CHAPTER - 2

RESEARCH METHODOLOGY

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References
Research Methodology

The present research has been carried out to study various aspects of microfinance services provided by public, private and to assess the role & interlinked development of society through microfinance. The chapter deals with the methodological design and procedure followed to ensure the accurate research.

2.1 Statement of the Research problem

“Consumer Response to Microfinance - A Comparative Study of SBI and HDFC Bank”.

The widening gap between rich and poor worldwide is a major challenge to global security and economic integration. About half of the world’s populations are poor, living on less than two dollars a day. Microfinance is a grass-root development strategy that followed a trickle up approach to eradicate poverty. The group based approach of microfinance facilitates the poor to accumulate capital by way of small savings and also enables them to have easy access to formal credits for taking up micro enterprises, which will help them to come out of poverty. In Rajasthan, microfinance has become a novel and a vital strategy of poverty reduction. Government-based and NGO-based microfinance systems exist side by side in the State. Both have played a dominant role in making microfinance a real movement in Rajasthan. In this study microfinance activities of different banks in India has been interpreted and compared.

Microfinance is access to savings, credit, insurance, and other financial services to the poor thus providing them with economic opportunities and a fundamental basis for planning and expanding business activities and finally aiding them to graduate out of poverty. Microfinance can smooth consumption levels and significantly reduce the need to sell assets to meet basic needs. With access to micro insurance, poor people can cope with sudden increased expenses associated with death, serious illness, and loss of assets. The World Bank estimates that more than 16 million people are served by some 7000 microfinance institutions all over the world.

The present study is intended to address the implications of micro financing on Indian banking industry.
2.2 Review of Literature

A literature review is a description of the literature relevant to a particular field or topic. It gives an overview of what has been said, who the key writers are, what are the prevailing theories and hypotheses, what questions are being asked and what methods and methodologies are appropriate and useful. So it is relevant to refer briefly to the previous studies and research in the related areas of the subject to find out and to fill up the research gaps, if any. Literature on microfinance can generally be found; a number of books are available on banking related aspects. Researcher has critically reviewed the literature of the past research work in relevance to the present study.

Literature related to Microfinance

1. The study conducted by Hossain analysed the impact of Grameen Bank’s microcredit programme on alleviation of rural poverty in Bangladesh and observed that Grameen Bank has made a positive contribution to the alleviation of rural poverty in the area of its operation. He also pointed out that the bank has successfully reached its target group with credit and has ensured both productive utilization of loans and their recovery in due time thereby helping to improve the standard of living of its clients.

2. Zaman (1996) examined the depth of participation on the microcredit programme of BRAC in Bangladesh by using multivariate analysis. The study revealed that those with larger land holdings and fewer numbers of earners to household size were more likely to be the beneficiaries of microcredit. Besides, non-targeted group members borrowed significantly larger amounts compared to targeted group members in terms of average loan size. Sex and occupation of the head of the family, presence of other credit delivering agencies, electrification, and length of membership were the factors identified by the study as the major determinants of the depth of participation.

3. Khandker (1998) reported that microfinance reduces poverty by increasing per capita consumption among the clients and their families. He also reported
that poverty reduction estimates based on consumption impacts of credit show that about 5 percent of clients can lift their families out of poverty each year by participating in and borrowing from microfinance programmes.

4. Evans Timothy (1999) conducted an empirical study on micro-credit clients in Bangladesh, using multivariate analysis. Major results of the study were that only 25 percent of eligible households participated and that rates of participation were higher among the poorer. The study identified lack of female education, small household size, and landlessness, as the risk factors responsible for the non-participation in microcredit programmes.

5. Zaman (1999) examined the potential of microcredit in alleviating poverty and vulnerability in Bangladesh. The study showed that microcredit contributed to mitigate the factors leading to vulnerability and the impact on income poverty was a function of borrowing beyond a certain level of loan. The author indicated the channels such as smoothing consumption, building assets, providing emergency-assistance during natural disasters and female empowerment by which participation in microcredit programmes reduced vulnerability. The greatest impact, according to the author, was the female control over assets and knowledge of social issues.

6. Chowdhury (2000) assessed the impact that the micro-credit programmes of Grameen Bank in Bangladesh on household poverty. The study used both subjective and objective measures of poverty and followed a quasi experimental survey design. A comparison group was selected from the members who had just joined the programme to compare their poverty status with that of existing members who had already received more than one loan from the microcredit programmes of Grameen bank. Based on the data collected through a household survey, the study found that microcredit reduced both the subjective and objective measures of poverty and the risk of poverty of the beneficiaries of micro-credit households was about 47% lower than that of the non-participants.

7. Isser (2002) studied about different perspectives among the economists on the issues related to the elimination of poverty. The study analyzed how the
development experiences, of developing countries during the last five decades, depended on these perspectives. The author brought to light the importance of the choice of policy for the eradication of poverty in the era of globalization. The study put forward various policy initiatives at the national and the global level to help the poor to reap the benefits of globalization. The study too covered the status of social and human development in various States of India and brought to focus the success of Kerala in the fulfillment of basic needs such as health care, education, sanitation, etc. of the poor.

8. Mehta and Shah (2003) examined the incidence of chronic poverty in India using area-based and historically marginalized group-based approaches. The finding of the study suggested that chronic poverty rates were very high among the historically marginalized groups such as scheduled castes and scheduled tribes, the elderly women and the disabled. Casual labourers in agriculture were also more likely to experience long-term poverty. The authors found that many of the chronic poor in India experienced several forms of deprivation at the same time and they reviewed the factors that contributed to chronic poverty and the efficacy of policies to reduce such deprivation.

9. Ajai Nair (2005) assessed the potential of SHG federations in making SHGs sustainable. The finding of the study suggested that SHG federation enabled the SHG to internalize all operation costs, reduce the cost of promoting new SHGs, gain economies of scale, obtain value-added services, reduce transaction costs, and enhance empowerment, thereby contributing to organizational sustainability of the SHGs. The study also revealed that both SHGs and SHG federations could be financially viable even when accounting all costs including those subsidized by the promoter agency.

10. Basu and Srivastava (2005) made an empirical study on the current level and pattern of access to formal finance for India’s rural poor and examined the success of SHG-Bank linkage programme in reaching the poor. The study was based on the data collected jointly by the World Bank and the National Council of Applied Economic Research, India in 2003. The authors
highlighted that India’s rural poor had very little access to finance from formal sources, which provided a strong need for innovative microfinance approaches to serve the financial needs of the rural poor. The study brought out the remarkable growth of SHG-Bank linkage programme in India. However, its outreach remained modest in terms of the proportion of poor household served. The promotion of sustainable and high quality SHGs, clear targeting of clients, and ensuring banks linked to SHGs and price of loans at cost-covering levels, were the suggestions put forward by the study to scale up microfinance services to the poor.

11. Sahu and Das (2007) studied the performance of SHGs in promoting women empowerment in Gajapati district of Orissa state in India. For this purpose, 800 members from 50 SHGs were interviewed. The survey results showed that most of the SHG members were tribal with a literacy rate of just 7.43 per cent. It was found that even after obtaining group loans most of the members were involved in collection and marketing of minor forest products. The loans were mainly utilised for consumption, health, festivals and for repayment of previous loans. Just 11.56 per cent of the loans were utilised for investment purposes. Members were not skilled enough to start non-traditional profitable activities. But it was found that though the members were not economically well-off but they perceived several other benefits such as increased self-confidence (81.54 per cent), promotion of saving habits (76 per cent), increased social interaction (75.17 per cent) and freedom from old debts (63.36 per cent) through their membership in SHGs. The authors suggested active intervention by district administration, professional bodies and voluntary organisations to provide skill training, designing products, providing new technology and access to markets in order to make a real contribution to women empowerment.

12. Swain (2007) studied the impact of SHG bank linkage programmes on poverty, vulnerability and social development of the programme participants. For this purpose, the data was collected in two periods (July 2000 and end of 2003) from five states in India. These states were Orissa, Andhra Pradesh, Tamil Nadu, Uttar Pradesh and Maharashtra. Focus group discussion and
interview methods were used. A total of 20 such focus group discussions were conducted; four in each of the five surveyed states. Each focus group discussion included 15-20 SHG participants each from different SHG.

13. Jamal (2008) evaluated the outcome of microfinance programmes in terms of income, expenditure, child education and women empowerment. The study was based on the primary data collected from a sample of 3600 beneficiaries of six large microfinance institutions of Pakistan. The empirical result of the study showed that microfinance-interventions helped in smoothing consumption and, to some extent, generating income of the participants. No significant difference between borrowers and non-borrowers was found in the study with regard to the expenditure on education and health and also girls’ schooling. The econometrical results regarding women empowerment were mixed, contradictory and in many cases, unexpected and consequently, the author arrived at a conclusion that microfinance interventions did not seem to have a significant positive impact on the different aspect of women empowerment.

14. Ruby (2008) made an attempt to evaluate the role of Kudumbashree project in women empowerment though microfinancing in Kerala. The study was based on the primary data collected from the districts of Alappuzha and Kottayam. The study has found that Kudumbashree project has been instrumental in the economic, political, social, personal and family empowerment of the poor in Kerala. The study acknowledged the role of the thrift and credit activities of Kudumbashree in inculcating saving habits among the poor and freeing them from the clutches of unscrupulous money-lenders.

15. Raghavan and Saleena (2008) in their study on micro-credit and empowerment examined the socio-economic impact of the Kudumbashree project on the rural and the urban poor in Kerala. The study focused on the participatory mechanism of community involvement in the anti-poverty programmes. It was found that the Kudumbashree project enabled the poor women of Kerala to become active participants in the planning and
implementation process of various poverty alleviation programmes. The participation of the poor in various income generating-cum-developmental activities promoted the morale and confidence of women, status of women in families and society and capacity of the poor women in several areas. The study was concluded by stating that strategic participation and empowerment adopted in Kudumbashree project ensured sustainable livelihoods to many poor women in Kerala.

16. According to an article “Micro finance sector to be among the biggest job providers in India” by Microfinance India on August 9, 2009 though the financial slowdown has shown its impact in the banking sector for the developing economies, micro finance institutions (MFIs) still have a long way to go as according to a study in the next five to 10 years, 20,000 middle-level managers and 150,000 loan officers will be required in India alone to serve 50 million clients. Additionally, micro finance professionals will also be required in commercial banks, insurance companies, agri-business enterprises and execution of government-funded development programmes. However, it seems the bottlenecks of effective development of micro finance sector are the non-availability of human resource. There are just not enough academic and training institutions to produce adequate manpower.

17. Vasanthakumari (2009) observed that microenterprises promoted by the women SHG members have successful in developing entrepreneurial skill and improving their economic and social status to some extent. But the main aim of eradication of poverty is yet to be achieved.

18. Panda and Atibudhi (2009) conducted one study to know the impact of group based microfinance programme on the mobilisation of savings by the participating rural households. The study revealed that the average annual savings per household in target group was significantly higher than that of the control group. The study also revealed that the target households had a highly significantly higher savings in commercial banks than that of the control group. The reason behind this is their increased savings habit and
increased income due to their participation in compulsory savings led microfinance programme.

19. Mahajan and Bansal (2009) reported that the microfinance programme has a positive impact on the economic, social, psychological and political empowerment of participating women. The study also reported that the education of the participants, maturity of the group, employment level, household income and mobility of the group members are significant determinants of women empowerment.

20. Krishnan (2009) analysed the role of microfinance in empowerment of rural women in the state of Kerala. He found that microfinance programme has beneficial impact on the women members to enhance their role in society, family decision making and mobility. He further opined that the microfinance institutions need to take much more initiative to bring women in the fore of economic activities.

21. Samanta (2009) conducted one study on the impact of microfinance on poverty alleviation and women empowerment. The study reported mixed results in terms of raising of women and their families above the poverty line. According to her, if the microfinance programme is well thought out in advance, then it has a positive impact on household poverty reduction. She also argued that there are several cases where in spite of having longer term membership with SHGs, the members could not generate sufficient income so that they can come out of poverty.

22. Sahu and Tripathy (2009) in the Jagatsingpur and Nuapara districts of Orissa concludes that microfinance is not a panacea to poverty alleviation but it could help to improve the socio-economic condition of the poor by addressing some issues such as income generation and capability enhancement.

23. Baruah (2009) examined the impact of SHG membership on asset creation in the Deharkuchi Gaon Panchayat of Nalbari District of Assam. He suggested that if the loan taken from SHG is invested in some productive activity or consumer durables like houses, then it helps in alleviation of poverty among
the microfinance clients. On the other hand, if the loan is simply invested in current consumption, then it may deteriorate the economic condition of the clients.

24. Mishra (2009) reported that there is mismatch between the regional concentration of poverty and microcredit participation. The study also reported that the participation of women in the microcredit programme may not necessarily lead to empowerment of women and gender equality within the households. But the microcredit programme helps to some extent in reducing vulnerability through developing crisis coping mechanism, diversifying income earning sources, building asset base and improving the status of women.

25. Devi and Uma (2010) reported that participation of women in SHGs and NHGs have succeeded in empowering women to some extent but their active participation in local planning and use of their collective bargaining power for improving their status in the society and at home are yet to be achieved. She also reported that the family structure and culture practiced in the society has a significant impact in determining the bargaining power of women.

26. Kumar (2010) conducted one study in the Hoshiarpur district of Punjab and found that in the post-SHG situation, the SHG member households experienced an increase in their income level, asset base and borrowing level. However the average annual income growth is higher for those households which are linked with SHGs 32 formed under NABARD sponsored SHG-Bank Linkage Programme than the SHGs formed under Government sponsored poverty alleviation programme i.e. SGSY. He further opined that the members of SHGs under NABARD scheme were financially better than the members of SHGs under SGSY scheme as because the former utilize the micro loan for production purposes whereas later using the micro loan for both production and consumption purposes.

27. Sudan (2010) found that the economic activities supported by self-help credit programme have improved the level of empowerment of women. He also found that the women’s role in enterprise decision making, household
decision making, their access to assets and their control over self earnings have improved significantly among the client than non-clients.

28. Krishnan and Silvi (2010) conducted one study to find out the potential of microfinance in transforming the lives of tribal people in the Wayanad district of Kerala. The study reported that the NGO run microfinance programme had a positive impact on the target households income, asset and savings. The study also reported that the target households had significantly higher annual average employment days over that of the control households. The microfinance programme is also contributing successfully in livelihood diversification among the target group households.

29. Singh, Kaur and Gill (2010) conducted one study to assess the role of Swarna Jayanti Gram Swarozgar Yojana in the socio-economic development of the rural people in the Jalandhar district of Punjab and reported that the programme has a beneficial effect on the economic aspects like better access to institutional credit, less dependence on money lenders, increased savings, reduction in indebtedness and increased volume of asset. The study also reported the beneficial effect of the programme on the social and psychological aspects of the beneficiaries.

30. De and Sarker (2010) reported that longer period of association with the SHG led microfinance programme yields benefit in the form of higher level of women’s empowerment.

31. S. K. Kashyap and Kashyap (2010) conducted one study in the Nalbari District of Assam and found that the loans obtained from microfinance institutions have enabled the members to start microenterprises in almost each and every field which they did not undertake previously. The study also reported that the benefits received from microenterprises helped them to enjoy better socio-economic status, improved standard of living, enhanced leadership quality, regular income and participation in public affairs.

32. Maurya (2010) found that the increasing access to institutional credit through microfinance acts as an important tool for eradication of poverty in India.
33. Guha (2010) examined the impact of micro enterprises or income generation activities undertaken by SHG members in the four states of India viz. Jammu and Kashmir, Andhra Pradesh, Himachal Pradesh and Gujarat in 2005-06 and observed that after joining the SHGs, the members experienced a higher level of independence in economic decision making like purchase of assets, other household requirements and management of productive assets. He also observed that the SHG membership has resulted in the overall development of the social and economic status of the members and also it has enabled them to understand the contemporary social issues.

34. Bagchi and Dandapat (2010) reported that the microfinance programme has the potential to improve the conditions of poverty stricken rural people in terms of better self employment, increased income and savings, and enhanced social status.

35. Natarajan (2010) evaluated the impact of SHG based micro finance programmes on changes in terms of employment level, income and assets of the women SHG members between the ‘pre’ and ‘post’ SHG situation in Madurai and Ramanathapuram district of Tamil Nadu. A multi-stage random sampling was adopted for selecting the sample units for the study. The study found that the mean number of days employed per annum of the respondent increased by 37 percent in the total study area over the pre-SHG period, while the mean income of the respondent increased by 123.1 percent over the pre-SHG period. The mean assets of the respondents increased by 23.5 percent over the pre-SHG period.

36. Eshetu (2011) conducted one study on the impact of microfinance on women’s economic empowerment in Ethiopia and observed that the microfinancing scheme has a positive impact on women’s economic empowerment as measured by the increased participation of microfinancing clients in household decision making and also has a positive impact on the living condition of microfinancing clients.

37. Mitra and Kundu (2011) analysed the impact of microcredit programme through individual liability loan contract system operated by Primary
Agricultural Credit Society (PACS) in the two blocks of Hooghly district of West Bengal. The study reported that there has been no economic improvement among the participating households in terms of average monthly income and monthly percapita consumption expenditure in spite of reducing the rate of interest for the crop loan charged by PACS. The study further reported that the repayment rate is high for such type of crop loans and the households are repaying the same on time even at the cost of their basic consumption need.

38. Bandyopadhyay (2011) reported that the SHG-Bank Linkage Programme is a strong supplementary credit delivery mechanism that evolved in India around two decades back. The programme is successful in bringing the rural people more particularly the rural women in the fold of banking services and developed the capability of the rural poor in managing and handling the economic and social affairs of microfinance scheme. He further argued that the microfinance programme may not be called directly a poverty alleviation programme, rather it may be called as an income generating programme which facilitates income generation of the poor families and by this process, it helps in empowering the rural people to come out of the vicious circle of poverty.

39. Rahman, Barua and Sulaiman (2011) assessed the impact of BRAC’s Northwest Microfinance Expansion (NWME) project in Bangladesh on the wellbeing of the beneficiary households and found that the project is instrumental in improving the housing facility, sanitation facility, stock of physical as well as financial assets. They also suggested that women’s participation in decision making at household level has increased over time and also the domestic violence against women has decreased over time.

40. Mukherjee and Kundu (2011) conducted one study on the impact of Swarna Jayanti Gram Swarozgar Yojana on health, education and women empowerment in the Murshidabad district of West Bengal. The findings of the study are not consistent with the view that women’s participation in SGSY improves the status of the women. The result of the study through
using pooled regression shows that borrowing from SGSY has significant impact on female agency for all socio religious communities (SRCs) except for Muslims.

41. Das (2011) focuses on the impact of SHG – Bank Linkage Programme on some economic and social parameters of the SHG member households. The study is based on a field work on 238 selected SHGs drawn from five districts of Assam and Meghalaya and 476 respondents selected from these SHGs. The study revealed that the implementation of SHG – Bank Link Programme significantly contributed to the improvement of asset position of sample households. It also found that SHG membership has also helped the households to increase their income level between the ‘pre’ and ‘post’ SHG situation. The study further revealed that about 22 percent of the total households surveyed moved above the poverty line between ‘pre’ and ‘post’ SHG situation.

42. Lyngdoh and Pati (2011) analysed the microfinance oriented socio-economic change among the clients in state of Meghalaya and found that there is positive changes in both economic and social conditions of the clients. They specifically reported that the microfinance clients experience increase in income, expenditure and savings, improvement in asset structure, increased access to productive assets and household property. They also reported that the favourable social change noticeable as a result of association with microfinance programme in the areas like education, decision making, health status, family planning decisions, recognition and acceptance.

43. Rani and Jyothi (2012) reported that women SHG members have less selfefficacy and self-confidence which in turn is an important factor of their personal empowerment. But the SHG membership has a positive impact on the economic, familial and social empowerment of women SHG members.

44. Roy and Dutta (2012) extensively examined the socio-economic benefits of micro financing poor through SHGs in the Karimganj district of Assam. The sample of the study was drawn by applying multistage purposive random sampling technique. The study found that the SHG membership has
significant positive impact on the income and asset base of the SHG member households. The study also found that there is significant enhancement in the social status of women SHG members.

45. Chakraborty (2012) carried out a study in the Purulia district of West Bengal on the impact of microfinancing through Self Help Group on women’s empowerment. The study concludes that the microfinance has the potential to have significant impact of women’s empowerment. The study specifically suggested that microfinance is not always empowering all women SHG members, but most of the women SHG members experience some degree of empowerment and are in the process of empowering themselves as a result of their association with the SHG led microfinance programme.

46. Mushtaq and Rauf (2014) analysed the social impacts of microfinance institutions in Pakistan with the help of nutrition status, health status and standard of living of the borrower households. It is observed from their study that microcredit programme helps the client household in expanding their existing business or helps in starting a completely new business which in turn contributes greatly towards access to better food, better health facility and better standard of living among the client households.

2.3 Research Gap

Millions of dollars are set aside for Social Development and Microfinance by retail banks to strengthen both their reputations and their relationships with stakeholders, in particular, the customers. A great deal of research has been undertaken in recent years in the area of retail banks commitment to Microfinance and Rural Development. In the wake of increased competition among retail banks, researchers have now focused a lot of their attention towards finding out whether retail banks are undertaking sustainable business practices. Microfinance is seen as an important means to increase productivity of the poor. The increased popularity of microfinance among different financial institutions is due to the underlying belief that involvement in microfinance programmes would help them to retain credibility as development agencies. This is particularly important for banks entering into the microfinance arena under the financial inclusion banner. Banks and Microfinance
finance Institutions (MFI) are implementing CSR also by using financial initiatives such as microcredit and microfinance schemes, ethical, social and environmental funds, low-income banking, and removal of barriers to credit access. There is a strong belief that Microfinance initiatives have the powerful potential to make positive contributions to addressing the needs of disadvantaged communities in developing countries.

The literature survey reveals that organizations particularly globally operated banks, have been benefited with the induction of Microfinance into their function. This has enabled them to fully exploit the strengths of Microfinance in creating relationships resulting in business growth and profitability. It is also established how the Indian economy is in the process of integrating itself with the global economy wherein financial services and the banks are to operate in similar paradigm as exist world over. This changed scenario has come up due to the influence of globalization and privatization in Indian banks and the increased use of rural credit into these services. However, a current assessment of the impact of these two factors on the banking sector in India is not available. It would also be important to mention here that the Indian banks by and large are making an effort to integrate and adept various initiatives for their business and rural development and customer impact. The private sector Indian banks are in a sense more attuned to Microfinance, though in different arenas. In the researcher’s view, it is essential that the correct assessment of Microfinance activities by Indian banks and their adaptability and acceptability for Microfinance is the first step towards developing a strategy for financial inclusion in India. To the best of researcher’s knowledge, no study has been taken with this view. Microfinance applications in financial services, especially with the consumer response within the banking domain have not been applied and studied in great detail in the Indian context. So The survey undertaken by the researcher has adopted a grounded view of Microfinance. The research has made an effort to evaluate the status of Microfinance in Indian Banking Sector by comparing the Microfinance initiatives by banks.

From the above studies, it is observed that though several studies have been conducted in the field of microfinance, but no studies relating to microfinance has conducted to assess the implications of microfinance on Banking industry. So the
researcher is intended to undertake the present study in the Rajasthan state to know the level of customer about Microfinance no study has been done by any other researcher. So the following study is been done by researcher to understand consumer awareness about Microfinance and implication of microfinance on Indian Banking Industry.

2.4 Objectives of the Research Study

1. To know the level of awareness of consumers about microfinance by selected banks.

2. To analyse and compare the microfinance activities of selected private and public sector banks in India special reference to Rajasthan.

3. To compare microfinance initiatives in banking sector in India.

4. To assess the implications of micro financing on Indian banking industry.

5. To provide suggestions and recommendations on the basis of analysis.

2.5 Hypotheses

(i) Analysis of Microfinance activities of selected Private and Public Sector Bank

H₀: There is no difference between the way microfinance is used as an emerging successful financial tool by selected public and private sector banks.

Hₐ: Public and private sector banks have different perceptions about using microfinance as financial tool.

(ii) Banking customer become more experienced and savvy using microfinance-based banking services.

H₀: There is no significance difference among private and public sector banks between selected microfinance based banking services.

Hₐ: There exists a significance difference among private and public sector banks between selected microfinance based banking services.

(iii) Customers demand a consistent service offering through microfinance

Sub Hypotheses
H₀: Customers’ Demographic and Customer Retention both are independent.

H₁: Customers’ Demographic and Customer Retention both are dependent.

(iv) Assessment of implications of Microfinance on Indian Banking Industry

H₀: There has been a no impact of Microfinance on the business of commercial banks in India.

H₁: There has been a positive impact of Microfinance on the business of commercial banks in India.

2.6 Research Design

A Research design is purely and simply the framework of plan for a study that guides the researcher to collect and analyze the data. The study is intended to find level of awareness of customers about microfinance initiatives by banks. The study is also intended to find the implications of Microfinance initiatives and impact of microfinance on Indian banking industry. The study design is Exploratory in nature. The study is conducted in two stages format, with a preliminary pilot study followed by the main study. The major part of the study is based on primary data.

2.6.1 Research Type

The research study is Descriptive in nature. Descriptive study is a fact-finding investigation with adequate interpretation. It is the simplest way of research and is more specific. Mainly designed to explore information and provides information for formulating more sophisticated studies.

2.6.2 Universe of the Study

The present study was limited to Rajasthan state only. For the purpose of the study Rajasthan was divided into seven divisions that are Ajmer, Jaipur, Jodhpur, Udaipur, Kota, Bharatpur, Bikaner. The following table shows the distribution of the district in different divisions.
Rajasthan State Geographic Division

<table>
<thead>
<tr>
<th>Division</th>
<th>Name of the districts under division</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ajmer</td>
<td>Ajmer, Bhilwara, Nagaur, Tonk.</td>
</tr>
<tr>
<td>Bharatpur</td>
<td>Bharatpur, Dholpur, Karauli, Sawai Madhopur</td>
</tr>
<tr>
<td>Bikaner</td>
<td>Bikaner, Churu, Sri Ganganagar, Hanumangarh</td>
</tr>
<tr>
<td>Jaipur</td>
<td>Alwar, Dausa, Jaipur, Jhunjhunun, Sikar.</td>
</tr>
<tr>
<td>Jodhpur</td>
<td>Barmer, Jaisalmer, Jalore, Jodhpur, Pali, Sirohi</td>
</tr>
<tr>
<td>Kota</td>
<td>Baran, Bundi, Jhalawar, Kota</td>
</tr>
<tr>
<td>Udaipur</td>
<td>Banswara, Chittorgarh, Dungarpur, Rajsamand, Pratapgarh, Udaipur.</td>
</tr>
<tr>
<td>Total</td>
<td>33</td>
</tr>
</tbody>
</table>

2.6.3 **Period of the Study** - 2011-2015

2.6.4 **Sampling**

This study consists of 500 samples which are collected from Rajasthan State. After reviewing the literature a method has been designed to achieve the objectives of research project. Initially it is decided to conduct a pilot survey through semi structure schedule and the schedule was sent to the customer based in the Jaipur city and the information regarding microfinance collected through schedule about their bank. In order to validate the products preferences factor and other strategic orientation a pilot survey of small sample Jaipur city was conducted by taking 130 customers sample size. The sample profile was as follows.
Table - 2.1 Demographic distributions of samples

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male</th>
<th>Female</th>
</tr>
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</tr>
<tr>
<td>Female</td>
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<table>
<thead>
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<tbody>
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</tr>
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<td>20-40</td>
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<td>40-60</td>
<td>33</td>
</tr>
<tr>
<td>Above 60</td>
<td>18</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of respondent</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>55</td>
</tr>
<tr>
<td>Business</td>
<td>25</td>
</tr>
<tr>
<td>Service</td>
<td>40</td>
</tr>
<tr>
<td>Any other</td>
<td>10</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Education</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Illiterate</td>
<td>25</td>
</tr>
<tr>
<td>Up to primary</td>
<td>65</td>
</tr>
<tr>
<td>Secondary</td>
<td>32</td>
</tr>
<tr>
<td>Graduate and above</td>
<td>18</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Marital status</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Married</td>
<td>87</td>
</tr>
<tr>
<td>Unmarried</td>
<td>43</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Monthly family Income</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5000</td>
<td>58</td>
</tr>
<tr>
<td>5000-10000</td>
<td>22</td>
</tr>
<tr>
<td>10000-15000</td>
<td>38</td>
</tr>
<tr>
<td>15000 and above</td>
<td>12</td>
</tr>
</tbody>
</table>

The scheduled based questionnaires were distributed on the basis of demographical profile of the customers. All respondents had given their responses. The respondents were asked certain questions to frame final questionnaire for the study. Responses of the questionnaire were also tested with the help of SPSS software and also discussed the questionnaire with experts to take the opinions and their view points to improve and redesign the final questionnaire.

The final questionnaires was prepared which has been enclosed here with for collecting data of Rajasthan state which is divided into five regions that is North, South, East, West, and Central.
The following table shows the distribution of questionnaires in different divisions.

### Table 2.2: Distribution of questionnaires in different divisions

<table>
<thead>
<tr>
<th>Division</th>
<th>Questionnaire Distributed Randomly</th>
<th>No of response</th>
<th>Response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ajmer</td>
<td>150</td>
<td>63</td>
<td>42.00</td>
</tr>
<tr>
<td>Bharatpur</td>
<td>150</td>
<td>72</td>
<td>48.00</td>
</tr>
<tr>
<td>Bikaner</td>
<td>150</td>
<td>56</td>
<td>37.33</td>
</tr>
<tr>
<td>Jaipur</td>
<td>150</td>
<td>103</td>
<td>68.67</td>
</tr>
<tr>
<td>Jodhpur</td>
<td>150</td>
<td>59</td>
<td>39.33</td>
</tr>
<tr>
<td>Kota</td>
<td>150</td>
<td>78</td>
<td>52.00</td>
</tr>
<tr>
<td>Udaipur</td>
<td>150</td>
<td>69</td>
<td>46.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1050</strong></td>
<td><strong>500</strong></td>
<td><strong>47.62</strong></td>
</tr>
</tbody>
</table>

Source: Primary data

### 2.6.5 Data Collection

The study is based mainly on primary data and supported by the secondary data. The primary data is collected from the customers with the help of schedule to evaluate the customer’s awareness. For this purpose a structured questionnaire is prepared and used by the researcher. The data set, include primary data collected through structured Questionnaire and secondary data collected from earlier records, references books, NABARD and other banks reports, journals, magazines and internet. To identify the consumer awareness a survey has been done through a scheduled based questionnaire and to access the implication of Microfinance on banking industry, secondary data has been used from NABARD report named "Status of Microfinance in India".

#### A) Primary data

Self-structured questionnaires have been framed pre-tested and then applied to gather information with the aim to solve the stated problem. Primary data are collected through different methods like questionnaire, personal interviews,
schedule method. Two sets of pre-tested questionnaire have been designed covering various important issues regarding the problem. Primary data have been collected from urban and rural areas of Rajasthan. Rajasthan is divided in five regions that are North, South, East, West, and Central. The Distribution of the questionnaires was based on above demographical profile. The respondents were asked certain questions related Microfinance activities. To identify the consumer awareness, Responses of the questionnaire have also been tested with the help of SPSS software.

B) Secondary data: - Secondary data include data collected from various sources, published as well as unpublished research papers, magazines, brochures, journals, periodicals, research papers presented in various conferences, books, internet websites etc. So, Literature Survey have been conducted to collect secondary data for the identification of different variables, probable contemporary issues, and clarity of concepts. This has been followed by primary survey. In the present study secondary data has been used from NABARD reports namely "status of microfinance in India" and data related to banks has been used from RBI report "trends and progress of banking". Data from Rajasthan region was collected from the various reports of centre of microfinance Jaipur.

2.6.6 Statistical tool

The collected data have been tabulated and analyzed logical status using various statistical methods. In this study simple percentage analysis, Chi. Square test, ANOVA, t-test employed to interpret. Cronbach's (alpha) was used to establish internal consistency. Cronbach's (alpha) is a coefficient of reliability. It is commonly used as a measure of the internal consistency or reliability.

The entire data of 500 respondents was coded initially. The open ended questions were made close ended by seeing the range of responses and code sheet was devised for all the questions. Coded data were transformed to the master sheets. Following this data, tabulation was done. Frequencies of responses against their codes were tabulated and their percentages were calculated. Further, data were analyzed and conclusions and inferences were drawn in the light of the objectives of the study. ANOVA test was applied to find out mean difference between factors. The level of
significance was 1 and 5 per cent. Pearson chi square test was applied to find out significant difference between percentages of various responses.

2.6.7 Data analysis and interpretation

Data analysis of respondents obtained was performed with the help of automated process. Data was analyzed with statistical packages of social science (SPSS) version: 21 to attend the result of test. The tests applied were reliability analysis, cross tabulation, T- test, F-Test, linear and multiple regressions and correlation analysis, ANOVA, Chi-Square Test.

2.6.8 Testing of Hypotheses

Hypothesis testing is a process by which an analyst tests a statistical hypothesis. The methodology employed by the analyst depends on the nature of the data used and the objectives of the analysis. Hypothesis testing is used to infer a result of a hypothesis performed on sample data from a larger population, which can be either null or alternate. The objective of hypothesis testing is to either accept or reject the null hypothesis. The procedure for deciding if a null hypothesis should be accepted or rejected in favour of an alternate hypothesis is computed from a survey or test result and is analyzed to determine if it falls within a preset acceptance region. If it does, the null hypothesis is accepted otherwise rejected. For testing of Hypotheses primary and secondary data were used. To test the impact of demographic factors, cross tabulation, T- test, F-Test, ANOVA, Chi-Square Test have been used.

2.6.9 Limitations

1. Personal bias of respondent cannot be removed.
2. The current study indented to focus geographically only to Rajasthan state.
   Wide geographical area coverage could result in to better reliability of findings.
3. Each factor does not equally contribute the microfinance, however for the current study equal weightage is assumed for all the variables.

2.7 Contribution of the study

Microfinance industry is fast becoming customer oriented. It is now the duty of Banks and other financial institution to understand the needs and wants of their
customers. The Indian Microfinance sector is now undergoing the change. Slowly and gradually it is coming out of the conservative approach and accepting the trends of twenty first century. The present research has been carried out to study various aspects of microfinance services provided by public, private banks and to assess the role & interlinked relationship of consumer awareness and microfinance. The literature survey reveals that organizations particularly globally operated banks, have been benefited with the induction of microfinance into their banking function. This has enabled them to fully exploit the strengths of microfinance in creating relationships resulting in business growth and profitability. It is also established how the Indian economy is in the process of integrating itself with the global economy wherein financial services and the banks are to operate in similar paradigm as exist world over. This changed scenario has come up due to the influence of globalization and privatization in Indian banks and the increased use of CSR into these services.

2.8 Scope for Further Research

Rajasthan is the largest state in India and the peculiar natural, social and economic features of Rajasthan define the need and scope for a strong microfinance movement. The primary sector dominates the essentially agrarian economy, with 2/3rd of the population dependent on agriculture and allied activities for their livelihood. So there is a huge scope of research in microfinance and CSR sector. Further these few scopes can also be identified.

1. The current study could for wider section of the retail microfinance customers. So further research can also be done with different parameters.

2. The study can be further stretched to understand the customer satisfaction related to self serving technologies like internet banking, mobile banking, etc in microfinance sector.

3. The study can be further stretched to understand the changing role of bank branches owing to the availability and advancement of self serving technology in microfinance sector.

4. The study recorded the point of view of customer’s however employee’s point of view can also be taken before arriving at any conclusion.
REFERENCES


