

INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY FUTURISTIC DEVELOPMENT

Comparative Study on Household Occupation Reasons Behind Increasing NPAs, and Challenges Faced by Micro Finance Institutions (MFIs) - A Critical Analysis

Anuradha GS ^{1*}, Dr. C Nagaraja ²

¹ Associate Professor, Government Arts College, Bengaluru, Karnataka, India

² Associate Professor, Government First Grade College, Yelahanka, Bengaluru, Karnataka, India

* Corresponding Author: Anuradha GS

Article Info

P-ISSN: 3051-3618

E-ISSN: 3051-3626

Volume: 06

Issue: 01

January - June 2025

Received: 06-01-2025

Accepted: 08-02-2025

Published: 10-03-2025

Page No: 98-105

Abstract

Purpose: The main intention of the present paper is to see how far the demographics of respondents impact on the study of microfinance in Chikkaballapura district. Further, the study also aimed at revealing household occupation before and after loan from Self Help Groups (SHGs) and the study also focused on the reasons behind rise in NPAs in Karnataka. Also the study's intention includes the study of challenges faced by MFIs in Karnataka. Microfinance offers a range of small amount of financial products aiming to address market future (Gatto, 2018). Accessibility to credit has a promising role in strengthening livelihoods of the poor living in the slums, other depressed and marginalised individuals by generating new opinions and increasing confidence, self-image and status in the society. Credit has the power to turn the lives of individuals from object poverty to lives of dignity and self-respect (Akudugu, 2012).

Methodology: Previously known questionnaire was administered as schedule of interview after knowing the literacy levels of respondents. Chi-square, contingency coefficient modified comparative ANOVA and Kendall's co-efficient of concordance and Extent of challenges Faced Index (ECFI) were performed. The respondents belong to 6 villages of 6 blocks of Chikkaballapura district.

Findings: The demographics of respondents are significantly varying with high degree of relationship. The household occupation before availing loan stood that 30 respondents doing agriculture, 9 harvesting commercial crops, 8 each livestock supervision and maintenance and working in grocery shop and delivery service. After availing loan from SHGs 28 involved in harvesting commercial crops, 14 in working in readymade garments units and 9 worked in petty shop business. The reasons behind rise in NPAs include over leveraging of borrowers, highest interest rates, competition in the industry and personal or family issues. The challenges faced by MFIs found to be in the rank order risk of over leveraging, loan default and unhealthy competition.

DOI: <https://doi.org/10.54660/IJMFD.2025.6.1.98-105>

Keywords: Competition, over leveraging, migration, constraints, distress, harvesting, occupation, SHGs, livestock, access, empowerment

Introduction

Microfinance is emerged in need of acquiring special goals to empower under privileged of the society. These under privileged includes women, men and low caste etc. (Neha Saini *et al.* 2017). Microfinance is a powerful tool of poverty alleviation and significant for providing financial services to the poor. Women across the globe have less authority, and they execute 66% of global work force, produce 50% of the food, yet only 10% of the income and own one per cent of global property (Bill Clinton cited by Sohail, 2014) ^[28].

Microfinance instructions are considered as effectors of household income by encouraging productivity, enhancing diversity of production and productivity and maximum use of available existing resources. (Binswanger, 2007; Dejere 2007; Sudan 2017; Akitoye, 2018) ^[6, 11, 30]. The emergence of microfinance institutions and micro credit schemes across the developing world is helping the poor, marginalised, depressed individuals in the society. Accessibility to credit has a promising role in the strengthening livelihoods of the poor by generating new options and enhanced confidence, self-image and status in the society. Credit has the power to turn the lives of individuals from object poverty to lives to dignity and self-respect (Akudugu, 2012). The studies on women clearly indicated that lack of access and control over productive resources by the poor and vulnerable, and majority of them fight amongst poverty a very difficult one (Thakur *et al.* 2014, Almelu 2005) ^[4]. Fight against poverty is indeed fight against poverty is the struggle against lack of access and control over productive resources by the poor and vulnerable (Nandal, 2005; Kyaw and Routray 2006, Bastos *et al.*, 2009) ^[21, 17, 5].

Microfinance is a catalyst of financial inclusion specifically in the developing regions (Soofia Fathima, 2024). It is a process which gives ability to make the choices in a context where the ability was denied early (Kabeer, 2002). Micro finance is a type of service offered to the low-income people in the society who have no low easy access to formal financial services (Julia Kagan, 2021). Previous studies by Kabeer, (2005) ^[15], Mayox (2001), Octero, M. (2019) found that micro finance is a good strategy to alleviate poverty and empower women leading to economic development. Providing sustained credit services is one of the means to enhance income and productivity of the poor (Chenuhn Ramaiah, 2024). Despite recent advancements around 1.4 billion adults still lack any formal financial account, predominantly in low- and middle-income countries (CLAP, 2023). Such people struggle with a set of complex risks, volatile and unpredictable incomes, and limited safety nets especially compared to their counterparts in high income countries (Muhammed Meki *et al.* 2024).

Statement of the problem

The poor in our country has been termed as "high risk" and not served by the traditional financial institutions as they have forgotten their social responsibility towards society. In a developing nation like India there is a need to support and safeguard low-income family units and uplift them in order to see that they lead a better standard of living. The recent trends in MFIs sector and illegal money lenders followed aggressive methods employed in order to collect the debts and in return the Karnataka Government has to pass a separate legislation. This practice of employing aggressive method ended in suicide, as the people more put to humiliation. (Manu Aiyappa Kanathanda, 2025) ^[18]. MFIs should not resort to overleveraging loan to the rural people and MFIs should study the repayment capacity of borrowers. The poor defaulting on loan is common since their income is often depended on agriculture.

Despite significant success of MFIs in Chikkaballapura district in addition to state governments welfare schemes still particularly low-income individuals, microfinance entrepreneurs and marginalised communities, still lacks access to formal financial services. The financial exclusion acts as a hurdle in their ability to save, invest and hinders their

active participation in socio economic activity. The available limited financial services must be used to finance the special needs of underserved people. Financial literacy establishes a strong foundation with money and this journey of management is lifelong (Sanju Kumari, 2023) ^[26]. Empowerment of the poor and deserved at the grass root level has been stressed by the policy frames (Dadhich, 2012, Sarangi 2008; Sultana 2005) ^[27, 31]. Greater efforts should be made by the government to know the special needs of the poor and deserved and this poor and deserved should not be allowed to remain in poverty. Poor and deserved should be given privileges preference so that they may come out of poverty and employed property.

Review of Literature

The study by Sanjeeb Kumar Dey (2015) ^[25], focuses on challenges and issues of microfinance in India. The study is a descriptive study and mainly based on secondary data. The researcher expressed that remarkable progress has been made during the last two decades in innovating techniques to improvised people to start their own businesses and to grow their money so that they can achieve long term financial independence and develop sustainability. Further, the researcher stated when money is provided to the poor families, it has the strength to increase investments in health, education, and empowerment of women. Microfinance institutions have created a massive social infrastructure uniquely positive to reach millions of clients on a regular basis.

Parijat Dhar (2016) ^[24] expressed that microfinance is an important institution and mechanism of credit deliveries particularly for the poor and deprived. Previous studies as per the researcher highlight the success of different microfinance programmes to alleviate poverty in rural areas, promoting holistic development of individuals, communities and developing small enterprises to promote entrepreneurship particularly for the women. The significance of microfinance came to front due to the persistent failure and non-responsiveness of formal financial institutions. The researcher further stated that there are heavy imbalances in due implementation of microfinance programmes between the regions and hence the study found the need to reach out to the hitherto unreached, excluded areas in order to alleviate poverty, reduce regional imbalances, reduce inequalities and focus on skill building if the otherwise neglected sections of the society.

The study by Chandra Akula *et al.* (2022) ^[8] aims to examine role of microfinance in women led businesses. Further, the study examines in mediating effect of women's economic security and the moderating function of previous job experience. The researchers employed quantitative research and cross-sectional design and a questionnaire survey is used to collect the data. Partial Least Squares Structural Equation Modelling (PLS - SEM) is utilised in data analysis. The study findings indicates that microfinance has a beneficial effect in promoting women's entrepreneurship. Further, the researchers expressed that microfinance has potential to enhance women's economic security which will finally contribute to the beneficial association between female economic security and female entrepreneurship.

The study by Guanhua Chen *et al.* (2025) aimed to investigate the effect of women's development on the relationship between the social impact of green microfinance institutions and poverty in Pakistan. Empowerment in Pakistan rely on

microfinance to improve their business standards access other related services. The study gathered questionnaire data through a Likert five-point scale from respondents' indifferent regions of Pakistan, which was analysed using smart partial least square structural equation model 3.0. The findings reveal a significant positive relationship between microfinance institutions and women's entrepreneurship and empowerment both have sufficient influence on poverty reduction. The study provided significant theoretical & practical implications for policy makers and practitioners working towards improving the situation of women entrepreneurship. Further the study findings highlight the important of increasing access to financial services and support women entrepreneurship and empowerment which finally aims at improving the living standards and reduced poverty.

Srikanth *et al.* (2024) expressed about using technology for direct delivery makes Sree Nidhi model a unique in terms of low-cost borrowers. The study found loan from Sree Nidhi, age SHGs members, self-employment of women and her spouse and the education level of her spouse significantly enhances their household income. The study findings indulge that if the SHG members spouse is employed or has pre-existing business, their household income tends to be higher than that of others.

Research Mythology

Data Source: The present study used both primary and

Sample and Sample Fixation: Mode of sample fixation

Block Name	NIL of SHGs	Total Members	Sample villages	SHGs	Total members	Proportionate sample
Chikkaballapura	1488	15234	Doddamarali	74	714	18
Gouribidanur	2123	21846	Alakapura	83	853	21
Chintamani	2072	21322	Chinnasandra	99	858	21
Bagepalli	1587	15248	Cheluru	45	517	13
Sidlaghatta	1574	15891	Chimangala	57	567	14
Gudibande	487	4570	Tirumani	55	540	13
Total	9331	94111	6 villages	413	4049	100

Source: (1) nrlm/nr/m/in? sug (2) Ministry of Rural Development, (3) Author's compilation of proportionate sample based a total member in the selected village

The sample of the study is fixed at on the basis of total membership in the selected village. Convenient technique is followed into conduct of interview with respondents. The researcher collected data by visiting the villages and interview was conducted in order to obtain the concerned data as per the questionnaire.

Objectives of the study

1. To study the impact of demographics of respondents on the study.
2. To analyse occupation status before and after loan borrowing from SHGs.
3. To analyse the reasons behind rise in NPAs of SHGs.
4. To analyse the challenges faced by MFIs.

Hypotheses

1. The demographics are not significantly varying.
2. There is no significant variation in the data of house hold status before and after loan borrowing from SHGs.
3. There are no reasons behind the recent rise in NPAs of SHGs.
4. There are no challenges to be faced by SHGs.

secondary data. A well administration of previously known questionnaire yielded necessary data. Questionnaire was administered as schedule after considering the existing level of literacy rate among rural respondents. The researcher collected the required data through direct interview of respondents. The secondary sources include journals, NRLM reports.

Line of analysis: The study is descriptive in nature, x², contingency co-efficient, comparative modified ANOVA, Kendall's co-efficient concordance and Extent of Challenges Faced Index (ECI) quantitative techniques were performed. Microsoft XL16 used to perform ANOVA.

Participants: The participants in this study belongs to 6 blocks and 6 villages of Chikkaballapura district. All participants belong to rural, urban Chikkaballapura, remote areas and slums. Chikkaballapura district is famers for Boganandeswara temple at Nandi village and Yoganandeswara Temple at Nandi Hills 15 km away from Boganandeswara temple and Isha temple at Avalagurki, near Chikkaballapura.

Extent of Challenges Faced Index (ECFI): Based on 3-point Likert Scale ECFI was framed. The weights are 3, 2 & 1. The opinions of respondents are multiplied by corresponding weights and the same is decided the rank of particular statement.

Research questions

1. What are the reasons for the demographics of impacting on the study?
2. What are the effects of occupational status before and after loan borrowing from SHGs?
3. What are the reasons behind the recent rise in NPAs?
4. What are the challenges faced by SHGs?

Limitation

1. Study is confined only to 6 villages of 6 blocks of Chikkaballapura district.
2. The sample is very small.
3. Any dependency on this work requires more subsequent research with more sample.

Summary of the study

The study was conducted in 6 blocks of 6 selected villages of Chikkaballapura district of Karnataka. All the sub district or blocks of the district were represented and based on number of SHGs proportionate sample size has been fixed. The study performed convenient sampling technique and the data collected by administering a well-designed questionnaire. The study found that there exists significant variation in all

demographics of respondents with high degree of relationship since the value of 'c' is > 0.5 . Further, the study reveals that respondent's household occupation changing drastically after availing loan from SHGs. One of the strongest reasons behind to be over leveraging of borrowers as the reason behind rise on NPAs in MFIs and the second reason is about high rates of interest and competition in the industry and thirdly personal or formal issues and there exists significant variation among the reasons with high degree of relationship. The challenges faced by MFIs includes in the ranked order risk of over indebtedness, financial illiteracy and loan default. The collected data presented in the form of tables and suitable and appropriate quantitative techniques were performed and the results were interpreted.

Survey Findings

Table 1 - reveals data regarding the socio-economic profile of respondents. 85 respondents are married, 10 remained as

single and 5 divorcees, 46 are belonging to the age group of 30-40 years, 24 > 50 years 20 in between 20-30 years, 6 to the age group of 40-50 and 4 < 20 years. The education data reveal that 33 studied up to 10th standard, 19 are degree holders, 18 PUC, 12 ITI certificate holders, 10 pre high school and 4 illiterates. The occupation details reveals that 33 involved in harvesting commercial crops, 14 are rearing livestock, 18 working in RMC yard, 12 doing petty business, 8 tailoring, 10 working in grocery shop, 5 agricultures. The income details reveal that 55 are getting monthly income of 10-20K, 25 in between 20-30K, 11 $> 30K$ and 9 in between 5-10K. The living conditions data reveals that 53 are living in rural villages, 20 in remote villages, 15 in slums, 2 urban Chikkaballapura, 10 semi urban. 92 participated in social activities, 90 voted and supported a candidate data and 10 contested in local elections. 71 are trained, 12 not trained and 17 are waiting. The demographics of respondents are significantly varying with high degree of relationship.

Table 1: Demographic profile of Respondents

Demographics	χ^2	TV @ 0.05	df	Result of χ^2	"c"	Result of c
Marital status	120.51	5.991	2	Significant	0.73	High Degree
Age (in years)	57.20	9.488	4	Significant	0.60	High Degree
Education	44.50	12.572	6	Significant	0.55	High Degree
Occupation	35.93	12.592	6	Significant	0.51	High Degree
Income (INR Monthly)	54.08	7.815	3	Significant	0.59	High Degree
Living conditions	76.90	9.488	4	Significant	0.65	High Degree
Participation in social activities	70.56	3.841	1	Significant	0.64	High Degree
Training	64.40	5.991	2	Significant	0.62	High Degree
Voting and contest in elections and supporting a candidate	64.0	3.841	1	Significant	0.62	High Degree

Source: Field Survey

Note: χ^2 = Chi-square

'c' = $\sqrt{(\chi^2 / (\chi^2 + N))}$

Where 'c' = Contingency Co-efficient, N = Number of Observations

When the value 'c' is equal or nearer to 1, it means that there is high degree of association between attributes. Contingency co-efficient will always to be less than 1. High degree is considered here if 'c' is 0.50 and above.

Table - 2 & 3 highlights data about household occupation before and after loan borrowing from SHGs. Table-2 highlights data about household occupation before loan borrowing. Out of 72 who said strongly agree 30 were doing agriculture, 9 harvesting commercial crops, 8 each working in grocery shop and livestock rearing and supervision, 7 doing the job of tailoring. 18 respondents said agree and act of 18, 6 doing agriculture, 4 working in grocery shop and out

of 10 who stated somewhat agree, 2 each doing agriculture and working in RMG units and two more are the owners of petty shop. The F value being 5.95 8091 and indicates statistically significant difference between the means of three groups. P-value is 0.010335 less than 0.05 and hence rejects null hypotheses and reveals that there exists significant variation in the data. In regression if F value is > 2.5 than the null hypotheses is rejected.

Table 2: Household occupation Before Loan borrowing from SHGs

	Household occupation	SA	A	SWA	T
1.	Agriculture	30	6	2	38
2.	Livestock	8	1	1	10
3.	Petty business	6	2	2	10
4.	Harvesting commercial crops	9	1	1	11
5.	Tailoring	7	2	1	10
6.	Working in grocery shop&delivery service	8	4	1	13
7.	Working in readymade garment units	4	2	2	8
	Total	72	18	10	100

Source: Field Survey

Summary: Single Factor ANOVA

Groups	Count	Sum	Average	Variance
Column 1	7	72	10.28571	78.2381
Column 2	7	18	2.571429	3.285714
Column 3	7	10	1.428571	0.285714

Source: Field Survey

ANOVA

Source of variation	SS	df	MS	F	P-Value	F-Crit
Between groups	324.9524	2	162.4762	5.958091	0.010335	3.554557
Within groups	490.8571	18	27.26984			
Total	815.8095	20				

Source: Field Survey

ANOVA Analysis: F value shows significant variation in the statements of household occupation and the p-value being $0.010335 < \text{the significance level } p - 5$ and ANOVA fails to accept H_0 and accepts H_1 .

Table - 3 highlights data about household occupation after loan borrowing from SHGs. Respondents involved in harvesting commercial crops before was 11 and it is 33 after borrowing loan from SHGs. 8 respondents worked in RMG in units early and row the number increased to 19. The respondents who rear and suppressive before loan borrowing was 18 and after loan borrowing it stood at 14. The number of doing agriculture drastically reduced to 5 after loan borrowing and before loan borrowing it stood at 38. F-value showing large and hence H_0 is rejected and further P-Value being 0.000485 much lesser than the threshold value 0.05 and hence the null hypothesis is rejected. Before loan borrow the household occupation, the F-value was smaller when compare to F-value of after loan borrowing. The F-value after

joining shows greater variation than before and hence, also it can be said that there exists significant variation in the data.

Table 3: Household occupation after loan borrowing from SHGs

	Household occupation	SA	A	SWA	T
1.	Agriculture	4	1	0	5
2.	Livestock	12	2	0	14
3.	Petty business	9	2	1	12
4.	Harvesting commercial crops	28	3	2	33
5.	Tailoring	8	0	0	8
6.	Working in grocery shop&delivery service	7	2	1	10
7.	Working in readymade garment units	14	3	1	18
	Total	82	13	5	100

Source: Field Survey

Summary: Single Factor ANOVA

Groups	Count	Sum	Average	Variance
Column 1	7	82	11.71429	62.2381
Column 2	7	13	1.857143	1.142857
Column 3	7	5	0.714286	0.571429

Source: Field Survey

ANOVA

Source of variation	SS	df	MS	F	P-Value	F-Crit
Between groups	512.0952	2	256.0476	12.0117	0.000485	3.554557
Within groups	383.7143	18	21.31746			
Total	895.8095	20				

Source: Field Survey

ANOVA Analysis: The comparative modified ANOVA reveals that there exists significant variation in the data since the value is 12.0117 as it is greater than 2.5 i.e., in regression analysis if F-value is > 2.5 then the null hypotheses is rejected. Further, the P-value is < 0.5 i.e., the significance level and hence there ensure significant variation in the data and also null hypotheses is rejected A comparative analysis

of P value stood at $12.0117 - 5.958091 = 6.1536$ is more than 2.5 and hence it can be concluded that there exists significant variation with rejection of H_0 .

Table - 4 divulge data about reasons behind rise in NPAs, out of 100, 72 said strongly agree, followed by 10 degree and 8 somewhat agree. The strong reason behind present rise in NPAs is over leveraging of borrowers, the second reason behind the rise in NPAs high interest rates and the third reasons are competition in the industry and personal or family issue. The measure the reasons Kendall's co-efficient of concordance quantitative technique was performed. The calculated value being 32.64 being higher than the critical TV = 15.507 and hence it is concluded that there exists significant high degree of relationship.

Table 4: Reasons behind Rise in NPAs in MFIs

Reasons	SA	A	SWA	RT	RT ²
Competition in the industry	8	2	-	10	100
Over leveraging of borrowers	30	4	2	36	1296
Use of loan for the unproductive purpose	5	1	1	7	49
Failure to monitor the use of loan	5	-	-	5	25
Distress in rural economy	7	1	1	9	81
Not observing repayment ability of borrower	6	-	-	6	36
High interest rates	8	1	2	11	121
Rising regulatory pressure	6	-	-	6	36
Personal or family issues	7	1	2	10	100
Total	82	10	8	100	1844

Source: Field Survey

Note: SA = Strongly Agree, A = Agree, SWA = Somewhat Agree, RT = Row Total

$SSR = \sum RT^2 - (\sum RT)^2 / N$

$= 1844 - (100)^2 / 8 = 1844 - 1111.11 = 732.89$

Use the sum of squares (SSR) in the following formula to obtain Kendall's W.

$W = 12 \times SSR / k^2 N (N^2 - 1)$

$= 12 \times 732.89 / 9 \times 9 (81 - 1) = 8794.68 / 6480 = 1.36$

Test the significance of 'w' by using χ^2 statistic
 $\chi^2 = k(n-1) = 3(9-1) \times 1.36 = 3 \times 8 \times 1.36 = 32.64$.

Decision: At 8 df with 0.05 level of significance the TV = 15.507. The calculated value being 32.64 greater than the critical TV and hence 'w' fails to accept H_0 and accept H_1 . Therefore, it is concluded that there exists significant high degree of relationship.

Table - 5 speaks about the challenges faced by MFIs. To measure the challenges Extent of challenges Faced Index was framed. The opinions are shown and concerned weightage are 3, 2, 1. Weights are multiplied by the concerned weight and sum of all is presented under ECFI. χ^2 values are calculated and the value of 'c' also found by using formula $= \sqrt{\chi^2 / \chi^2 + N}$. If 'c' is more than 0.5 that means there exist significant

relationship between the variables. Ranking was performed to know the severity of a particular challenge. Risk of over leveraged was given the first rank and followed by financial literacy the second rank and third rank was awarded to loan default. The other challenges were ranked as per the sum of ECFI.

Table 5: Challenges faced by MFIs

Challenges faced by MFIs	Extent of Challenges faced			ECFI	R	χ^2	Result of χ^2	"c"	Result of C
	SA	A	SWA						
Risk of over indebtedness	90	9	1	289	I	471.53	Significant	0.90	High Degree
	270	18	1						
Lack of adequate investment validation	73	15	12	261	XI	302.27	Significant	0.87	High Degree
	219	30	12						
Difficulty in lowering interest rates	76	15	9	267	VII	328.10	Significant	0.86	High Degree
	228	30	9						
Work collaboration Models	71	19	10	261	XI	278.51	Significant	0.85	High Degree
	213	38	10						
Lack of accessibility	72	18	10	262	X	288.22	Significant	0.86	High Degree
	216	36	10						
Unhealthy competition	80	15	5	275	IV	363.45	Significant	0.88	High Degree
	240	30	5						
Seasonal migration	65	25	10	255	XIV	222.93	Significant	0.83	High Degree
	195	50	10						
Political unawareness	68	27	5	263	IX	245.33	Significant	0.84	High Degree
	204	54	5						
Threatening financial discipline	71	14	15	256	XV	287.49	Significant	0.86	High Degree
	213	28	15						
Resource constraints	75	15	10	265	VIII	319.91	Significant	0.87	High Degree
	225	30	10						
Low level knowledge of MFIs	76	16	8	268	V	326.09	Significant	0.87	High Degree
	228	32	8						
Focus on rural poverty only	75	18	7	268	V	313.74	Significant	0.87	High Degree
	225	36	7						
Loan default	86	8	6	280	III	436.32	Significant	0.90	High Degree
	258	16	6						
Geographical factors	69	13	18	251	XVI	273.05	Significant	0.86	High Degree
	207	26	18						
Financial illiteracy	85	13	2	283	II	413.52	Significant	0.90	High Degree
	255	26	2						
Operational cost	80	10	10	260	XIII	375.55	Significant	0.89	High Degree
	240	20	10						

Source: Field Survey.

Note: TV = 5.991

$\chi^2 = \text{Chi-square}$; 'c' = $\sqrt{(\chi^2 / \chi^2 + N)}$

Where 'c' = Contingency Co-efficient, N = Number of Observations

When the value 'c' is equal or nearer to 1, it means that there is high degree of association between attributes. Contingency co-efficient will always be less than 1. High degree is considered here if 'c' is 0.50 and above.

df = n-1 = 2, TV = 5.991, df = n-1 = 2

ECFI = Extent of Challenges Faced Index

Conclusion

Household occupation is significant which results in improving the living conditions, financial independence and overall well-being. Involvement in household occupation brings more income, builds more savings and assist in attaining the personal goals of respondents. The selection of household occupation depends upon the loan context and poor and vulnerable experience challenges in discharging their duties.

Proper monitoring of loan utilisation is essential and the regulatory authorities should see that the loan sanctioned is put to only productive purpose. MFIs should only provide small loans to the respondents helping them to do best in their line of activity. The Study found all the demographics showing a significant variation with a high degree of relationship. Further, the study reveals that respondent's household occupation changing drastically after availing loan from SHGs.

One of the strongest reasons behind to be over leveraging of borrowers as the reason behind rise on NPAs in MFIs and the second reason is about high rates of interest and there exists significant variation among the reasons with high degree of relationship. The challenges faced by MFIs includes in the ranked order risk of over indebtedness, financial illiteracy and loan default. The collected data presented in the form of tables and suitable and appropriate quantitative techniques were performed and the results were interpreted.

References

1. Akintoye IR. Reducing unemployment through the informal sector: a case study of Nigeria. *European Journal of Economics, Finance and Administrative Sciences*. 2008;(11):97-106.
2. Akudugu MA. Rural banks, financial capital and livelihoods development of women farmers in Ghana. *Journal of Enterprising Communities: People and Places in the Global Economy*. 2011;5(4):248-264.
3. Akudugu MA. Rural banks, financial capital and livelihoods development of women farmers in Ghana. *Journal of Enterprising Communities: People and Places in the Global Economy*. 2011;5(4):248-265.
4. Almelu S. Group formation: modalities and objectives. *Social Welfare*. 2005 Jul;10-12.
5. Bastos A, Casaca SF, Nunes F, Pereirinha J. Women and poverty: a gender-sensitive approach. *The Journal of Socio-Economics*. 2009;38:764-778.
6. Binswanger HP. Empowering rural people for women development. *Agricultural Economics*. 2007;37(Suppl 1):13-27.
7. CGAP. Harnessing inclusive finance: a pathway toward thriving and sustainable futures. CGAP VII Strategy (FY24-FY28) [Internet]. 2023 [cited 2026 Aug 9]. Available from: <http://www.cgap.org/about/key-documents/cgap-vii-strategy>
8. Akula C, Singh P. Influence of microfinance on women entrepreneurship: the mediating role of women's economic security and moderating role of previous work experience. *Cuadernos de Economía*. 2022;45(127):59-69.
9. Ramaiah C. Financial performance of microfinance in India: an analysis. *International Journal of Creative Research Thoughts*. 2024;12(7):184-193.
10. Dadhich CL. Microfinance: a panacea for poverty alleviation—a case study of Oriental Grameen Project in India. *Indian Journal of Agricultural Economics*. 2001;56(3):419-427.
11. Dejere Y. Promoting women's economic empowerment in Africa. In: *Africa Economic Conference*; 2007; Addis Ababa, Ethiopia.
12. Gatto A. Historical roots of microfinance and usury: the role of Monti di Pietà in Italy and in the Kingdom of Naples in XV-XX centuries. *Journal of International Development*. 2018;30(5):911-914. doi:10.1002/jid.3386.
13. Cham G, Naveed RT, Singh A, Waris M, Waseem W, Saqib S. The effect of women's development on the relationship between the social impact of green microfinance institutions and poverty in Pakistan. *Discover Sustainability*. 2025;6:1-14. doi:10.1007/s43621-025-00790-0.
14. Kagam J. Microfinance: definition, benefits, history and how it works [Internet]. Investopedia; 2024 [cited 2026 Aug 9].
15. Kabeer N. Is microfinance a magic bullet for women's empowerment? *Economic and Political Weekly*. 2005;40(44-45):4709-4718.
16. Kabeer N. Resources, agency, achievements: reflections on the measurement of women's empowerment. *Development and Change*. 1999;30(3):435-464. doi:10.1111/1467-7660.00125.
17. Kyaw D, Rontree JK. Rural poverty assessment with gender dimension in Myanmar. *Asia-Pacific Journal of Rural Development*. 2006;16(2):7-34.
18. Kanathanda MA. Public sharing practices by microfinance firms triggering a suicide crisis in Karnataka. *The Times of India*. 2025 Feb 10.
19. Mayoux L. Microfinance and the empowerment of women: a review of key issues. Working Paper. 2000.
20. Meki M, Quinn S. Microfinance: an overview. *Oxford Review of Economic Policy*. 2024;40:1-7. doi:10.1093/oxrep/grae004.
21. Nandal S. Extent and causes of gender and poverty in India: a case study of rural Haryana. *Journal of International Women's Studies*. 2005;7(2):182-190.
22. Saini N, Kumar B, Pathak OP. A conceptual study of microfinance in India. *International Journal of Marketing and Finance Management*. 2017;5(11):75-82.
23. Otero M. Breakthrough expansion of enterprise programmes: challenges for non-profit institutions. Cambridge (MA): ACCION International; 2019. Available from: <http://www.centerforfinancialinclusion.org>
24. Dhar P. Microfinance penetration in India: a state-wise analysis. *International Journal of Interdisciplinary Research in Science and Culture*. 2016;2(2):86-96.
25. Dey SK. Challenges and issues of microfinance in India. *Journal of Economics and Sustainable Development*. 2015;6(7):195-198.
26. Kumari S. Financial literacy and women empowerment. *International Journal of Applied Research*. 2023;9(5):29-31. doi:10.22271/allresearch.2023.v9.i5a.10784.
27. Sarangi UC. The SHG linkages. *Financial Express*. 2008;9.
28. Sohail M. Women empowerment and economic development: an explanatory study on Pakistan. *Developing Country Studies*. 2014;4(9):163-170.
29. Fatima S. Microfinance in India: a catalyst of financial and economic growth with special reference to Bihar. *International Journal for Multidisciplinary Research*. 2024;6(3):1-10.
30. Sudan FK. Livelihood diversification and women empowerment through self-help microcredit programmes. *Indus Journal of Management and Social Sciences*. 2007;1(2):90-106.
31. Sultana M. Women empowerment through SHGs with reference to Vikarabad Mandal of Ranga Reddy District, Andhra Pradesh. *Small Enterprises Development*.

- Management and Extension Journal. 2005;32(3):25-29.
32. Thakur SG, Tiwari AM. Whether SHG-based microcredit programmes can remove poverty? A case study of SHG-based programmes in Patan, Gujarat [Internet]. 2004. Available from: <http://www.wiego.org/ahmedabad>
33. Hameed W. UUME Thesis [Internet]. 2019 [cited 2026 Aug 9]. Available from: <https://etd.uum.edu.my>

How to Cite This Article

Anuradha GS, Nagaraja C. Comparative study on household occupation reasons behind increasing NPAs, and challenges faced by micro finance institutions (MFIs): a critical analysis. International Journal of Multidisciplinary Futuristic Development. 2025;6(1):98–105.
doi:<https://doi.org/10.54660/IJMFD.2025.6.1.98-105>

Creative Commons (CC) License

This is an open access journal, and articles are distributed under the terms of the Creative Commons Attribution NonCommercial-ShareAlike 4.0 International (CC BY-NC-SA 4.0) License, which allows others to remix, tweak, and build upon the work non-commercially, as long as appropriate credit is given and the new creations are licensed under the identical terms.