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Rural Microfinance in Pakistan: Transition in Women's Preferences and Priorities

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ABSTRACT: The study demonstrates a shift in the borrowers' preferences and priorities as the microfinance strategies transition from group to individual-based, and as a result, a trend away from poverty lending toward financial system approaches. The study's findings show that, on the whole, microfinance providers (MFPs) have fully adopted the self-sustainability paradigm and are rapidly shifting their focus to individual lending. However, the MFPs that offer interest-free loans, employing a group-based lending approach have not been impacted by this. Women were mostly unable to start enterprise or a business with the loan amounts; they were involved in the social exchange through the proxy loans as most of the loans were used for construction or repair work, or as a stop-gap arrangement by the family. While the study does not provide conclusive evidence to gauge borrowers' preference favouring a particular mode, it however makes a case for further research to see it beyond the confines of the economic empowerment. The findings are based on a year-long ethnographic research with the in-depth interviews with 45 women and five men borrowers of the three microfinance providers in a *Potohar* village of district Chakwal in Pakistan.

Keywords-Microfinance; Gender; Individual lending; Solidarity lending; Microfinance providers

I. INTRODUCTION

The subsidised credit programmes for rural development are the foundation of today's microfinance initiatives. These programmes concentrated on the so-called "green revolution" in agriculture, which placed a strong emphasis on increasing productivity and output while receiving technical and financial support from developed countries in an effort to reduce poverty (Meyer, 2017). The aid initiatives of the developed countries funded a number of government-run programmes in the emerging economies of Latin America, Africa, and Asia. These and other programmes of a similar nature failed to reach out to the underprivileged and marginalised groups in rural areas (Dorward et al., 2018).

The microfinance initiatives were primarily designed to help those who could not access the money they needed through regular financial institutions like commercial banks, leaving a vast majority of the population in need of traditional lenders (History of Microfinance - Microfinance & Microcredit Info, 2008). As a result, they fell into a financial trap and were unable to concentrate on household-level markers of wellbeing. Microfinance can be linked to the early experiments in Bangladesh, where Mohammad Yunis' Grameen bank first offered credit to both men and women. Based on his insight that working women's output may be increased with credit to further expand their capacity and purchase the necessary inputs; it quickly advanced into a significant women-focused microcredit programme (Rahman, 2019). Depending on the collateral provided by the group itself, Grameen eventually rose to prominence as a pioneering organisation for group-based microfinance initiatives (Satish, 2005). Kabeer (2001) discussed about the effectiveness of microfinance programmes as a potent instrument to combat poverty while studying the differing viewpoints of several assessment studies of microfinance programmes in Bangladesh.

As a result of the Microfinance model's early success, there is a gradual transition from group-based to individual credit facilities across the board (Attanasio et al., 2013). This has led to an increase in private investors and commercial interests (Lieberman et al., 2020; Rauf & Mahmood, 2009). The effectiveness of this paradigm in reducing poverty and encouraging local development must be assessed and compared to group-based microfinance.

International development organisations have made microfinance a crucial part of their development plans to help fight poverty in response to Grameen Bank's success (Moner-Girona et al., 2012). The failure of earlier development programmes like structural adjustment programmes also contributed to this trend toward microfinance programmes. On the other hand, according to Hussain (2019), the focus of microfinance programmes has shifted away from NGOs and DFIs that support the Grameen model and toward for-profit businesses that are looking to make money through microfinance investment.

The contemporary microfinance research has been influenced by financial systems and poverty lending strategies. These two strategies are distinct from one another since the second promotes a pro-poor agenda while the first focuses on commercial viability (Robinson, 2011). The financial systems approach served as inspiration for Robinson's (2011) seminal work on microfinance. This strategy demands giving loans to those who are economically active, rather than to those who would not contribute to the economy, and so become a liability for the MFPs. While the financial systems approach discourages poor people from borrowing; the poverty lending approach is focused on the extremely poor segments and depends on government and donor financed initiatives with low interest rates. Instead of short-term solutions like traditional funding to carry out activities and projects, development organisations have increasingly focused on long-term objectives for sustainable development. Social enterprise has been created as a result of the international development sector's transition from the conventional approach to development to business-based development models (Halsall et al., 2022). Organizations from all across the world are devoting resources to creating commercial strategies for financing development.

The microfinance sector has undergone many changes to help commercialize it (Lieberman et al., 2020) and has also been at times criticised for serving the interests of neoliberal agenda and corporatization projects in developing countries (Karim, 2008). With a shift from poverty lending to financial systems MFP's recent increased focus on expanding opportunities for women entrepreneurship through inclusive financing is nevertheless evident (Abebe & Kegne, 2023). It is not surprising that these changes, which increase the number of private investors and business interests, occur almost simultaneously. It is important to look into how this paradigm, as opposed to group-based microfinance, affects local development and poverty reduction with a focus on how women align their priorities and preferences in view of the shift in the approach.

II. MATERIALS AND METHODS

The present study aimed to know how women perceive the shift in microfinance programmes in terms of access to loans and their utilization. This study included data from 45 women and five men borrowers of microfinance in *Nara Mughlan* village of Chakwal district in Pakistan. Men were included in the study, as they serve as gatekeepers to the women borrowers. Chakwal is one of the four districts that make-up most of the *Potohar* region. Other districts include Rawalpindi, Jehlum and Attock. The study majorly relied on participant observation, and interviews with the borrowers.

Nara Mughlan consists of three surrounding small villages, *Nara, Mughlan*, and *Khanqah*, as well as two hamlets, *Dhok Rajian* and *Dhok Surkhroo*, which were primarily based on kinship. The *Janjua Rajput*, *Mirza Mughal*, and *Awan* are the three main castes in the study area.

The majority of the young males work outside of the community. So, the bulk of the study population are women, and elderly, and some of young males who have stayed back. The names of the respondents have been removed in the study to ensure their privacy.

III. RESULTS

Nara Mughlan's economy is relatively small and primarily reliant on agriculture. The other sources are wages, pensions, grocery store sales money, and remittances. People here have access to credit through microfinance, personal loans from family, friends, and relatives, and Rotating Savings and Credit Associations (ROSCA), locally known as committees. In *Nara Mughlan*, there are a handful of grocery stores run by both men and women. For local consumables, these shops also provide credit.

There are 13 Microfinance Providers (MFPs) in Chakwal district. Table 1 provides details of these MFPs.

Table 1. Microfinance Providers in Chakwal

Category	Microfinance Providers (MFPs)	No. of MFPs
Microfinance Institutions (MFIs)	<i>Akhuwat</i> (AKHU)	4
	<i>Kashf</i> Foundation (KASHF)	
	ASA Pakistan Limited (ASA)	
	Soon Valley Development Programme (SVDP)	
Rural Support Programme (RSP)	National Rural Support Programme (NRSP)	1
Microfinance Banks (MFBs)	FINCA Microfinance Bank Limited (FINCA)	8
	The First Microfinance Bank Limited (FMFB)	
	<i>Apna</i> Microfinance Bank Limited (AMFB)	
	<i>Kushhali</i> Microfinance Bank Limited (KBL)	
	Mobilink Microfinance Bank Limited (MMFB)	
	Pak-Oman Microfinance Bank Limited (POMFB)	
	Telenor Microfinance Bank Limited (TMFB)	
U Microfinance Bank Limited (UBANK)		
Total MFPs in Chakwal		13

Source. Field data

The MFPs in Chakwal have been divided among Microfinance Institutions (MFIs), Rural Support Programme (RSP), and Microfinance Banks (MFBs). An MFB would not function unless it gets its license by the State Bank of Pakistan. The study's target area includes three MFPs, i.e., National Rural Support Programme (NRSP), *Akhuwat*, and *Kashf*. NRSP falls under the Rural Support Programme, while both *Akhuwat* and *Kashf* fall in the category of the MFIs. *Kashf* supports local people especially women by giving them the option to borrow money on an individual basis. The NRSP and the *Akhuwat* relied on solidarity or group-based financing for its activities. Each participant in a solidarity group offers a guarantee for the money borrowed by the other participant.

Of the three MFPs, only *Akhuwat* offers the interest-free loan. It employs the solidarity lending approach in the study area. *Akhuwat* also accepts individual loans, where it might accept two guarantors and post-dated cheques for individual loans on a case-by-case basis. However, in the study area it only offers loans based on solidarity groups. When the loan sanction and approval process begin, the MFPs using a solidarity lending approach rely on a collateral or guarantees which are provided by group members. To ensure that each member is supported by two other members as guarantors, the group is structured between three to six members.

Very few respondents have used the loans in the productive terms, or what is considered to be productive in terms of economic empowerment. While loans were mostly used to serve the social exchange, proxies, for repair and refurbishment at home, some loans were used to build up inventory at the shop. For instance, one of our female respondents borrowed multiple amounts. This is what she shared:

When it became difficult to manage my shop, I needed to add more items, so I first took Rs. 40,000 as a loan from an MFP and then another Rs. 40,000. I had no issue borrowing these amounts at all.

Women do find it difficult to obtain a sizable loan from a source other than the microfinance provider. They might be able to borrow a modest sum of money from a family member or relative, but borrowing any more money is not possible. As a result, the microfinance provider is the safest choice in an emergency. However, borrowing money from a microfinance provider is more complicated than it first appears. It comes with its own benefits and drawbacks.

As we discussed earlier, *Kashf* provides individual or personal loans. While *Akhuwat* and NRSP employs group lending in *Nara Mughlan*. Discussions in the field indicate that individual loans are often preferable to groups due to challenges in the loan approvals. Although *Akhuwat* does not charge interest on the money it lends, when an instalment is repaid a small donation is always welcome at the branch office. There are advantages and disadvantages with both the approaches of personal lending and group-based lending.

For the personal loans, borrowers need the guarantees, and the MFPs prefer male guarantors. This is what a woman participant shared:

They [MFP] provided me with a loan. Because they do not accept a woman's guarantee, I had to look for a man to act as a guarantor. We need to find men to act as guarantors, which is challenging. Close relatives are also not accepted. How do we go outside and request a man to provide guarantee? As a result, my husband assisted me.

Her statement shows that women from the study area faced this enormous challenge in loan access, in approaching male guarantors, and those too not from close relatives. This particular woman had used her support system that is her husband who has asked one of his friends to provide a guarantee. Those women who do not have this kind of support system would have to resort to other means such as the use of proxy loans. In that case, they would have to rely on someone else to draw the loan for them. It is quite interesting to note that women would prefer dealing with other women in case of proxy loans, but would accept the male guarantor, as women's guarantee is not accepted by the MFPs. Hence where the structure excludes them, women adjust accordingly. Where the system allows, women use social exchange to even indulge in the risky transaction of being a proxy. It is risky as the MFPs view a proxy loan as a default case on the part of both parties, indulging in such practice.

Getting a loan approved from the MFP dealing through individual lending is not always simple. Women face many challenges in the process, as it can be a lengthy and exhausting one. One of our respondent women and her husband purchased some land. They wanted to start construction there through acquiring loan. Here is her response on tedious process of loan approvals:

My husband and I contacted the three MFPs in our area, but we were unable to obtain the required amount. One MFP stated they could only lend Rs. 25,000, while another said they could lend Rs. 32,000, with the possibility of going up to Rs. 40,000 provided my husband could show his official registration card, which he refused to show for fear of being reported to his officials.

This highlights the challenges that borrowers may face when trying to obtain loans from MFPs focusing on individual lending. A borrower may have to approach multiple MFPs in order to acquire the best possible amount on feasible conditions. Another major challenge is to arrange the guarantees that are acceptable to MFPs. This also suggests that the MFPs providing loans had their own conditions, which are not always possible for the borrower or her family to meet. Several respondents also shared that the MFPs dealing in individual lending tend to keep pension cards on file as a kind of security until the loan is fully repaid by the borrower. When a pensioner intends to draw pension, his card is released at the beginning of the month, and afterwards it is retained again.

Similarly borrowing based on solidarity groups has its own challenges, albeit of a different nature. For the most part, the respondents had to form three-person groups in order to be eligible for a group-based loan. For instance, *Akhuwat* disburses loans in accordance with group lending approach in the study area. The day-to-day administration of the loan application and approval process is handled by their local office, also referred to as a branch office.

Similar to *Kashf*, NRSP assesses interest on the amount lent. NRSP was the first MFP in this village. Using the social mobilisation technique, it established a committee at the village level, including a president and a general secretary. The committee used to accept or reject loan requests submitted by its members. Additionally, to reduce the risk of default, NRSP advised borrowers to save a portion of their loan as a lien with the committee. Due to the fact that each borrower makes a contribution to the savings account, the money must be repaid in full if one borrower defaults. This keeps everybody alert and makes it less likely that they will lend money to someone who cannot pay it back.

However, NRSP did not continue this practice of community organizations for long. As of now, it also forms solidarity groups similar to the fashion *Akhuwat* forms groups in the study area. Respondents who took out loans from the NRSP shared that they had to create a three-person group in order to be eligible for a loan. This group met for a limited number of times. This shows a move away from the NRSP's initial approach of working through community organization, and towards a focus on group-based loan distribution.

Discussions in the field indicate that most solidarity groups were established to meet the demands of the organisation by taking out loans. To decide how to use the loan amounts most effectively, the groups had never gotten together. The female respondents were likewise not aware of the exact interest amounts that they had to pay. The groups were formed exclusively to acquire loans. However, the MFPs used this as a social security for the money they lent.

Most respondents were interested in building houses and converting existing adobe or semi-brick houses into brick-and-mortar, as shared by one of our woman respondents:

I used my loans for home expenses (repair and renovation work) and my husband's demand for a rickshaw.

The shift to brick and mortar happened gradually, beginning with one family constructing a brick building followed by other families. Thus, a trend to own brick and mortar house started. It was affordable for those who have the resources and a reliable source of income, such as salaries, pensions and remittances. However, it was soon realized as a necessity for survival, including those who did not have access to resources. Due to cash flow restrictions, MFPs filled in the gaps that needed to be addressed.

The village has been fast experiencing the wave of consumerism. To build a *pakka* (brick structure), as opposed to the earlier custom where mud constructions were more common, costs are higher. The resources are limited in comparison to the needs, thus additional money needs to be pooled for this. So, people have to either earn more money or borrow it from a friend or relative. However, because everyone has needs, it is impossible to lend someone a big sum of money. Even if someone lends the money, they will need it back at some point. There are different mode of guarantees and assurances, as shown in Table 2.

Table 2. Banks and MFPs with the purpose and mode of guarantees

No.	Bank/Institution	Mode of Guarantee or assurance	Purpose
1	Banks		
a.	Agriculture Bank (<i>Zarai Tariqati</i> Bank Limited (ZTBL)	Agriculture land	Agriculture and livestock activity
b.	Commercial Banks	Assets	Productive and personal
2	Microfinance providers		
a.	Solidarity (Group) lending	Personal guarantees of the group members	Productive (Enterprise, business)

b.	Individual lending	Personal guarantees of men from the community/area	Productive (Enterprise, business)
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Source: Generated from fieldnotes

Loans offered by commercial banks are secured by land, jewellery or other assets and are based on collateral. In the solidarity as well as the individual lending, personal guarantees are prerequisite for the microfinance providers. Both the lender and the borrower benefit from this arrangement. The lender secures the loan amount without the borrower having to provide for collateral by assembling teams of local field personnel from the same community, or area who are conversant in the local language, customs, and culture.

It appears that the majority of people in *Nara Mughlan* have gotten loans from one or more MFPs. This emphasises the difficulties that our women respondents have had to overcome while also highlighting the success of the microfinance programmes in the area. When they were in need of money and wanted to borrow, they find it at time difficult to form a group of women to get hold of the interest free loan. In this case, they have to resort to the alternative available to borrow money. MFPs provide an alternative and give loans charging an interest. Here is what one of our women respondents shared:

I had trouble putting together a group and the MFPs giving loans based on solidarity group wouldn't lend without it. One of the MFPs, however, makes direct loans. I had to approach them as a result.

Table 3. Prioritizing the loans - Individual vs Group lending

No.	Approach	Loan category		Reasons
		Interest-free	Interest-bearing	
1	Individual lending	Not applicable in the study area	High priority	The interest-bearing loans is prioritized only if interest-free loan is unavailable; or there is an urgency of need; and the interest-free loan amount is not sufficient
2	Solidarity (Group) lending	High priority	Low priority	The demand for interest-bearing loans in the solidarity group is decreasing because of competition with the interest-free loans in this category

Source: Generated from fieldnotes

Women borrowers carry out a simple calculation. They are only concerned with the amount and interest rate of loans made by MFPs. The borrower would pick between MFPs that offered loans with no interest, loans with one and a half interest instalments, and loans with two extra instalments in the same order.

Individual lending has its own drawbacks. A woman respondent from the study area provided her sister as a guarantee for a loan. Her sister manages a grocery store. She has run this store on her own without obtaining a loan from a microfinance provider. The MFP expressly asked for a male guarantor and declined to accept her sister as a guarantor. In order to make a guarantee on her behalf, our women respondent had to ask her husband, who then requested one of his colleagues for assistance.

The majority of respondents use the loan money as a temporary solution. According to a woman respondent, she took out the loan instalments since her husband had insisted on it. His pension cheque arrived a bit late. He advised her to take out a loan to cover the shortfall. They used a portion of the loan proceeds to pay for home expenses. He just started out as a security guard. They used his salary to pay off the loan. This is what she shared:

I obtained the loan to help my husband. His pension was delayed and he had other debt to settle. Therefore, I borrowed.

One of our male respondents is a truck driver. Still a bachelor, he lives with his mother. He obtained a loan, which he used to pay for the hospitalisation and medical care of his ill mother. He also mentioned discontinuity of new loans in the area.

The MFP no longer offers new loans. They have closed off the entire area based on the village's default case.

Not everyone was successful in fulfilling the loan's ultimate goal, especially when it comes to effectively using the borrowed funds. Another male respondent borrowed funds in order to buy a rickshaw. Due to his inability to drive, he was compelled to sell his rickshaw and instead accepted a full-time position as a cable operator in Rawalpindi, another district in the *Potohar* region.

I paid Rs 80,000 (USD 488 based on average exchange rate of Rs 1 equals USD 0.0061, in 2021) for the rickshaw, which I then sold for Rs 50,000, having a loss. Even yet, I was required to pay two more instalments. I finally succeed in paying it off in full.

The MFPs' main concern is whether they will be able to recover the entire amount, as our woman respondent highlighted.

They [MFPs] are mainly focused on collecting their instalment payments.

According to one of our male respondents, the MFP's amount does not permit the creation of an asset that would create income; for instance, a heifer costs more than Rs. 100,000 and is not provided by any MFP in *Nara Mughlan*. He questioned what else a person with a low income of between Rs. 20,000 and Rs. 40,000 could do with it besides spend it for personal purposes.

For the sake of maintaining their record, which refers to a solid credit payback history that a credit officer can use to reject a loan application if the applicant is unable to make regular payments, our women respondents were keen about repaying the debt. Here is that one of them shared:

Due of my low resources, the organisation I worked for helped me by paying off two instalments at first and then managing the remainder from the income of the sewing centre. I used to worry constantly about making the instalment payments.

Since an MFP may check someone's credit history, and this data is essential for deciding whether or not to grant credit. This is accomplished through the State Bank of Pakistan's centralised banking system and the national identity card (NIC), a special number issued to each and every citizen of Pakistan. As a result, whether they were participating in the group-based lending or the individual lending, the majority of respondents were found to be mindful of their credit worthiness or record.

IV. DISCUSSION

As NRSP was the first MFP in the area and has undertaken extensive community mobilization, the borrowers have no issue with the concept of interest. The situation prevailed until there was no interest-free loan available to the borrowers from *Nara Mughlan*. As soon as interest-free loans was available in the study area, due to the entry of the *Akhuwat*. The borrowers have switched to the MFP, even though they faced challenge in convening groups, for the purpose of loans approval. This means that the borrowers have resorted to the rational choice theory as they switched to the one offering them with interest-free loans and preferred it over the interest-bearing loans. However, it was also interesting to note that most women in the study area have taken out loans from multiple MFPs including the ones provided by the interest-free and interest-bearing MFPs.

The concept of Solidarity groups is related with the Bourdieu's (1972) social capital theory. Bourdieu (1972) views it as a class society with a strong network of relationships. Putnam (2001) also links it with the level of trust, norms, and networks, which is closer to the solidarity borrowing group. Social capital is the capacity of a person to establish contacts, form networks, and make use of these networks in useful ways. Social capital is promoted since it is built on local culture and reciprocating norms (Lopez-Rodriguez et al., 2000). MFPs use the group solidarity model's collateral substitutes, such as social collateral. This social collateral, which develops as a result of social cohesion within the society, is aided by social capital. The ability of the group to decide on social incentives and sanctions, as well as their implementation, ensures the success of a microfinance programme. The group's odds of successfully completing a credit cycle increase with how aggressively they apply these social incentives and sanctions.

Recent studies, including those by Zerai and Rani (2012), show a link between outreach to borrowers and the long-term survival of the MFPs. Although establishing sustainability is a goal for MFPs, it also signals a departure from the use of financial services to reduce poverty. Reaching out to the underprivileged and achieving financial viability are difficult goals to fulfil, as some poor borrowers would not be able to repay the principal amount.

As a result, there was more focus placed on microfinance's success through a high loan payback rate, which was attained by using coercive measures to initially lure borrowers, then guarantee that they would continue borrowing and avoid default. The finding synchronised with Hussain's (2019) claim that as a result, microfinance had lost its moral compass. Due to the coercive tactics used by MFPs, borrowers are trapped in a cycle of debt.

Nara Mughlan has first experienced the interest-based loans offered in the solidarity or group-based financing approach. The interest-based loan, which was linked to usury, was no longer considered a matter of concern by the respondents. According to Islamic principles, usury is a sinful act. However, the interest demanded by MFPs was not thought to be unethical. The two of three MFPs in the area (NRSP and *Kashf*) require borrowers to make payments in the form of additional instalments. This can be

seen in the light of the concept of “doxa”. According to Bourdieu (1972), Kabeer (2005), Alsop and Heinsohn (2005), the concept of "doxa" refers to the internalisation or naturalisation of discourse or story that is acceptable within social and cultural boundaries.

Due to the strong NRSP mobilisation in the study area, the borrowers internalised the concept of interest. Due to the lack of an

interest-free loan, the borrowers may decide to pay interest. When interest-free loans became available in the study area, people of *Nara Mughlan* took full advantage of them. The participants' top preference when given the option of MFPs offering loans with and without interest was the interest-free loans offered by *Akhuwat*, which can be tied to the rational choice theory.

Whether the MFPs are involved in group-based or individual lending, nothing scares the MFPs more than lost revenue, or a portfolio at risk. As a result, the case for group-based lending that focuses on reducing poverty is actually losing ground. Any MFP branch manager and their staff's performance may be significantly impacted by this. The borrowers are understandably more concerned about this.

The idea of creditworthiness is not exclusive to microfinance; adhering to a social code in order to fulfil a commitment has various applications. Due to the small number of grocery stores in the area, most people prefer to have good relation with the proprietors of these stores in order to maintain their creditworthiness. All of this is upheld as part of a social code that, if breached, prevents people from buying groceries on credit. This is in addition to the social penalty of failing to make a payment on time. The consequences of this are even more severe, such as social exclusion.

This creates a bond between individuals in the context of solidarity lending, since the MFP only accepts social collateral in the form of each group members' assurances of one another as guarantee. Here, the same credit worthiness premise still holds true, but on a greater scale. However, since the majority of villagers have borrowed money from one or many MFPs, it becomes difficult to organize groups. Village-level loans had their origins in community organisations. In order to unite the community, promote the microfinance programme, hold community meetings, and oversee the loan distribution and payment collection processes, organised social mobilisation activities are necessary. On the other hand, the modern microfinance has advanced from the good old days of microcredit to more affordable means of loan approval and delivery. The findings in this study shows that MFPs are shifting their focus away from community organisations and toward direct handling by branch offices as well as away from group lending and toward individual lending.

In response to the inquiry, as to why women borrow money, one of our women respondents gave several reasons, none of which were related to the loan's productive usage. These, on the other hand, are for personal use. This demonstrates a lower preference for and inclination to use the loan money productively. The majority of the loan funds are spent for non-productive purposes. This can be seen in the context that no training was provided to the borrowers in *Nara Mughlan* to help them improve their financial management and business skills, regardless of an individual or group-based loan. Women lacked the essential skills to carry out any business activity without these trainings, and they remained reliant on men for day-to-day functions involving the borrowed funds. Regardless of individual or group lending, there is no discernible difference in this.

There was no surplus among the community to lend to others as the boundary between needs and wants became increasingly hazy and signs of modern life, such as new furniture, home appliances, and flush system toilets, were more obvious in every other home. The installation of home appliances like washing machines and flush latrines has increased the consumption of water, which was already scarce. It demands a higher reliance on water delivered by tankers. Additionally, reliance on friends and family has decreased as a result of individual financing from MFPs becoming the new norm. As more household items were acquired, there was a need for extra rooms and private space in the joint family structure. However, because of a lack of funding, the MFP's credit was used to make up the difference.

Women are primarily employed in small-scale businesses and industries, including parlours, schools, tuition academies, ready-made clothing stores, livestock and poultry, sewing, stitching, and crafts. According to the respondents, this part-time work is hardly enough to cover their living expenditures. Moreover, it has been challenging for women to start a profitable business

using microfinance funding due to the restricted money available and MFPs' progressive shift toward individual lending. For instance, the MFPs usually give each borrower in *Nara Mughlan* between Rs. 20,000 and Rs. 40,000 per loan cycle. Among other things, a borrower may purchase a sewing machine, some raw materials, a pair of goats, and two to three hens. A calf can be purchased with a few months' supply of fodder, but a large ruminant like a buffalo or a cow won't be available within this amount. Additionally, this amount couldn't be utilised to buy a multi-sewing machine for big jobs. As a result, women primarily operate from homes and have little opportunities to grow and carry on the business, on a large scale.

Priority and usage in respect to the loaned amount in microfinance have a linear relationship on the utilization side. However, when it comes to construction and renovation funded by regular income, this relationship between the priority and utilization gets complicated. Men and women are unable to subsist without loans since their regular income is insufficient to cover their expenses.

It is found that when respondents prioritize household expenses, they take both group-based and individual lending into consideration. Hence no difference is noted in the group-based and individual lending. However, interest-free loans are always given preference over interest-bearing loans in any situation. Some borrowers do shift to those MFPs that offer interest-bearing loans because of the potential loan amount that an MFP providing interest-free loans, could offer. The vast majority of respondents view credit as a debt that needs to be repaid. They have a prevailing opinion that the loan should only be utilised for necessities. The majority of respondents used the loan amount for repayment or for home construction, renovation, and furnishing.

V. CONCLUSIONS

The study found that most borrowers prefer interest-free loans over those with interest. But because of the amount of the loan and the large number of applicants, they turn to MFPs that offer interest-based loans. Despite the fact that most of their needs are personal and there is little evidence that loans are used for productive purposes, borrowers would choose a solidarity (group) lending over an individual lending mode or vice versa depending on the urgency, loan amount, and difficulty of obtaining a loan approval. On the utilization side, there is a linear link between priority and usage in relation to the loaned amount in microfinance. Since their regular income is insufficient to meet their expenses for construction and renovation, men and women are unable to manage without borrowing.

Both the solidarity lending and the individual lending approaches spark a large credit demand. This frequently leads to loan overlap, and the persons affected - mostly women - get caught in a debt cycle and are unable to make timely loan repayments. This does not fully achieve the main objective of microfinance, which was to support development and decrease of poverty in the lives of men and women. Further research is needed to explore difference between solidarity and individual lending approaches in terms of their utilization, with a large data set. It is also important to go beyond economic empowerment to understand how financial inclusion has influenced women in terms of social exchange. As a result, the concept of empowerment needs to be redefined in order to take into account the non-material value that is seldom considered in the economic empowerment.

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