



Unearthing the character of microfinance in self-employment generation for bridging the gaps of disparity: a case study

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Abstract

The microfinance sector is all about making credit available to low-income households through an array of institutional channels, encompassing scheduled commercial banks, regional rural banks, small finance banks, self-help groups, business correspondents, non-banking financial companies (NBFCs), cooperative banks and microfinance institutions (MFIs) registered as NBFCs. The Andhra Pradesh microfinance crisis of 2010, which led to the Y. H. Malegam committee regulatory framework applied to NBFC/MFIs, brought microfinance to the core of policymakers in India. At present, microfinance schemes serve to bridge economic disparity through the generation of self-employment in the rural sector. A qualitative study was undertaken in the states of Uttar Pradesh and Bihar in India to identify the influence of microcredit activities in the country for self-employment generation and understand the problems and issues from the perspective of actual borrower. The method employed was a case study analysis of actual borrowers to evaluate the contribution of microfinance towards the betterment of their lives, besides understanding the hassles faced by the borrowers in the entire process of microcredit lending, utilisation and repayment. In India, microfinance is still in its nascent stage despite the government's increasing focus on the proper functioning of all microfinance players through close supervision and digitisation. The study reported that government should focus on providing technical and business support to ensure that money lent is invested astutely and assist in the social and economic welfare of the beneficiary, not trapping them in indebtedness. The compulsory training and support regarding technical know-how, business procurement, financial planning and marketing skills clubbed with efficient monitoring facilitates achieving the real objectives behind microfinance. The challenge lies not in sanctioning credit but in ensuring the proper utilisation of the money to avoid non-payments and defaults. The study in hand proposed that integrating few alterations in microfinance system comprising knowledge sharing and training, raising microcredit amount and providing pre- and post-credit support will assist borrowers economically, socially and psychologically. Further microfinance help combat social issues like malnutrition, gender discrimination, poor literacy rate, domestic violence and poor quality of life in rural India through women empowerment and self-employment generation.

Keywords Microfinance · Self-employment · Women empowerment · Issues and challenges

Introduction

World Bank classified India as a low-income country. It is the second-most populous country globally, with 70% population living in rural areas. The agrarian nature of the economy ensues chronic underemployment as 60% of the rural population depends on agriculture for their livelihood, resulting in abject poverty, a low education rate, a low sex ratio and massive exploitation. The high incidence of rural poverty can be attributed to the low asset base. According to the Reserve Bank of India (2019 Annual Report), about 51% of people possess only 10% of the total asset of India; consequently, low production capacity both in agriculture

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(which contribute around 22–25% of GDP) and the manufacturing sector eventuate.

The microfinance sector ensures credit availability to low-income households through an institutional arrangement. Muhammed Yunus, Nobel laureate, pointed toward microcredit's dual proposition nature and said that microcredit could better reach out to the poor than conventional banking.

Although prior to the Andhra Pradesh microfinance crisis of 2010, microfinance could muster the least government attention; presently, the government is employing microfinance to eradicate social and economic disparities in the country. To assist the borrowers, the central government has announced its intention to enact a newly modified microfinance bill in the parliament. The government is continually floating new rules to monitor and build up the microfinance sector and maximise the flow of benefits to the disadvantaged section. Government initiatives include a credit guarantee scheme to facilitate loans of up to Rs 1.25 lakh per individual to 25 lakh persons through microfinance institutions (MFIs) and introduce the E Shakti portal, to name a few. The government is weighing up the revamping of prudential norms, boosting transparency, disclosing with a Fair Practices Code and liberalising interest rate regulation.

Indian microfinance industry, with a growth rate of 26%, touched rupees 64,000 crores for the year 2016–2017, making it about the US \$ 10 billion industry. According to the annual report of NABARD 2016–2017 SHG, Bank linkage programs touched ten crore households, more than 85 lakhs SHG with a deposit of about Rs. 16,114 crores, annual loan of 38,800 crores and loan outstanding of nearly Rs. 61,600 crores.

Today, the SHG Bank linkage program is the largest and most widely participated microfinance program in the country and possibly the world mainly because of the huge number of channel partners and their work at ground zero. Bihar, Rajasthan, West Bengal and Maharashtra account for 63% of the net addition of SHGs during the recent 5 years. SHG Bank linkage program has expanded in eastern, north-eastern regions and other priority states during the last 10 years, thus balancing the program reach erstwhile skewed towards southern states. As per the reports, the share of the Southern region in terms of the number of SHGs contracted to 43.40% in 2016–2017 from 48.30% in 2014–2015. States like Telangana, Gujarat, Uttarakhand, Chhattisgarh and Jharkhand have registered higher growth rates.

In the last 5 years, the microfinance industry has grown leaps and bounds in practically every aspect, i.e. increased branches and customers, growth in disbursements, revenue and team size. Despite the phenomenal rise of microfinance institutions and equivalent surge in policies, the massive potential in India still exists for microfinance that invariably remains untapped. For the attainment of balanced economic development of the country, effective utilisation of

scarce national financial resources and better interest of rural poor, it is imperative that a holistic understanding of issues, perspectives and problems related to microfinance sanctioning, utilisation and repayment of loan amount be delved into through first-hand experience of actual beneficiaries.

Review of the literature

Microfinance is an economic development approach that endows saving and investment facilities to the underprivileged worldwide. Microfinance is not only about providing microcredit to the deprived, but it covers a wide range of services like credit, savings, insurance, remittance and also non-financial services like training, counselling, etc. In a nutshell, it is a multi-edged tool assisting the economically disadvantaged to work their way out of poverty and unemployment.

Different nations have defined microfinance in their specific ways. However, microcredit can be broadly defined as the provision of "small loans" to the poorer segments of the population without the requirement of any physical collateral.

The National Microfinance Taskforce (NABARD 1999: Annual Report) has defined microfinance as the "provision of thrift, credit and other financial services and products of minimal amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards". Kofi Annan, Secretary General, United Nations (Press Release 2004), said that "Microfinance is not a charity. It is a way to extend the same rights and services to low-income households available to everyone else. It is recognition that poor people are the solution, not the problem".

Copestake et al. (2001) established a link between the availability of microfinance and the overall well-being of the poor. Iweala (2005) asserted that entrepreneurial capability could be significantly enhanced by providing micro-financial services to entrepreneurs by engaging them in more economic activities, leading to more self-reliance, increased employment opportunities, enhanced household income and wealth creation for the poor. Mayoux (2006) has examined that microfinance programs, besides giving women and men access to savings and credit, unify them in organised groups. Khan and Rahaman (2007) concluded that there is a significant impact of microfinance activities on improving the living standard of the family in economic and social terms in Bangladesh. Fashola (2008) argues that microfinance facilitates new job opportunities creation and a new orientation to start a business. It helps in generation of wealth and assists in raising the standard of living at each level of the community.

Shetty (2008) found that majority of the sample households who accessed microfinance programmes witnessed

improved income, employment, assets, household expenditure, housing condition and empowerment of the poor. Mehta et al. (2011) found that the SHG-Bank Linkage program improved rural people's access to financial services, which substantially impacted the betterment of socio-economic conditions and poverty reduction of SHG members and their households.

Rifai and Goh (2021) revealed that microloans appear to positively impact the microfinance participants at the community, microenterprise and household level. Al-Amin and Mamun (2022) highlighted that microfinance had brought many positive changes in respondents' income, family status and overall socio-economic condition.

Cheston and Kuhn (2002) has examined that potentially microfinance may have an overwhelming impact on women's empowerment. Further cited that microfinance cannot be rated as a one-stop solution to all women's problems but is definite to empower women and assist them in upward economic and social mobility. In India, although women's labor makes a significant contribution to the economy, the problem is intense; the poor women are most disadvantaged and significantly lack education and access to resources that may assist them in breaking out of poverty. Gobbi (2005) opined that microfinance is an essential tool of social change and strives toward the improvement of the social and economic status of women. Dash et al. (2016) revealed that 80% of women profiles record significant social, economic and political empowerment after joining the microfinance programs. This program helps women to gain self-confidence and improve their decision-making skills.

Furthermore, it helps to build the mutual relationship between MFIs and women. Nimmi and Ramachandran (2021) revealed that women's empowerment is particularly a critical economic concept, and it always helps to take a step forward. The objective of microfinance is to provide financial independence to women. Researchers investigated women's empowerment through microfinance in Palakkad District of Kerala and revealed that a significant part of women availed the microfinance to promote the poultry farming business. Tiwari et al. (2021) cited that women workers worldwide contribute to the economic growth and sustainable livelihoods of their families and communities. Microfinance helps empower women from poor households to make this contribution.

Several scholars, through their research, highlighted the problems and constraints of microfinance. Karuppasamy (2010) found that the main problem confronting the self-help group was the marketing and sales of their product. Beevi and Devi (2011) reported that the primary constrictions of self-help groups were transportation, working capital and managerial skill. Menon (2007) stated that SHG's poor monitoring and training of group members is the major problem encountered.

Sulthana (2012) stressed that poor market development strategies of self-help groups result in poor positioning of their products against the competitors. Krishnaveni and Haridas (2013) listed several problems confronting self-help groups, like low market potential, poor product packaging, lack of materials, machines and equipment, getting the loan from the bank, repayment of the loan, continuity, lack of awareness, marketing their products, etc.

Gandhi & Udyakumari (2013) said that if new businesses are trained with marketing knowledge, they can grow and face the competition.

A number of studies have concluded that microfinance directly impacts poverty, women empowerment, social inclusion, improvement of the standard of living, social empowerment, betterment of health and education, etc. A fair amount of research has also been conducted to unearth microfinance's problems, issues and constraints. The theoretical backdrop necessitates comprehending the actual scenario of microfinance activities from the perspective of the borrowers. The perspective related to advantages gained, assistance received, problems encountered, constraints faced, issues handled, motivating factors and suggestions offered for enhancing the effectiveness of microfinance activities is needed to be studied. The first-hand data from cases (respondents) will provide the evidence required to examine the microfinance activities from holistic perspective in India.

Research methodology

The government is striving to nip poverty with the weapon of microfinance. The present research was conducted to identify the influence of microfinance at the grassroots level. A qualitative study was taken up in India to determine the outcome of microcredit activities in the country. The method employed was a case study analysis of actual borrowers to recognise the contribution of microfinance toward the economic and social betterment of their lives. The central objective of the study was to comprehend the advantage received and the actual problem faced by borrowers at the ground level in loan sanctioning, utilisation and repayment of the loan. The data collection method employed in the study is the unstructured personal interview of the borrowers on a one-to-one basis, wherein the storytelling method was used. The respondents were asked to narrate their story pre- and post-sanctioning of microcredit, including hassles faced and the motivation that kept them going. The researcher probed the respondents for further details and unearthing relevant information. The sampling frame was borrowers of microcredit in the states of UP and Bihar. Nine households that borrowed credit were selected for case analysis. The interviewer subjected the participants to unstructured interviews

to understand and evaluate their situation before sanctioning microcredit and post-sanctioning of credit. The study also aimed to bring to fore the bottlenecks in sanctioning and repayment of credit and how far microfinance influences borrowers' lives. The data collected was subject to qualitative analysis, and deductive method of analysis was employed.

Cases under study

Case 1

Prior to sanction of microcredit

Bhagmatiadevi, a resident of Village Badan Aurangabad, located in Bihar, does not have a fixed source of income. Her family was hand to mouth, and she and her husband could not provide education to their two children because their earnings were not sufficient to arrange their meals. The miseries of this penniless family multiplied if someone in the family, especially children, fell ill. Both the spouses were forced to work as day labourers to make their ends meet. Getting work was a matter of chance, and even the wages they received varied from day to day. One day, some known informed her husband about microcredit for women too without pledging anything. They decided to take a loan to meet their expenses. Officials informed them that the loan was for doing some economic activity, not meeting household expenses.

Post the sanction of microcredit

The family's mind was jiggled up, and they started to think about some activity they could take up. Finally, they decided to sell fruits and vegetables for Rs. 6000, sanctioned by a Microcredit institution in their village. Her husband purchased a pushcart and started selling fruits and vegetables in a nearby locality; thus, regular income started pouring in. She also sold fruits and vegetables from her mud hut, adding to the family income. Besides proper meals for the family members, the household could then expand on their children's education and other basic requirements. Their economic condition improved but still was not in perfect shape. Bhagmati and her spouse could make ends meet, but that was not enough. They wanted more loans to set up a shop for fruits and vegetables and some grocery items. They tried to approach the microcredit institution but were denied. Finally, they could get a loan from a local moneylender, servicing which soaked a major portion of their earnings.

The couple worked hard and could repay the microcredit loan but are still servicing the moneylender's debt. Their

socio-economic condition is definitely better than before taking microcredit, but it would have been better only if they could receive further support. They believe that if only they were helped with additional loans, they would have been free from moneylenders. They believe that taking a loan is not that easy. They had to seek the help of influential in the village. Contrary to being promised, no help regarding sourcing materials, running the business or money management was received from the officials.

Case 2

Prior to sanction of microcredit

Kamodevi lived in Village Kandi, Aurangabad (Bihar). Her husband succumbed to tuberculosis in want of medical facilities. She could not arrange the money for treatment, as the indigent were fighting for existence wherein the arrangement of two meals a day was difficult for the family.

Post the sanction of microcredit

After her husband's untimely demise, she was connected to a microcredit institution in her village. A credit amounting to Rs. 6000 was extended to the unfortunate women. She invested the money in the purchase of a cow and engaged in selling milk to nearby households. The earnings, of course, improved but proved minuscule to her massive predicament. What all she could manage with the meagre amount was satiate her hunger pangs. Her miseries never lessened. Moreover, she could not repay the loan.

She said that she started the activity of milk selling but hardly had known anything about the business of milk selling. She needed a lot of hand-holding and torch-bearing by someone who could teach her the mechanics of business as well as cattle rearing. The uneducated lady shared that she was distressed on account of fear and guilt of non-payment of the loan. Also, her effort to be economically self-dependent and engaging in business and dealing with males was not promoted by her community nor her village as she belonged to an upper-class section of the society. She is thankful that she received the loan but says "ham jaise logo ke liye itna asaan nahi hota, Sarkar hame batayegi to ham jarur kar pate".

Case 3

Prior to sanction of microcredit

Jamuna Devi used to live in village Sirhavi, Varanasi, UP. Her husband was a carpenter and that was the only source of family income. They had three children who had no access

to proper education besides a lack of nutritious meals. The poverty-stricken family lived in Kutch house (hut).

Post the sanction of microcredit

They borrowed a loan of Rs. 6000 from a microcredit institution and that was the starting point of their good fortune. An employee of a microcredit institution informed them about the possibility of borrowing loan free of collateral. The family purchased some new tools and instruments and started making toys. Both the spouses were working hard to make and sell the toys home to home and at village Haats and Melas. They prospered in their endeavour and repaid the loan after 6 months. They took another loan of Rs. 15,000 to enhance their business which was successfully repaid within four months. Their business thrived, resultantly they own a toy shop and their concrete house is under construction. Children are studying in a convent school. The family is keyed up for the expansion of their business and fulfil their dreams of opulence.

The lady shared that they have not foreseen the current situation and they had no idea about how things will turn up. But, they worked hard. They also share that they were thankful to the authorities for helping them with funds but it would be excellent if they received some knowledge and help in starting and running their business. But, the family is really happy with their escalated socio-economic condition and does not mind the emotional and psychological pains they had to undergo in this journey. Fear, uncertainty, despise, whatnot, but now everything is good.

Case 4

Prior to sanction of microcredit

With two children, Sahana (35 years old) was married to an artisan who weaved for others. The disadvantaged family lacked the necessities of food, shelter and education.

Post the sanction of microcredit

They purchased their first manual handloom machine on a second-hand basis and started their own weaving business after borrowing 7000 rupees from a microcredit institution operational in their village. Within 6 months, they not only repaid their loan but also purchased a new weaving machine by reinvesting business profits. Their conscientiousness was rewarded well through business growth and swelling profits. Subsequently, after 15 months of the first loan, they took another loan from a microcredit institution amounting to Rs. 11,000 and purchased their first embroidery machine and repaid the loan within 7 months. At present, they own three weaving machines

and two embroidery machines and have employed an artisan. They are planning to purchase a semi-automatic handloom machine. They now own a small piece of land where a house is under construction.

She said that they always wanted to weave for themselves but did not have funds. Finally, the microcredit came as a boon, although they had to run for 3 months to get the loan. Her husband was already having the skill so knowledge was not a problem; she shared that her husband had also taken a loan from the local moneylender, as microcredit was not sufficient. She believed that if the amount offered under microcredit can be increased, it will be more helpful to those who really want to be self-sufficient in their life.

Case 5

Prior to sanction of microcredit

Hirawati (49 years old) is a resident of Rajatalab, Varanasi. Her husband was a homeless peasant working in the fields of a large farmer of their village. Their condition was pitiable as they had to starve now and then during winters, a non-crop season.

Post the sanction of microcredit

She has taken nine loans (all successfully repaid) as yet. To reverse their deplorable state, she took the first loan of Rs. Six thousand under microfinance and purchased a cow but was unable to repay the loan and had to sell their cow. Later she took a second loan of Rs. 7000 and purchased a buffalo for commercial purposes. She started selling milk in the local area and nearby market; fortunately, she did not incur loss and could successfully repay the second loan and herein begin a new chapter in their life. Lady fortune smiled on her, and at present, she has six buffalos and a considerable influx of income.

Hirawati shared that she wishes to expand her business to nearby city and wish to purchase a vehicle for selling the milk. She wishes that if she could get more loan of a larger amount, she and her husband have big plans for expansion. Also, she admitted that business knowledge and other technicalities were gathered by them through hit and miss. They hope to receive training and knowledge on how to conduct business and rear the cattle for maximum gains. She said that initiative is very good, if coupled with training like they do in Anganwadi, it will definitely improve the economic condition of many others in their village. She is grateful that her socio-economic condition has improved.

Case 6

Prior to sanction of microcredit

Kamli, a resident of Rupapur, Varanasi, lived in extreme poverty and awful state, being denied basic necessities of life. The family struggled to survive.

Post the sanction of microcredit

One day, some relative informed her about the institution giving loan to poor women without any collateral. Hapless Kamli decided to borrow from an MFI near her village. With the amount of Rs. 5000 sanctioned in the first loan, she purchased a cow for her husband, but unfortunately, the cow died. She took a second loan of Rs. 6000 but was unable to repay the loan because she was suffering from TB and the whole money was spent on her treatment. She took the third loan, but her ill health again sucked the amount before it could be invested in purchasing another cattle. The persistent woman took a fourth loan of Rs 7000 to finance her son's motor mechanic shop. The footfalls in the garage augmented, and positive growth was witnessed. Her go-getter approach made her borrow the fifth loan to be invested in the garage. The family is thrilled and is very optimistic as they foresee brighter prospects.

Kamli shared that journey was full of bumps and disappointments. Her constant failures led to mental distress but today has a better socio-economic position and has earned some respect in her community. She thanks the microcredit authorities for lending and relending till she could finally benefit out of it.

Case 7

Prior to sanction of microcredit

Sughana lived in Patari village of Mirzapur. She was a landless labourer who earned her living by working the whole day in the land of others. Needless to say, she lived a life of a pauper who sometimes had to stay empty stomach during off-crop season as there was a dearth of non-agricultural work in her village.

Post the sanction of microcredit

She took a loan from a microcredit institution amounting to 7000 but expended the whole money on her daughter's marriage as her alcoholic husband was unconcerned of the family's welfare and habitually misbehaved with her in an inebriated state. The woman borrowed 6000 rupees the second time to purchase cattle for commercial purposes, but alas her cow died, and her dismal state was sustained.

Evidently, she was head over heels in debt. She had to sell her mother's only earrings to repay the two loans. Women dared to scrounge for a third microloan to buy a cow that died within a month of purchase. The jinxed lady managed to repay the loan with the help of relatives.

After few months, the undeterred woman took the fourth loan to purchase a cow again and started her milk business. The business was just fine, and she took the fifth loan to put into the milk business. Her business prospered, and she repaid the loan and purchased one buffalo from business profits. Her business and profits are getting bigger, and currently, her concrete house is under construction by their profit of money.

Case 8

Prior to sanction of microcredit

Prabha was happily married and had two children in age group of seven and nine. Her world toppled upside down with untimely demise of her husband, the sole bread earner. She could not even spare time to mourn her husband as two small kids were looking up to her. She started working as a daily wage labourer near her village in Badalalpur. But, that engagement did not promise her steady income furthering her worries towards her kid's future. She could hardly arrange the food. One day while working, she overheard few women labourer talking about microfinance.

Post-sanction of microcredit

She approached them for further information and received the address of the microcredit office. Next day, she reached the officials and enquired about the process. She was delighted that she can get the loan of 10,000. She always cooked delicious meals for the family with her husband alive. She had a flair and love for cooking. She decides to rent out a small shop and sell sweets in the village. Her tasty and fresh sweets started attracting customers especially during Pooja and festivals. Her timing of starting the venture coincided with festive season in India. Her orders scaled up mainly because of the quality she offered. Now she earns approximately 1500 Rs per week and is the sole sweet vendor in her village.

For Prema, the journey was not always smooth. She had a prior knowledge about sweets making and she initiated idea on her own. She received the money from the microcredit institution and that was all. She was not having any idea about how to start the business, from where to source raw material, and equipment or how to build customers. It was all trial and error for her. After 6 months of obtaining credit, she faced a situation wherein she had no cash at her disposal, only a meagre amount with which she purchased the raw

materials. The repayment of the first loan was very difficult. She was depressed assuming herself to be a defaulter. But luckily, one of her customer helped her repay the loan. She again opted for microcredit and this time 20,000, out of which she paid back her saviour and invested the same into her business.

At this point, she decided to add more food items to her menu. Besides sweets, snacks fresh and stored were added to her list. Now she is successfully running her unit and has one helper too. Children are studying in government school and she cheerfully thank the microcredit but with a note that it was her client who helped her else she would have failed. Prabha believed that only giving money is not enough but authorities must also educate and train them about mechanics of business. She recalls how the people of her village looked down when she was not able to repay the loan and how women of her community mocked her for opening a shop and dealing with mail clients. "But now all is fine, I have earned a respect" for myself says the lady.

Case 9

Prior to sanction of microcredit

Manju, a 40-year-old seamstress who lives in Bagapur, a village 90 min away from Varanais, was under the plight as she could not nurture her only child properly her husband being an alcoholic. She often used to borrow from moneylenders whose rates were up to 100% a year.

She was in a vicious circle of loan and its payment. She recalls that one winter afternoon when she went to pick her kid from nearby government school, she met a lady who informed about some organisation who gave loans to the needy women. Then, without wasting time, she approached the institution; little she had an idea that loan is basically given for some business. When officials enquired why she needed a loan, she was speechless. She remembers how she was mocked and she came back to her mud slum. But, that was actually a starting point, she started thinking of business. It was rather a fancy term for her, and she could not make out anything. Next day, she again visited the place and asked the officials to suggest and explain how to start a business and what to do, only she could gather was anything you want.

Post-sanction of microcredit

Manju was spending sleepless nights because she wanted the loan anyhow. So finally, she decided to open a tailoring shop for ladies. She approached the officials again, but for her it took around 3 months to finally get a sum of 10,000. She purchased a sewing machine and some cloth and started selling sewed clothes for girls and ladies. She could not sell

single piece for 2 months, but yes, she received order for tailoring women clothes. Gradually, footfalls increased and her sales picked up. Soon, she realised that selling saree would be a good idea. So, she invested all her savings in buying sarees from a big retailer in the city for further selling them in her village. She received a good response and now needed further loan to boost her business. She approached the officials but her request was declined and was asked to repay the loan as she did not paid a single penny since last 1 year. She was very disturbed mentally and was under fear that she could not repay loan. Then, she again visited the moneylender who charged exorbitant rate. Her entire earnings were lost in servicing the loan of moneylender and officials were also occasionally asking for repayment.

She shared "It was an end of the sweet dream. I had to close my business". Now she only engages in tailoring that earns her very less revenue. Nor she could repay the loan.

She said that only if institution helped her by supporting with an amount of 10,000, things would have been different. The must have spared some time to witness that she was using the money not misusing it. She never wanted to start business but was motivated to do that for taking loan. But, when she actually wanted to do it, nobody supported her, she said with a mix of anger and sorrow.

Analysis and discussion

The detailed study of case units revealed several dimensions of microcredit finance including procedural concerns and outcome at a primary level. The hidden issues like psychological and social consequences of microfinance on loan borrowers besides economic effect were identified.

Rationale behind borrowing microfinance

The study of loan participants revealed that primarily the loan was sought for generation of employment opportunities in the form of small business-like handloom and weaving, automobile garage, tailoring shop or selling milk, fruit and vegetables and toys. The income earned from economic activities undertaken with microfinance was invested in their children's education, meeting household expenses and raising standard of living. Amazingly, contrary to the popular belief that men are the sole bread earners in rural areas, women and their family members are opening up to the idea of women earning income for family. But, there were cases wherein community resisted the idea of women working (case 2). Almost all respondents tried to generate the self-employment opportunities through economic activities. When respondents were asked "for what purpose do you use the loan", the respondents in almost all cases took the loan for starting an economic activity but in some cases loan

money was diverted towards meeting expenses like child's marriage (case 7) and medical expenses (case 6) and repaying existing loans.

Loan repayment and savings

Although some of the borrowers failed in their businesses, the majority agreed that their income increased after getting the small loans from microcredit institutions. Even those who failed initially were persistent until they succeeded. On being enquired about "what kept you going despite of recurrent failures", respondents shared that they had no option but to keep trying as wage employment available in rural areas is very meagre and infrequent (specially in agricultural lands).

When the respondents were enquired: "Was the loan repaid every time you borrowed?" Majority of them agreed to it but few of them said that they had to use their personal resources (case 7) or borrow from local moneylender to repay the loan (case 1). Few borrowers could not repay the loan (case 2 and case 9). Borrowers faced many hurdles at every stage but in majority of the cases they came out successful leading to savings and building of assets like house, machines, etc.

Quality of life

When loan participants were probed about "how microfinance contributed to your life", the respondents replied that their earnings increased and become more regular which resulted in nutritional food for their family besides meeting basic requirements of family. Participants further added that they could bear expenses of children's education as their income was enhanced; they could bear basic medical expenses of the family members. Respondents also reported amicable family relations and overall harmony and contentment. Some microfinance beneficiaries could buy property (house, machines, land, etc.) as reported in cases 4, 5 and 6.

Respondents mentioned since they received benefits from the loan, they have the financial means to mend their houses and potentially to buy land. The respondents shared that they could send their children to school. Although children go to public schools where the tuition is free, parents are still responsible for expenses such as uniforms, school supplies including books and other necessities related to education.

A majority of participants agreed to positive impact of microfinance on the quality of their lives despite the stress of loan repayment.

Women empowerment

The study of different household exhibited that the microfinance led to the improved economic conditions of females through creation of jobs for self-employment. The majority

of interviewees started a small business such as selling of fruit, vegetables and milk, sweet shops, tailoring service, weaving business and garage. When women have control over the household income or at least part of it, children's nutrition, health and education improve substantially. Women are known to spend the majority of their personal income on improving the family, thus ensuing economic empowerment is a benefit to their children. Some of the benefits are the increase in household income, ability to repay the loan and to save money, better nutrition and health, the possibility to send children to school and the ability to break free of starvation.

So, it was found that microfinance has been successfully contributing to the employment generation and raising the living standards of people by helping them attain regular source of income through self-employment generation.

Stumbling blocks

The cases under study stated numerous affirmatives of microfinance yet few snags related to procedural and executional aspects of microfinance were reported. Some of the respondents detailed how the denial of additional loan made them fall prey to local moneylenders and their entire income was soaked in servicing the debt (case 1). Also, the respondents specified that they did not have prior business knowledge which resulted in problems in starting and running the small activities (cases 2, 3, 5, 8). Case 5 informed "if they could train us like Anganwadi then it will be good".

Few respondents also shared the psychological problems that emerged out of stress which resulted due to non-payment of loans or the pressure felt to repay the loans (case 2, case 8). One respondent also reported that it is not easy to take loan (case 4). Respondents also suggested that amount of loan sanctioned is too meagre for attaining real benefits of microfinance. It must be increased to assist in augmenting the welfare of the borrowers (case 4 & case 5).

On being enquired about "what led you to be persistent in your efforts", the respondents shared that being successful in the venture was important for the well-being of their family, their self-worth as well as proving themselves to the detractors. This resulted in facing all procedural as well as operational hurdles and retaking loans until they finally became triumphant in their endeavours.

Conclusion

Microfinance has huge potential in India in view of the fact that 70% of Indian lives in a rural area. The prospects are yet not fully tapped in the country, although the government has diversified the scope of microfinance to the urban poor. There is a lot of business opportunities for microfinance,

and they can significantly contribute towards the elimination of poverty and a self-reliant, progressive nation. According to M. S. Swaminathan (Father of the green revolution in India), peace cannot be made with an empty stomach. Hence, MFI can contribute a lot towards the establishment of peace in the country and world. MFI plays an important role in building the nation stronger because when a woman gets strong, she develops herself, her child, her community and her nation. MFI will go a long way in the elimination of the economic and social problems of the country. By providing self-employment, it is playing an important role in breaking the cycle of poverty. The underlying belief of SHG is to give a man a fish and you feed him a day but teach him how to fish, and you feed him a lifetime.

Yet, there are miles to go. It can be concluded that microfinance is still in its nascent stage despite governments increasing focus towards proper functioning of all microfinance players through close supervision and digitisation. Government should focus on providing technical and business support to ensure that money lend is invested astutely and assist in the social and economic welfare of the beneficiary, not trapping them in indebtedness. The compulsory training and support regarding technical know-how, business procurement, financial planning and marketing skills may help in achieving the core objectives of microfinance (Vanithamani and Sandhya 2012). The real challenge lies not in sanctioning credit but in ensuring the proper utilisation of the money to avoid non-payments and defaults that are an outcome of lending without collateral and charging high interest rates. The efficient monitoring will facilitate in achieving the primary objective of microfinance by incorporating few changes in the system of microfinance as suggested by actual cases under study including knowledge sharing and training, increasing microfinance amount and providing support pre- and post-sanctioning of loans assisting the borrowers economically, socially and psychologically.

Microfinance will not only remove economic disparity but will also combat social issues like malnutrition, gender discrimination, poor literacy rates, domestic violence and poor quality of life in rural parts of India through women empowerment in particular and self-employment in general.

Implications of the study

The study reveals significant insights regarding the positive influence and problems faced from the perspectives of actual borrowers at the operational level. Planning is one thing, but the real challenge is faced at the operational level and debugging the plans. The cases examined in the study manifested the significant contribution of microfinance towards the augmentation of income and escalation of living standards of disadvantaged section of society, especially

the rural population. It is apparent that microcredit has been victorious in attaining the noble objective of bridging the economic and social disparities among the country's people. This entails that government should boost up the activities in the microfinance sector for the wide-reaching development of the masses nationwide. This coincides with already existing knowledge that microfinance prospects are not wholly tapped as yet.

Analysis of case units under study emphasises the need to sanction more funds for microcredit lending to finance small economic activities, which indisputably will pave the way to self-reliance and self-employment. This would be far superior to economic welfare and social welfare schemes involving subsidies, accessible facilities, etc., because it will provide a long-term solution to eliminate poverty and inequalities, consequently aiding in the overall economic development of the country (Niekerk 2008).

Researchers and thinkers have long stated that poverty is the main culprit for social evils weakening the internal configuration of society. It thus is not an overstatement that microcredit may serve as a tool for eliminating social tribulations in the country. Moreover, increased business activities through microcredit lending will lead to people's affluence, resultantly the development and growth of the country at the global level.

The comprehension of people's perspectives brought to the fore that it is required to simplify the policies and ease the procedures to enhance the vertical and horizontal increase in microcredit beneficiaries.

As per the study at hand, the operationalisation of microfinance in the country is currently akin to handing over a weapon to an unproficient person, incognisant of threats to self and others by amateurish use. In a nutshell, more support is extended to microcredit beneficiaries in training and guiding them to ineffective credit usage. The sophisticated training in technical, managerial and procedural aspects is imperative to ensure the success of self-employment activities financed under microcredit, which will improve the economic condition of the loan recipients and, on the other hand, will warrant repayment of the loan.

The present study necessitates amplified mindfulness of office bearers regarding microfinance in terms of funds allocated to the microfinance sector, effective monitoring and supervision of microfinance activities and self-employment activities financed through microcredit to ensure effective utilisation of national financial resources.

Scope of the present study

The cases investigated in the study were based on the availability and interest of the respondent to participate in the research and the convenience of the researcher. Basically, units under investigation were selected from villages of Uttar

Pradesh and Bihar; hence, the findings of the study echo the advantages received and difficulties faced by incumbents. The study resulted in gainful insights for policymakers to extract amplified paybacks through microfinance by proposing to accommodate and observe the concerns stated by the respondents. A quantitative study with a high number of participants is required to generalise the results to broader population. The study needs to be conducted on a larger scale involving case units from other states not being included in the present study for context validity.

Author contribution M. Y. analyzed and interpreted the respondent data. V. P. was a major contributor to writing the manuscript. N. S. conducted interviews with the respondents. All authors read and approved the final manuscript.

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Code availability Not applicable.

Declarations

Competing interests The authors declare no competing interests.

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