web have been rich sources of information useful to the study. It has allowed the researcher to share her information and views with many researchers and practitioners of microcredit. In the end, the researcher has drawn on all available sources of evidence including quantitative and qualitative evidence from both primary and secondary sources. The emphasis, in general, has been on first obtaining a broad view of the situation and then exploring key issues arising from the research question in depth. While collection of the evidence has been critical, the way in which the researcher has perceived, analysed, synthesised and
presented it has been with an objective. This objective is to make it useful for planners and policy makers to make microcredit an effective poverty alleviation and economic empowerment tool, especially for women in India.

References:
