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**Study Design:
Household Savings Mobilization for Housing Finance
Companies**

Market and Research Group (MARG) Pvt. Ltd.
New Delhi

March 1994

Prepared for
Indo-US Housing Finance Expansion Program

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**HOUSEHOLD SAVINGS MOBILIZATION
FOR HOUSING FINANCE COMPANIES**

THE STUDY DESIGN

March, 1994

Prepared for : Abt Associates Inc. U.S.A.

By : MARG, Marketing and Research
Group Pvt. Ltd., New Delhi

MARG/AS/AM/9058

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I INTRODUCTION

With the onset of liberalisation, administered funds are on the decline. With the exception of a few, all Housing Finance Companies (HFCs) are dependent to a great extent on administered funds and / or assured credit.

There is hence a need for them to adapt to these new market conditions and adapt themselves to mobilise resources from the household sector.

It is to help the HFCs obtain an understanding of the household savings preferences and inputs for scheme design and marketing techniques that Abt Associates, the management support services contractor to the Indo-USAID Housing Finance Expansion Program would like to commission a research.

This document presents the design for such a study.

II

METHODOLOGY

Prior to actually designing the study, MARG and the Client agreed that some exploratory research would be useful. This research would facilitate a better understanding of the market and hence would provide valuable inputs for all aspects of the study whether in terms of coverage, content, or target respondent.

This exploratory research included ;

- 1) A review of some secondary data
- 2) Depth interviews
- 3) Focus group discussions.

II.1 Review of Secondary Data

This stage involved the study of :

- Our own syndicated research, i.e. Investrack
- Published information of the National Housing Bank
- Balance sheets and Deposit scheme brochures of various Housing Finance Companies
- Miscellaneous reports, memoranda and monographs related to the issue of Housing Finance Companies' funding

II.2 Depth Interviews

Qualified executives of MARG conducted detailed interviews with representatives of various Housing Finance Companies to obtain their views on the obstacles and opportunities for household deposit mobilisation.

All interviews were conducted with the help of an interview guide. (See Appendix)

The persons interviewed by us were ;

1. Mr.A.V. Goel, Senior Manager
Can Fin Homes Ltd.
Hotel Kohinoor Park, III Floor
Veer Sarvakar Road,
Opp. Siddi Vinayaka Temple
Prabhadevi,
Bombay - 400 025
2. Mr. K. Nenjundeshwar
Can Fin Homes Ltd.
32, Race Course Road
Bangalore 560 001
3. Mr. S. Krishnamurthy,
General Manager-Northern Region
HDFC, HDFC House
B-6/3, Safdarjung Enclave
DDA Commercial Complex
New Delhi 110 029
4. Mr. Nasser Munjee
Executive Director
HDFC, Ramon House
169, Backbay Reclamation
Bombay 400 020
5. Mr. P. Nageswara Rao, President
Vysya Bank Housing Finance Ltd.
72, St. Marks Road
Bangalore 560 001
6. Mr. A.K. Dam
Managing Director
SBI Home Finance Ltd.
Nagaland House
11, Shakespeare Sarani
Calcutta 700 071
7. Mr. R. K. Wadhawan,
Chairman & Managing Director
Dewan Housing Finance Ltd.
'Madhava' Opp.Sales Tax Office
Bandra Kurla Complex
Bombay 400 051
8. Mr. Nitin Palany
Managing Director
GRUH, Ambica House
Near CU Shah College
Ashram Road
Ahmedabad 380014

9. Mr. Paul Diamond
Chief Executive
LIC Housing Finance Ltd.
Bombay Life Building, 2nd Floor
Veer Nariman Road
Bombay 400 023
10. Mr. T. C Ghosal
Chief Executive
Peerless Abasan
5, Loudon Street
Calcutta
11. Mr. Alok Prasad
Dy. General Manager
The National Housing Bank
Hindustan Times Building
K. G. Marg
New Delhi.

II.3 Focus Group Discussions

These discussions aimed at exploring the views of the two sets of investors i.e. the small investor and the large one. Accordingly, four groups were held, one of each type in Bombay and Hyderabad.

Bombay and Hyderabad were identified as the centres as Bombay represents a mature market and Hyderabad a growing one. The group characteristics were as follows.

Group Type I : Sex : Male
Age : 30-55 years
Marital Status : Married
Monthly Personal Income : Rs.2500+
1993 Investment Amount: Rs 10,000

Group Type II : Sex : Male
Age : 30-55 years
Marital Status : Married
Monthly Personal Income : Rs.6000+
1993 Investment Amount : Rs.50,000+

The groups were moderated by trained executives of QUEST, MARG's in-house qualitative research division. Discussions centred around a pre-designed discussion guide (See Appendix).

The information collected at all stages was then analysed by MARG to understand the market, with all its implications and to design an appropriate survey.

III FINDINGS

The findings of the exploratory research can be grouped into various categories.

III.1 The Market Characteristics

III.2 Feedback of the Housing Finance Companies on

- a) Importance of household savings as a funding option.
- b) Market definition
- c) Constraints of deposit mobilisation
- d) The strategies for deposit mobilisation
- e) Their research needs

III.3 Focus group discussion conclusions on

- a) Current Investment Preferences.
- b) Investor motivations
- c) Investor Knowledge Levels
- d) Investor perceptions of
 - Company deposits
 - Housing Finance Companies
 - Deposit schemes of Housing Finance Companies

III.1 Market Characteristics

A study of our own syndicated research, INVESTTRACK provides some interesting information on the Indian Investor.

INVESTTRACK defined the investor as the financial decision maker in households with a minimum declared monthly household income of Rs.4000. Investtrack used declared household income as the screening criteria. The survey interviewed 4000+ respondents across 16 of the class I towns.

This research provides some useful information on the market ;

- * The Indian Investor may be segmented into 5 clusters (See Appendix)
- * Investors keep 60% of their portfolio in fixed income securities and the balance in growth schemes
- * Company Deposits (the closest surrogate to Housing Finance Companies' deposits) enjoy a penetration of about 16% (All India)
- * This penetration seems positively related to wealth and age. It is also relatively more common among
 - . salaried individuals
 - . towns with a population of 5 M+
 - . Maharashtrians and South Indians

However Investtrack does not provide any information on individuals with incomes of less than Rs.4000 per month. It also concentrates on the top 16 towns and does not cover small towns or rural areas. Moreover, Investtrack covered fixed/company deposits at a generic level and not those specifically held with HFCs.

III.2 Discussions with the representatives of the various Housing Finance Companies ranged on a variety of matters. Broadly speaking these could be grouped as follows :

III.2.a Importance of household savings as a funding option.

All surveyed Housing Finance Company's did not undermine the importance of household savings in their resource mix and were firm in their resolve to tap into them.

What did vary across companies was the present level of deposit mobilisation activity and the time frames for active mobilisation.

III.2.b Market Definition

All Housing Finance Companies officials believed that

- There existed a market for the fixed deposit product
- This market was however a marginally declining one
- The market was inversely related to the stock markets' performance
- The market lay among the middle and lower middle class of people
- In terms of town class, while collections are the largest in large metros, smaller urban centres too have a sizeable market
- The Fixed Deposit as an investment option is favoured by the retired or older investor
- Officials also believed that a rural market for deposits may exist but the cost factor of collection would need to be considered. At present, all surveyed Housing Finance Companies with the exception of GRUH and Vysya bank, were inclined to market their schemes in areas where they have an administrative presence.

III.2.c Constraints

Housing Finance Company officials listed various obstacles in their efforts at successful deposit mobilisation.

Officials believed that a 'Level playing field' among all participants in the financial market was essential, if they were to compete meaningfully for a share of the household resources. They would like to be on par with banks, co-operative societies, finance companies etc.

The constraints discussed were :

- Tax deducted at source or the law that obliges companies to deduct tax at source on interest / dividend payments of Rs.2500 and above. This was stated as the single most irritant in the HFC's ability to attract and service customers
- Acceptance of Cash deposits of amounts greater than Rs.20,000. To prevent conversion of undeclared funds into deposits, companies are not permitted to accept cash payments for deposits larger than Rs.20,000/-. However HFC officials believe that this acts against genuine investors in rural / semi-urban areas where cash is held purely because the banking system / habit is not as strong as in urban India.
- Term of deposit.
Housing Finance Companies believed that term should not be specified and that shorter term deposits could be an attractive option. They dismissed fears about their inability to match their resources with their disbursements. This view was however not shared by the NHB
- Advertisement of Financials
Housing Finance Companies felt that an important hurdle in creating awareness among the public was the statute which required them to publish a 'full advertisement' stating their financials, past performance etc. These advertisements are lengthy and costly and hence the frequency is not as much as desired. Consequently the required level of public awareness may not be created.
- Deposit Insurance
Officials were divided on whether or not Deposit Insurance by the NHB could facilitate greater deposits. At present bank deposits are insured to the maximum extent of Rs.30,000 per account.

III.2.d Strategies for Fixed Deposits

Housing Finance Companies' representative interviewed believed that they could attract depositors by

- * Attractively designed schemes
- * Excellent customer service
- * A motivated and exhaustive agent network
- * Concentrating on the areas where they have a presence

III.2.e Research Needs

Officials of the various Housing Finance Companies were asked about the possible uses of the proposed research.

Their answers fell into three main categories :

- 1) To validate their constraints among the investing public so that their stand could be effectively presented to policy makers
- 2) To provide an analysis of the fixed deposit investor in terms of :
 - his age
 - his occupation
 - invested amount
 - life cycle stage
 - location
- 3) To provide inputs to develop customer friendly schemes

III.3 Group discussions among the investor classes in the two cities revealed various dimensions of the investment behaviour.

These may be studied as follows :

III.3.a Current Investment Preferences

Investors are primarily motivated by 3 conflicting desires at the time of portfolio allocation i.e.

- * Tax savings / risk cover
- * Principal security
- * High returns

Most individuals aim to satisfy their tax requirements first. These are often referred to as "compulsory savings". Also included here is the need to provide a risk cover. Hence, LIC, NSC, PPF are the schemes opted for first.

Then an individual looks at other schemes which offer better returns but at the same time he is assured that his capital / principal is safe. At this stage he is thus willing to look at variable interest rate options with secured principal. Liquidity too is an important consideration at this stage. Mutual Funds, Debentures, Gold, Bank Deposits are the schemes considered here.

Then if an individual still has a surplus he is willing to 'gamble', 'speculate', take an 'informed decision' 'calculated risk' and invest in primary, or secondary shares.

This tendency was common across three groups i.e the two Bombay groups and the larger investor group of Hyderabad. The small investor in Hyderabad thought quite differently. He looked for liquidity, safety, risk cover for his family. The desire for the share market is very limited.

This group finds it difficult to save and therefore looks for regular, forced savings. Chits and LIC are common in this group.

III.3.b Investor motivations

As earlier research such as 'INVESTTRACK' has proved, investors both large and small look for

- safety
- tax benefits
- return and liquidity

Among investor classes the smaller investor of the smaller town i.e Hyderabad is less, confident, more risk averse than his counterpart in Bombay.

Another motivation, not yet proved, but seems to exist is to be "considered a smart/savvy investor". Investors seem to want "a part of the action" and be perceived as knowledgeable. This suggests that there may be a psychological need to be considered knowledgeable on which instruments could be positioned.

The investors of Hyderabad both large and small see investments as a way of building tangible assets whether it is a house, gold or teak plantations or for the specific purpose of looking after their wives or children.

Investors of Bombay on the other hand invest to earn "an extra income" or "to keep up with the times".

There was also a feeling of uncertainty due to liberalisation and its possible fallout, in terms of retrenchment, voluntary retirement and hence a need was expressed to "make money quickly". This was the view of Bombay's smaller investor.

III.3.c Investor Knowledge Levels

Knowledge levels seem to be directly related to investment amounts with the 'large investment' class displaying a detailed understanding of the market.

Large investors of both cities were aware of the concept of proportional allotment of shares and its implications on Mutual Funds.

Similarly they were aware of the possibility of falling interest rates, inflation calculations and risks in investments e.g. Bank of Karad, Nirlon episodes.

Smaller investors are less informed more so in the case of Hyderabad.

Bombay's smaller investor was aware of Deposit Insurance and is clearly more confident than his Hyderabad counterpart. Overall the three groups (except the small investor of Hyderabad) were confident, believed in themselves and wanted to be seen as informed, knowledgeable players.

III.3.d Investor Perceptions

i) Perception of Fixed Deposits

Investors are aware of scheme features and operations. There are however no strong feelings on fixed / company deposits. They are seen as just another option available to the investor. It seems to offer no single Unique Selling Proposition. This feeling was common across all groups.

To paraphrase, there was no motivation to invest in a fixed deposit / company deposit.

When probed, advantages of the fixed deposit were perceived to be the interest rate, regular income, shorter term and the promise of better customer service vis-a-vis nationalised banks.

Disadvantages were that there were other instruments which were more attractive i.e. debentures in terms of return and service. Also the security of the company deposit was questioned. Nirlon etc. were stated as examples where investors lost heavily. There is also a fear than companies may not be all that prompt in principal and interest repayments.

ii) Perceptions of Housing Finance Companies.

Across all groups there was an awareness of an entity called a Housing Finance Company. The awareness was the weakest in the smaller investor group in Hyderabad.

Respondents were also well informed about the functions and objectives of the Housing Finance Companies.

Housing Finance Companies had varying connotations among investors i.e., some saw them as intermediaries dispensing funds sanctioned by the government.

- Some saw them as fulfilling a social obligation
- Some saw them as being in collusion with builders / "... operating a racket"

Among all the Housing Finance Companies awareness of HDFC, LIC, SBI & Can Fin Homes was higher.

For the other companies which had a strong parent, the parent body was known but not its Housing Finance subsidiary.

Among the small private companies Dewan Housing was fairly well known - being spontaneously mentioned in 3 groups. It however had some negatives attached to it. (It was seen by some to promote its own constructions and collude with builders.)

The name of GRUH too was somewhat familiar to the participants due to the fact that it was listed. Quite clearly listing of a company's share improved it's awareness.

The smaller investors of Hyderabad were somewhat suspicious of HFCs seeing them as 'fly by night' operators....eg. Tapovan etc.

Overall HDFC had a very positive image - as a sound company with excellent customer service.

LIC was a close second SBI & Can Fin Homes too were well regarded.

iii) Perceptions of deposit schemes of HFCs.

Investors across all groups were aware of Deposit schemes of HDFC. One individual had invested in "Easy way" of HDFC.

However they were not very familiar with scheme details. They felt it was a 'recent' development and was yet to catch on.

There was marginal awareness of schemes of SBI and Can Fin. Homes.

On being shown an outline of the Deposit features, (See Appendix) no excitement was generated among participants.

Standard reactions were.....

"There is nothing new'.....

"It is a universal offering...."

However the features that interested respondents the most was the possibility of a loan. This was most marked in Bombay, keeping their overall desire to participate in the share market.

On their willingness to invest in these schemes, respondents were unenthusiastic. Factors which could positively influence them were :

- * Promoter name ie. HDFC
- * Link to Housing Loan

- * Interest rate rebate or concessional rates of interest on housing loans subsequently availed and a loan sanction preference
- * Some promotion by agents / brokers or sharing of commissions.

Reservations to investing were

- * Lack of knowledge of the company / promoter's performance
- * Lack of any major positive

The only group to show some willingness to invest in HFC deposits was the small investor in Hyderabad.

Single respondents in both the high investment groups mentioned that an HFC's deposit would be safer than a manufacturing company since it has more fixed assets i.e. houses.

Overall the view was that only if the person was looking for a housing loan sometime in the future would he consider investing in an HFC deposit or to paraphrase there was no 'stand-alone' motivation to invest with a Housing Finance Company.

IV. THE PROPOSED STUDY DESIGN

IV.1 The Research Objective

On the basis of the findings of the exploratory research various hypotheses have been shortlisted. The objective of the research is to validate these hypotheses ;

a) Market Related Hypotheses

There is a class of people who believe in fixed deposits and with continue to regard them as a viable investment option. These are likely to be ;

- middle and lower middle class
- salaried or retired
- married
- and residing in both large and small towns.

In large towns the incidence of fixed deposits may be lower due to a more knowledgeable and exposed investor class but the collections are vast due to the sheer volume of investors. The small towns on the other hand, have a higher incidence of fixed deposits due to a relatively less knowledgeable / exposed investor class but lower collections.

b) Marketing Related Hypotheses

- The image of HFCs is not always a positive one
- The level of safety associated with a company is an important influencer to investing in it
- A good agent network can contribute to deposit mobilization.
- The goodwill enjoyed by an HFC is significantly more in the areas where it has a physical presence
- The intention to invest in a company is influenced by the familiarity of the company name
- Investors desirous of building / buying a house some time in the future will be more inclined to invest their savings in fixed deposits of HFCs
- Quality customer service can positively reinforce investment decisions
- Investors are attracted by innovative schemes
- Certain features of the HFC deposit act as a barrier to investment.

IV.2 The Survey Contents

To ensure complete validation of the hypotheses the survey would cover the following information areas

* Market Related Hypotheses

- Incidence of investments
- Allocation of portfolio
- Incidence of investments in fixed deposits
- Method of investment decision making
- Future investment intentions including house purchase intention
- Attitude to investment

* Marketing Related Hypotheses

- Awareness / familiarity levels of various HFCs and their competitors i.e. Banks, UTI
- Comparison of HFCs and their competitors on various dimensions i.e. stability, trustworthiness, credibility, management expertise etc.
- Service expectations of investors i.e.
 - . instant deposit receipts
 - . prompt payment of interest/principal
 - . speedy redressal of queries, polite staff etc.
- Role of agents in the mobilization process.
- Investor preferences for scheme features
 - . cumulative vs income schemes
 - . monthly vs quarterly payment
 - . subscription amounts
 - . one time investment vs continuous / periodic investment
 - . overdraft preferences
 - . term preferences
 - . additional benefits i.e. housing loan linkages, interest rebate, preferential treatment for loan sanction
 - . sharing of commission
 - . home collections vs visits to company
 - . passbook / checking facilities
 - . passbook/checking facilities

- Barriers to investing in fixed deposits of HFCs. The extent to which deposits could be increased if

- . the tax deducted at source condition was relaxed
- . deposit insurance was provided
- . credit ratings were published
- . cash deposits were accepted
- . shorter term deposits were offered
- . nomination facilities were provided
- . commissions were flexible

In addition the survey would obtain demographic information i.e. age, income, education, occupation, lifecycle stage and mother tongue.

IV.3 Research Design

To best meet the objective of the research we recommend a large scale random listing survey among target respondents.

IV.3.a Target Respondent

For the purpose of the survey we define the target respondent as the chief wage earner of any household who in 1993-1994 has invested a minimum of Rs.5000 in any of the 'investment schemes' listed below and residing in class I towns. These are towns with a population of 1 M or more. There are 300 such towns in India.

Life Insurance Schemes

Post Office Savings

Savings with Co-operative Societies

Fixed Deposits with Co-operative Banks

Fixed Deposits with Commercial Banks

Organised Chit Funds

Informal Chit Funds

Indira Vikas Patras

Kisan Vikas Patra

Units of Unit Trust of India

Mutual Funds - Tax purposes

Mutual Funds - Non Tax

Public Sector Bonds

Deposit with Manufacturing Companies

Deposits with Finance Companies

Deposits with Housing Finance Companies

Non Convertible Debentures (NCD) of Manufacturing Companies

Non Convertible Debentures of Finance Companies

Convertible Debentures

Shares - New Issue

Shares - from market

NSC

NSS

PPF

Plantations

Gold/Jewellery/Real Estate

Rationale for the target respondent definition

The justification of the target respondent criteria is as follows :

1) Investment cut-off and/or Income cut-off :

An alternate to the invested amount could be income. However people do not declare their actual incomes. In fact our past experience suggest that lower income groups inflate their incomes and vice versa.

Moreover an income qualifications is only a necessary but not a sufficient condition to investment. Personal variables such as household size, liabilities etc. may prevent a direct translation of income to investment.

2) Investment amount cut-off

An Investment among of Rs.5000 guarantees a viable deposit amount for HFCs even if it is divided across two or three schemes.

Also using the national savings rate of 20% an investment cut-off of Rs.5000 hence assumes an annual income of Rs.25000 which is the lower middle class income range. This has been defined by many HFC's as their target market.

3) Town class condition

The survey of HFCs revealed that all of them are concentrating their marketing in areas where they have an administrative presence.

Moreover the investors' comfort levels are also higher with locally based companies. At present all HFCs are based in class I towns, and hence the focus on these centres.

IV.4 Sample Plan

IV.4.a Sample Size and Coverage

We recommend the following sample for the random survey.

Town Class Pop (M)	(N)	Sample Centre (No. of interviews)			Total
		(S)	(E)	(W)	
5+	Delhi (500)	Madras (500)	Calcutta (600)	Bombay (700)	2300
2-5	Kanpur (400)	Hyderabad (600)	-	Pune (500)	1500
1-2	Jaipur, Ludhiana (250 x 2)	Coimbatore Vishakapatnam (250 x 2)	Patna (250 x 1)	Surat Vadodara (250 x 2)	1750
5-1	Agra, Ghaziabad (200 x 2)	Vijaywada Tiruchira -palli (200 x 2)	Jamshedpur Dhanbad (200 x 2)	Gwalior Rajkot (200 x 2)	1600
Below 5	Udaipur Mathura (150 x 2)	Kollam Vellore (150 x 2)	Habra English Bazaar (150 x 2)	Ahmednagar Ratlam (150 x 2)	1200

					8350

(For the rationale for sample design see Appendix)

* Class I towns account for 65% of the total urban population

In addition, to ensure adequate representation of the different investor classes we propose to over sample these categories by means of Booster Interviews. These interviews will be analysed separately from the Random Interviews.

The suggested quotas for the investor classes is as follows :

	TOWN CLASS						TOTAL
	A	B	C	D	E	F	
Large Investor Class (Rs.25,000+)	100	100	100	100			400
Middle-Large Investor Class (Rs.10,000 - Rs.25,000)	100	100	100	100			400
Small Investor Class (Rs.5000 - Rs.10,000 p.a.)				Will be achieved by random sampling			
Fixed Income Investors							

We also recommend a sub-study among agents of LIC/UTI for which the sample size would be as follows :

	Metros + Mini Metros	Small Towns	Total
No. of agents	75	25	100

IV.4.b Sampling Method

We propose to use random cluster sampling. As per this method and we would use the electoral rolls of each centre as the sampling frame.

From each electoral roll we would randomly select about 20 - 50 starting points. Around each starting point a predetermined number of households would be interviewed.

Households would be selected by implementing the Right Hand Rule of field movement.

IV.4.c Sample Weighting

Since the sample proportion may be different from the population proportions, we recommend weighting the data to correct for differences.

IV.4.d Analysis

The survey would facilitate the analysis of responses by ;

- Town class
- Region
- Investor type
- Investor class
- Investor class x Town class

However it would not facilitate an analyses by

- Town class x Region
- Investor class x Region

Recommended analysis techniques are multi dimensional scaling, St. James's model and Conjoint Analysis.

V.

APPENDIX

INVESTOR SEGMENTATION

Segment -----	Needs -----	Profile -----
1. Wealthy Informed Players 18%	<ul style="list-style-type: none">. Promoter reputation. Tax benefits. Knowledge. High return/ Capital appreciation	<ul style="list-style-type: none">. High Income/ Wealth. Age 35-50. High/Medium risk. High stock market participation. South Indian- Telugu/Malayali. Financial sector
2. Lazy Investor 19%	<ul style="list-style-type: none">. Hassle free investment. Tax benefits. High return/ Capital appreciation	<ul style="list-style-type: none">. High income. Medium/Low Wealth. Young. Medium risk. Low stock market participation. East-Bengali

A

3. Liquid Investor
13%

- . Regular interest
- . Low income
- . Short period of investment
- . Low/Medium Wealth
- . Liquidity
- . Low risk
- . High return
- . Slightly older family man
- . Tax benefits
- . Medium stock market
- . South Indian-Tamil
- . Private Sector/
Self Employed

4. Safe Investor
11%

- . Fixed interest
- . Low income
- . Regular interest
- . Age 51+
- . Promoter reputation
- . Low risk
- . Security for loan
- . Low stock market participation
- . North Indian
- . Govt/Public Sector

5. Hopeful Player
39%

- . High return
- . Low income
- . Knowledge
- . Medium/High risk
- . Capital appreciation
- . Medium wealth
- . High SM player
- . West-Gujarati/
Marwari/Sindhi

The sample design is influenced by two considerations
ie.,

- adequate representation of various town classes
- adequate representation of the four regions.

as our experience suggests that there are variations across both these categories.

Our initial thought was to have a self weighted sample and accordingly we analysed the population distribution as follows :

Pop Strata	% dist.	No. of Towns	Regionwise			
			(N)	(S)	(E)	(W)
5M+	27	4	22 1*	14 1	29 1	35 1
2-5 M	12	5	13 1	52 2	- -	35 2
1-2 M	12	14	30 4	26 4	6 1	38 5
.5-1 M	14	30	31 10	25 7	21 6	23 7
Below .5	35	247	26 65	33 79	18 46	23 57
	100	300				

* No. of Towns

However using the same distribution for the sample had some drawbacks :

i) A large proportion of the interviews would have to be conducted in the small towns with populations of less than 5 lakhs. There are more than 200 such towns in which HFCs have only a marginal presence and which is not their immediate target market.

Thus devoting this large proportion of the sample to this segment would imply either,

- inadequate interviews of the middle town classes ie., with populations of 5 lakhs - 20 lakhs.
- an enlarged sample size with corresponding time & cost implications.

ii) Inadequate representation in some cells.

This again implied either enhancing the sample size with time & cost implications or ignoring certain town classes x region cells.

To overcome these problems the sample design broadly reflects the population distribution wherever feasible and where it does not we will weight the data appropriately.

The towns identified in each cell were selected with the help of random number tables.