

# Empowering the Marginalized: The Role of Interest-Free Microfinance in Maharashtra's Financial Inclusion

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## KEYWORDS

Microfinance, interest-free loans, Maharashtra, financial inclusion, cooperative credit, poverty alleviation.

## ABSTRACT

Interest free microfinance societies in Maharashtra, play a crucial role in providing ethical financial services to underserved communities. This study examines 7 of 16 such societies operating across cities like Nanded, Parbhani, Aurangabad, and Nagpur, analyzing their mission, loan sanctioning processes, and financial products, including personal loans, gold loans, and business Murabaha (cost plus arrangement) financing. These institutions aim to protect individuals from exploitative interest-based systems, uplift marginalized groups, and align financial practices with Shariah principles.

Through a mixed methods analysis this research highlights the transformative impact of interest free microfinance on lives and livelihoods. Through qualitative inputs the findings include beneficiaries case studies—including daily wage labourers, small business owners, and women entrepreneurs—reporting significant improvements in income, asset ownership, and financial stability. Case studies (30) illustrate how interest-free loans enable business expansion, debt relief, and personal investments, fostering economic resilience. Key findings reveal high female participation, and successful transitions from informal credit to sustainable financing. Quantitative findings include the number of beneficiaries of each society, types of loans with maximum amount sanctioned, default rate of each society, and the number of women beneficiaries in each society.

The study underscores the societal and economic benefits of interest free microfinance, demonstrating its potential as an inclusive, ethical alternative to conventional lending. By prioritizing financial inclusion and empowerment, these microfinance societies contribute to poverty alleviation and community development in both urban and rural Maharashtra.

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## 1. Introduction

Interest free microfinance has emerged as a transformative tool for financial inclusion, particularly in regions where conventional interest-based systems fail to address the needs of marginalized communities. In Maharashtra, a network of 16 interest microfinance societies, operates across cities such as Nanded, Parbhani, Aurangabad, Ardhapur, Osmanabad, Latur, Pusad, Umardhed, Yavatmal, Parli, Bhiwandi, Beed, Bhusawal, Basmat, Akola and Nagpur, providing Shariah-compliant financial services to low-income individuals and small entrepreneurs. These societies offer interest-free loans, gold financing, business Murabaha, and other ethical financial products designed to uplift economically weaker sections while adhering to Islamic principles.

The need for such institutions arises from the exclusion of many underserved populations—particularly daily wage labourers, women entrepreneurs, and small business owners—from

traditional banking systems, forcing them to rely on exploitative moneylenders charging exorbitant interest rates. Interest free microfinance societies in Maharashtra aim to counter this by offering an ethical alternative that prioritizes financial empowerment, asset creation, and poverty alleviation.

This study examines the operational framework, loan disbursement processes, and socio-economic impact of these societies through an analysis of beneficiary case studies. The findings reveal significant improvements in income levels, business expansion, and personal financial stability among borrowers. From auto-rickshaw drivers acquiring their own vehicles to women entrepreneurs scaling home-based businesses, the transformative potential of interest free microfinance is evident across diverse sectors. Additionally, the low default rates (ranging from 1% to 18%) and high participation of

women borrowers highlight the sustainability and inclusivity of this model.

By documenting these success stories, this research underscores the role of interest free microfinance as a catalyst for economic resilience and social upliftment. It provides valuable insights for policymakers, development practitioners, and financial institutions seeking ethical, community-driven alternatives to conventional microfinance in India and beyond.

## 2. Methodology

This study employs a mixed-methods approach to analyze the impact of interest free microfinance societies in Maharashtra, combining quantitative data analysis with qualitative case studies. The quantitative component examines institutional records from 7 out of 16 microfinance societies, assessing loan disbursements, repayment rates (ranging from 1% to 18% default rates), beneficiary demographics (including 51% women participation in Parbhani), and urban-rural variations in loan utilization. The qualitative analysis involves in-depth case studies of 30 beneficiaries, documenting income growth (up to 300% increases), asset acquisition, and debt reduction through structured interviews and field observations. The integrated findings demonstrate how interest-free microfinance contributes to financial inclusion, with quantitative data validating repayment discipline and qualitative narratives revealing transformative livelihood improvements. This dual-method approach provides robust evidence of the model's effectiveness in poverty alleviation while highlighting its ethical advantages over conventional lending systems. The study's methodology offers a replicable framework for evaluating microfinance interventions, though its geographic focus on Maharashtra and potential survivorship bias in case selection present limitations for broader generalization.

## 3. Review of Literature

### Conceptual Foundation and Evolution

Microfinance refers to the provision of financial services to low-income clients, including the self-employed. Financial services generally include savings and credit; however, some microfinance organizations also provide insurance and payment services (Ledgerwood, 1999, p. 1). Microfinance has emerged as an effective channel for providing financial services to the poor and asset-less people in India. The Raghuram Rajan Committee in its report also recognized 'Microfinance' as the major non-institutional channel for financial inclusion. (Planning Commission, Government of India, 2009, p. 57)

During the year (as on 31st March 2017), Indian Microfinance Institutions (MFIs) have served around 29.5 million clients (Sa-Dhan, 2017). Although, the penetration of Microfinance services in India have been very low reaching less than 3% of the population. As per the data released by Microfinance Institutions Network (MFIN) on March 2022, The Microfinance loan portfolio of all lenders grew about 10% year on year to Rs 2.56 lakh crore at the December,2021, compared with RS 2.33 lakh crore a year back. After the successful operation of the Grameen Bank model in Bangladesh, the concept of microfinance has drawn the attention of the development economists all over the world. India's share in the global micro credit market in 2005 was 15% of all clients and 20% of the poorest clients (Karmakar, 2008).

Among various issues arising due to microfinance practices, the major one is with regards to the high rates of interest charged by the MFIs (Malegam Committee Report, 2011). Also, the microfinance is not sufficient to include financially all community of people in the world. Muslim community is not interested in interest-based loan as the interest (Riba) is strictly prohibited. A considerable (28.26%) portion of world population is Muslim and half of worlds poor people live in Muslim countries. So, microfinance is a very effective tool to reduce the Muslim poverty, but the problem is the interest component of debt.

Interest-free finance refers to the provision of financial services in accordance with Shariah law, principles, and rules. It does not permit receipt and payment of interest, excessive uncertainty, gambling, or financing activities that it considers harmful to society. Instead, the parties must share the risks and rewards of a business transaction and the transaction should have a real economic purpose without undue speculation, and not involve any exploitation of either party (International Monetary Fund, 2017). An IFMI charges service charge instead of interest to sustain itself.

### Theoretical Framework and Logic of Interest-Free Finance

The Islamic prohibition of interest (riba) stems from fundamental Shariah principles that consider riba exploitative and inherently unjust to both the lender or borrower. According to the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI, 2015), interest represents "the stipulation of an excess for the lender in loan," while service charges are defined as "the actual amount (cost) spent on such (loaning) services." This distinction is crucial as interest free microfinance institutions charge service charges instead of interest to sustain operations while maintaining Shariah compliance.

The logic behind interest-free finance extends beyond religious considerations to economic justice principles. Interest-based systems guarantee returns to capital owners regardless of business performance, creating unfair income distribution and restricting wealth circulation to those who can afford interest payments. Islamic economics promotes a balanced system where wealth distribution occurs through legitimate trade, profit-sharing, and risk-sharing mechanisms rather than predetermined interest payments. This approach has demonstrated superior stability, with studies showing that interest free banks had significantly lower failure rates compared to conventional banks (Pappas et al., 2014), and default rates on small business Islamic loans were less than half of conventional loans (Baele et al., 2014).

### **Financial Inclusion and Poverty Alleviation Impact**

Interest Free Microfinance Institutions (IFMIs) have demonstrated substantial impact on financial inclusion, particularly among Muslim populations who avoid conventional banking due to religious beliefs. Research by Mahmood et al. (2019), Abdul Majeed and Alalubosa (2019), and Ali (2017) highlights how interest free microfinance bridges the gap for financially excluded communities. In India, the Credit to Deposit ratio of Muslims stands at 47% against the national average of 74% (Reserve Bank of India), indicating significant scope for interest free microfinance expansion.

The poverty alleviation impact of IFMIs is evidenced through multiple studies demonstrating tangible improvements in beneficiaries' lives. Iqbal et al. (2015) observed that customers of interest-free microfinance institutes succeeded in reducing poverty levels by improving basic needs and living standards compared to conventional microfinance bank customers. Empirical evidence from various regions shows positive outcomes including improved household incomes, enhanced savings, better nutrition for families, greater educational attendance, and women's empowerment (Swope, 2005; Hadisumarto and Ismail, 2010; Rokhman, 2013).

In Kerala, interest-free microfinance institutions have significantly improved household incomes and living standards through integrated skill development programs, particularly benefiting women and marginalized groups. Indonesia's Baitul Mal wat Tamwil (BMT) exemplifies successful implementation by utilizing zakat and sadaqah funds to support collateral-free financing, while India's Safa Baitul Maal, Hyderabad achieved 100% loan recovery rates by rescuing poor street vendors from predatory moneylenders. These institutions strengthen social cohesion by encouraging community participation and raising awareness about financial and social responsibilities.

### **Women's Empowerment and Gender Impact**

Studies reveals significant positive impacts of IFMIs on women's empowerment, extending beyond economic benefits to include social and psychological dimensions. Research on "Interest-Free Microfinance Arrangements and Its Impact on the Livelihood of Women in India" demonstrates that IFMI positively influences women's economic and social well-being through increased income, improved savings, enhanced entrepreneurship, and greater participation in income-generating activities (Sherwani et al., 2021).

Women beneficiaries report higher incomes, improved savings, and better living standards after accessing interest-free loans, enabling many to start small businesses including petty shops, tailoring units, and small-scale trading operations. Beyond economic gains, IFMI contributes to women's empowerment by boosting self-confidence, decision-making power, and control over household finances. Mahmood (2011) pointed out that women enhanced their capacity after IFMI introduction, especially in decision-making capacity, while Modi et al. (2014) noted that financial freedom through interest-free microfinance services enabled rural women to develop bargaining capacity and stand against violence.

The empowerment extends to reduced dependence on exploitative money lenders and improved access to essential services like education and healthcare for families. However, challenges include limited outreach concentrated mostly in urban areas, lack of awareness and financial literacy among potential beneficiaries, and regulatory hurdles hindering scalability. Despite these challenges, case studies like SHARE Microfinance Limited demonstrate the transformative potential of interest-free models in significantly improving women's livelihoods over time.

### **Performance Review: Interest-Free Cooperative Societies in India**

Interest-free cooperative societies operating on Islamic finance principles across India have emerged as significant instruments for financial inclusion and poverty alleviation, particularly benefiting marginalized communities and women. The comprehensive case studies of institutions in Patna, Mumbai, Kerala, and Osmanabad reveal both the transformative potential and structural challenges facing this sector.

**Patna's Al-Khair Cooperative Credit Society** represents a multistate institution operating across Bihar, Delhi, Jharkhand, and Uttar Pradesh, offering Shariah-compliant products including qard ḥasan (interest-free loans), mushārahah (profit-sharing),

and murābahah (cost-plus sale). Despite its wide geographical reach, the institution faces significant operational challenges including the absence of Shariah audits, limited middle-class participation, high operational costs, and regulatory hurdles that restrict its outreach potential.

**Mumbai's Bait-un-Nasr Urban Cooperative Credit Society** demonstrates remarkable diversity in its clientele, serving both Muslims and non-Muslims through demand loans and profit-sharing arrangements. The society operates through a structured loan process requiring KYC documentation, due diligence, and security deposits (personal deposits, gold, shares, or member guarantees). Its income sources include admission fees, annual ledger fees, service charges on loans, asset sales, property rental, and member donations. While it successfully helps small entrepreneurs avoid exploitative money lenders, the institution faces challenges including low gender inclusivity (only 39% women members) and liquidity constraints due to legal restrictions on investments.

**Hyderabad's Safa Baitul Maal (SBM)** stands out as an exceptional success story, operating as a trust-based model since 2006 with microfinance operations beginning in 2014. Established in response to riots that affected Muslim vendors exploited by interest-based loans, SBM has achieved a remarkable 100% repayment rate over six years, with only one exception due to borrower death. The organization's innovative approach includes utilizing mosque spaces for offices to reduce expenses and soliciting donations of recyclable waste materials for funding. SBM provides loans without collateral, requiring only approval from two mosque committee members, with a structured 17-week repayment schedule (Rs 300 weekly for Rs 5,000 loans, Rs 600 weekly for Rs 10,000 loans). Despite distributing approximately Rs 1 million in loans benefiting 1,500 people from 250 families in 2019, legal restrictions prevent expansion despite overwhelming demand.

**Kerala's Kudumbashree and community-based Nidhis** represent the most successful interest-free microfinance models in India, benefiting from strong state support and women's empowerment initiatives. Kudumbashree's group-based lending and profit-sharing mechanisms have significantly enhanced household incomes and women's self-confidence, while Nidhis report near-zero default rates. However, these models face challenges in replication outside Kerala and require stronger Shariah governance frameworks for broader implementation.

**Rahat Urban Co-operative Credit Society in Osmanabad** exemplifies effective community-based microfinance through its simplified loan process requiring minimal documentation and no collateral, only two guarantors. The society serves

both consumption and productive loan purposes, with borrowers typically using initial loans for debt swapping to escape high-interest informal sources, then progressing to family needs, and eventually productive business investments. Rahat achieves a 98% recovery rate through community-based selection of borrowers, peer pressure mechanisms, and social capital utilization. The organization has created a self-reinforcing cycle where successful borrowers become guarantors and referrers for new clients, while some profitable borrowers become depositors, expanding the lending pool.

Thus, we gather that Muslims do not participate in interest based financial products due to their faith and need an alternative model to sustain their economic needs. We also understand that women participation and empowerment is a key advantage of interest free microfinance model. Through case studies we also examine the functioning of various IFMI. However, the gap lies in the beneficiary's experiences and utilization of loan products. Thus, this study aims to understand this from the beneficiary's perspective.

#### 4. Exploring the Interest Free Societies of Maharashtra

The 16 interest free microfinance societies across Maharashtra provide interest free financial products including interest free loans, gold loan, business loans and Murabaha loans. These societies exist in Osmanabad, Latur, Nanded, Parbhani, Pusad, Umardhed, Yavatmal, Nagpur, Bhiwandi, Parli, Beed, Aurangabad, Basmat, Akola, Bhusawal, Ardhapur. An additional service of these societies is financial counselling provided to beneficiaries for loan repayment and better utilisation of funds provided. Non-financial counselling including training sessions on financial literacy and business development are also provided through governmental or own initiatives. These societies charge upto 4% service charge as per the norms set by the Maharashtra State Co-operatives Act. These societies work on not for profit basis and aim to serve the larger humanitarian interests.

##### Mission of Interest Free Microfinance Societies

1. To protect people from conventional interest based financial system.
2. To uplift the weaker sections of the society through ethical Islamic finance model.
3. To implement the guidelines of shariah in Islamic finance model.

##### Process of Sanctioning Loans

1. Before issuing Loan application the transaction of applicant's account verified, if satisfactory, then loan application form issued

2. Applicant submit the Loan application duly filled in all respect and offered two sureties (member and account holder of the society) with copies of required documents such as Adhar Card, Pan Card, Ration Card, Electricity bill of shop/house, Shop Licence, if available.

3. At the time of submission of Loan Application, the record of applicant and sureties verified, if found satisfactory form accepted.

4. Manager visit the applicant business places and submit report and recommend for consideration of loan application.

5. The detail list of loan applications received is prepared (sample copy enclosed) and put before the Board of Directors in their Monthly Meeting.

6. The discussion on loan applications takes place during meeting and sanctioned on merit basis. The proceeding of the meeting prepared by the Secretary of the Society, who also one of the director panels.

7. On sanction of loan applications, the Security Documents prepared by the society official such as Demand Promissory Note, Loan Agreement, Hypo. Agreement, Pledge Agreement, A/c Debit Authority, Cheque Lodgement Letter etc as the case may be

8. Thereafter the applicants and their sureties are called upon to execute the documents in presence of Society official.

9. After the completion of all pre-loan disbursement formalities, the manager allows to disburse the loan amount to the applicant as per by-laws norms.

## 5. Diving Deeper into the Societies

Society Name	No. of Beneficiaries (2024-25)	Types of Loan with Max. Amount	Default Rate	No. of Women	Urban/Rural
Nanded	1485	<b>Unsecured Loan</b> 1. Personal Loan- Rs. 50,000 2. Ramzan Loan- Rs 50,000 <b>Secured Loan</b> 1. Gold Loan- Rs. 3,00,000 2. Loan Against Fixed Deposit- 85% of FD Value 3. Two-Wheeler Loan- 75% of Quotation Amount 4. Three-Wheeler Loan- 75% of Quotation Amount	18.00%	146	Urban
Ardhapur	646	Unsecured Loan 1. Personal Loan-Rs. 50,000	1%	146	Rural
Umarkhed	1624	<b>Unsecured Loans</b> 1. Small Business Loan- Rs. 5000 2. Regular Loan- Rs. 10,000 3. Business Loan- Rs. 20,000-50,000	5.30%	492	Urban

Pusad	1461	<b>Unsecured Loans</b> 1. Member Loan- Rs. 50,000 2. Small Business Loan- Rs. Rs.50,000 <b>Secured Loans</b> 1. Gold Loan- Rs.1,50,000 2. Home Appliances- 75% of Quotation Amount 3. Two-Wheeler Loan- 75% of Quotation Amount 4. Three-Wheeler Loan- 75% of Quotation Amount	15%		Urban
Nagpur		Unsecured Loan 1. Personal Loan- Rs. 75,000 Secured Loan 1. E-Rickshaw- 75% of Quotation Amount 2. Auto Rickshaw Loan-75% of Quotation Amount 3. Gold Loan- 75% of Quotation Amount	14%	10%	Urban
Parbhani	8308	<b>Unsecured Loans</b> 1. Rahat Small Business Loan- Rs. 1,00,000 2. Rahat Mahila Bachat Gat- Rs 1,00,000 <b>Secured Loans</b> 1. Rahat Gold Loan- Rs 3,00,000 2. Rahat Vehicle Murabaha- Rs. 1,50,000 3. Rahat Auto Murabaha- Rs 2,80,000 4. FD against Loan Scheme- 85% of FD value 5. Rahat Business Murabaha- Rs. 3,00,000 6. Rahat Machine and Goods Murabaha- Rs. 3,00,000 7. Rahat Home Appliances- Rs 2,00,000	2%	4224	Urban and Rural
Aurangabad	3104	<b>Unsecured Loan</b> 1. Al-Khair Self Business Loan- Rs. 30,000 2. Al-Khair Mahila Bachat Gat- Rs.30,000 <b>Secured Loan</b> 1. Al-Khair FD Loan 2. Al-Khair Gold Loan- 75% of Quotation Amount 3. Al-Khair Two-Wheeler Loan- 75% of Quotation Amount	10%	2328	Urban

## 6. Beneficiaries Analysis

### Gain in Asset's Ownership

#### From Rented to Own Auto- A Journey of Fulfillment

Mujahid Khan, a 43-year-old auto-rickshaw driver from Parbhani, Maharashtra, has seen a remarkable improvement in his livelihood thanks to the financial support of Rahat Co-operative Credit Society, Parbhani. With only a fifth-standard education and years of struggling to make ends meet, Mujahid's life took a positive turn after becoming a member of the society nine years ago. Initially, he earned a meager ₹300 per day (around ₹4,000–5,000 per month) driving a rented auto-rickshaw, leaving him with little savings and financial security.

In 2019, Mujahid availed his first loan of ₹15,000 to start a small seasonal fruit business alongside his auto-rickshaw driving. This additional income stream helped stabilize his earnings and provided a financial cushion. Recognizing his repayment discipline, the society granted him a second loan (Three-Wheeler Loan) of ₹2,80,000 in 2023 to purchase his own auto-rickshaw, freeing him from the burden of rental auto. This investment proved life-changing—his daily earnings increased to ₹600–700, translating to ₹18,000 per month, a significant jump from his earlier income. Owning his vehicle not only boosted his income but also gave him financial independence and stability. This depicts the fulfillment of the society's (Rahat's) mission of uplifting the weaker sections of the society.

Similarly, Munshi Khan, a 45-year-old auto-rickshaw driver from Parbhani, has seen gradual but meaningful improvements in his life through his association with Rahat Co-operative Credit Society. With no formal education, he previously earned ₹7,500 per month driving a rented auto-rickshaw, struggling to meet his family's basic needs while living in cramped conditions.

As a member for four years, Munshi first accessed a ₹50,000 personal loan in 2022 to expand his modest home, providing separate space for his married children. His consistent repayments—built trust with the Rahat Co-operative Credit Society, enabling him to secure a ₹2,50,000 loan in 2023 to purchase his own auto-rickshaw. This eliminated the burdens of a rented auto and increased his monthly income to ₹15,000.

Through careful financial management, Munshi has since saved enough to buy a second auto-rickshaw for his son. While his progress has been modest, it represents a sustainable improvement – from rented vehicle to asset ownership, and from overcrowded living conditions to adequate housing. His story

shows how cooperative credit can provide responsible financial solutions for low-income earners without resorting to high-interest loans.

#### Construction of Houses Through Interest Free Microfinance

Atiya Parveen Abdur Rauf, a 36-year-old ladies' tailor from Chhatrapati Sambhajinagar with a 12th-standard education, has transformed her family's living conditions through strategic use of gold loans from Al-Khair Urban Co-operative Credit Society Ltd. A member for two years, Atiya leveraged her membership to secure five loans totalling ₹1,79,000 (₹12,000, ₹7,000, ₹50,000, ₹90,000, and ₹50,000), which she allocated toward building her own home, purchasing a plot of land, and funding a house for her brother. Despite her modest tailoring income, now at ₹35,000/month. Her loans facilitated long-term investments in property, ensuring stability for her household and her brother's family. This case exemplifies how cooperative credit societies empower women entrepreneurs to balance immediate financial obligations with aspirational goals, fostering intergenerational security.

#### Working Capital for Business

#### Transforming Entrepreneurship Through Cooperative Credit

Syed Adnan Ali, a 24-year-old interior design graduate from Nagpur, has revitalized his wallpaper and curtain business with the support of Samadhan Co-operative Credit Society. A member for 3.5 years, Adnan faced persistent cash-flow challenges in his entrepreneurial journey. Despite steady demand, he struggled to purchase bulk stock due to upfront vendor payments, limiting his ability to scale. His monthly income stagnated at ₹15,000, reflecting the constraints of operating without working capital.

In 2023, Adnan secured a ₹30,000 loan from Samadhan, a decision he describes as transformative. The funds enabled him to procure materials in advance at discounted rates, aligning with bulk-order client demands. This strategic shift allowed him to optimize costs and expand his inventory, directly addressing his earlier cash-strapped predicament. Today, his monthly earnings have doubled to ₹30,000, with increased client satisfaction due to faster order fulfillment and a wider product range.

Adnan attributes his success to the cooperative's interest-free model, which he contrasts with high-interest alternatives. "There is *barkat* [blessing] in Samadhan Society," he remarks, emphasizing the ethical and sustainable nature of their financial support. Beyond business growth, Adnan has cultivated financial discipline, maintaining a savings

account with ₹15,000 deposited in the society—a safety net he lacked previously.

This case highlights how cooperative credit societies empower young entrepreneurs to overcome systemic barriers. By bridging liquidity gaps, Samadhan enabled Adnan to transition from survival-mode operations to a thriving enterprise. Adnan's story serves as a blueprint for how tailored financial solutions can unlock potential, proving that even modest loans can catalyze significant economic and personal growth.

### **Breaking Free from Debt Traps to Sustainable Growth**

Shaikh Nadeem Shaikh Nizam, a 33-year-old grocery store owner in Parbhani, Maharashtra, transformed his struggling 'Nadeem Kirana Dukaan' into a thriving enterprise with the support of Rahat Co-operative Credit Society, Parbhani. With education up to Class 9, Nadeem initially relied on high-interest loans from moneylenders to sustain his shop, borrowing ₹20,000, ₹50,000, and ₹35,000 with crippling daily repayments of ₹500. This cycle drained his earnings, leaving no savings or funds to restock inventory, forcing him into repeated debt.

Joining Rahat Co-operative Credit Society eight years ago marked a turning point. The society provided him with two loans (₹25,000 and ₹30,000), which he used to purchase essential stock and stabilize his working capital. Freed from the moneylender's exploitative terms, Nadeem reinvested profits strategically: he bought a deep fridge (₹35,000) and door fridge (₹25,000) to expand perishable goods sales and acquired a plot of land through disciplined savings.

His daily profits surged from ₹150 to ₹500, reflecting improved inventory management and customer footfall. Nadeem proudly states he no longer requires external loans, having achieved financial self-sufficiency. His journey underscores the stark contrast between predatory lending and cooperative support—where Rahat's affordable credit enabled him to break the debt cycle, build assets, and secure his family's future.

Nadeem's story exemplifies how cooperative societies empower small entrepreneurs to transition from survival to sustainability. By replacing exploitative debt with ethical financing, he transformed a precarious business into a resilient livelihood, proving that financial inclusion can dismantle systemic poverty and foster lasting prosperity.

### **Scaling a Grocery Business Through Strategic Cooperative Financing**

Izzat Khan, a 44-year-old grocery shop owner from Maharashtra, has transformed his modest store into a thriving enterprise over nine years as a member of the Rahat Co-operative Credit Society. With a 12<sup>th</sup> standard education, Izzat initially earned ₹600 daily, constrained by limited space and capital to meet growing customer demands. His membership with the society enabled him to access six loans—₹15,000, ₹30,000, ₹50,000, ₹70,000, ₹90,000, and a ₹2,00,000 business Murabaha loan (an ethical, cost-plus financing model)—which he strategically deployed to expand operations.

The funds allowed Izzat to convert two rooms of his home into additional retail space and purchase a dedicated godown, significantly increasing storage capacity and inventory diversity. The Murabaha loan, structured transparently under Islamic finance principles, supported bulk purchasing at competitive rates, enhancing profit margins. These investments propelled his daily earnings to ₹2,500, a fourfold increase from his earlier income.

Izzat's journey reflects the power of sustained cooperative engagement. By progressively scaling loans aligned with business needs, he transitioned from a small shopkeeper to a community-scale retailer.

### **Revitalizing a Scrap Business Through Ethical Financing**

Shaikh Shakeel, a 28-year-old scrap dealer from Parbhani, Maharashtra, has redefined his 'Amir Scrap Merchant' with the support of Rahat Co-operative Credit Society. Starting in 2002 with a self-investment of ₹20,000 and education up to Class 7, Shakeel initially struggled with limited capital, relying on high-interest loans to sustain operations. His monthly scrap purchases stagnated at ₹1 lakh, restricting growth and forcing him into a cycle of debt with 18% interest rates.

Joining Rahat Co-operative Credit Society two years ago marked a pivotal shift. The society provided him with two loans (₹25,000 and ₹50,000), enabling him to repay his costly debt and expand his scrap-holding capacity. With improved liquidity, Shakeel increased his monthly purchases to ₹2 lakh and diversified into higher-value materials like tamba (copper) and pital (brass), significantly boosting profitability. His shop now holds ₹2.5 lakh worth of scrap inventory, a stark contrast to his earlier cash-strapped operations.

The ethical, interest-free model of Rahat's loans eliminated the stress of exorbitant repayments, allowing Shakeel to focus on scaling his business. His monthly income surged from ₹15,000 to ₹25,000, reflecting enhanced margins and operational efficiency. "With Rahat, there's no burden of extra interest—just progress," he remarks,

contrasting his past struggles with exploitative lenders.

### **From Debt to Dignity Through Cooperative Empowerment**

Shaikh Abdul Shaikh Chand, a 65-year-old cutlery businessman from Parbhani with no formal education, has transformed his livelihood through the Rahat Co-operative Credit Society, Parbhani's Selu Branch. For years, Abdul struggled with the burdens of high-interest loans from moneylenders and costly "pay later" arrangements to stock his shop, which kept his daily earnings stagnant at ₹500. Trapped in a cycle of debt, he joined the society a year ago, securing two loans (₹25,000 and ₹35,000) that revolutionized his business operations.

The loans provided Abdul with immediate working capital, allowing him to shift from expensive credit-based procurement to purchasing cutlery directly from cost-effective suppliers in Nanded and Parbhani. This significantly increased his purchasing power, enabling him to stock higher quantities and diversify his inventory. His daily income surged to ₹1,200, a 140% increase, as profit margins expanded.

Abdul highlights the stark contrast between his past and present: "Rahat has brought 'sukoon' (peace) and 'barkat' (blessing) to my life." The society's easy, timely processes freed him from the stress of exorbitant interest payments, which once consumed his earnings. Today, he operates with financial autonomy, no longer reliant on exploitative lenders. His improved cash flow has also allowed him to explore bulk buying and negotiate better prices, further solidifying his business's stability.

Abdul's journey underscores how cooperative credit can uplift even elderly entrepreneurs with limited education. By replacing predatory debt with ethical financing, Rahat empowered him to break free from financial insecurity and build a sustainable, dignified livelihood.

### **Seasonal Business Flourishes with Cooperative Support**

Deep Mala, a 60-year-old businesswoman from Maharashtra, has revitalized her entrepreneurial journey through the Rahat Co-operative Credit Society. With a 12<sup>th</sup>-grade education, Deep initially ran a niche saree blouse business, earning ₹6,000 daily during the 15-day peak festive season. Recognizing the limitations of her seasonal model, she joined the society two years ago, securing loans of ₹25,000 and ₹40,000 to diversify into curtains and religious event decoratives while expanding her offerings to include a full range of ladies' dress materials.

The loans provided critical working capital, enabling Deep to stock high-demand inventory in bulk ahead of festive rushes. This strategic shift transformed her business from a narrow, short-term operation into a versatile enterprise catering to year-round decorative needs and seasonal demand. Her daily income doubled to ₹12,000 during peak periods, reflecting improved margins and customer reach.

Deep credits Rahat's timely financial support for breaking her reliance on informal credit systems, which previously constrained her purchasing power. By aligning loan utilization with seasonal cycles, she optimized cash flow and minimized idle inventory. Today, her business thrives as a trusted source for both religious event décor and everyday dress materials, blending tradition with modern demand.

### **Entrepreneurship (New Business)**

#### **From Debt-Ridden Labourer to Empowered Entrepreneur**

Shamsheer Khan, a 55-year-old resident of Ardhapur with no formal education, transformed his life through Rahat Co-operative Credit Society after years of financial hardship. Previously working as a daily wage laborer earning ₹6,000/month, Shamsheer faced immense stress due to high-interest loans taken for his four daughters' marriages, which trapped him in a cycle of debt. Joining the credit society three years ago marked a turning point: he accessed three loans (₹20,000, ₹40,000, and ₹50,000) to launch entrepreneurial ventures. He now operates a goli biscuit transport business between Nanded and Ardhapur and runs a small kirana store, doubling his income to ₹10,000/month.

The society's affordable credit not only relieved his debt burden but also enabled him to transition from precarious daily labor to stable self-employment. By avoiding exploitative lenders, Shamsheer channeled his earnings into growing his businesses instead of draining them on interest payments. His journey from anxiety-ridden borrower to confident entrepreneur underscores how cooperative societies can empower marginalized individuals with limited education to rebuild their lives through dignified, sustainable livelihoods.

#### **Overcoming Adversity Through Entrepreneurship and Cooperative Support**

Abdul Razik Abdul Majid, a 34-year-old grocery store owner from Umardhed, embodies resilience and self-reliance. Despite living with a disability, Abdul, a graduate with a B.A., D.Ed., and ITI certification in electrical training, refused to depend on his family for support. A member of Rahat Co-operative Credit Society for eight years, he leveraged loans of ₹20,000 and ₹50,000 to rebuild

his livelihood after the COVID-19 pandemic disrupted his prior occupations as a madrasa teacher and pan shop owner.

When the pandemic halted his income streams, Abdul Razik's turned to the credit society for assistance. Utilizing the loans, he launched a grocery store, transforming adversity into opportunity. His educational background and technical skills, combined with the society's timely support, enabled him to transition seamlessly into entrepreneurship.

### **Scaling Business Ambitions Through Cooperative Financing**

Asif Khan Qadir Khan, a 29-year-old entrepreneur from Umardhed, exemplifies how strategic access to credit can catalyse business growth. A member of Rahat Co-operative Credit Society for seven years, Asif leveraged three loans (₹20,000, ₹30,000, and ₹50,000) to transform his modest confectionery business into a thriving enterprise. Previously earning ₹20,000/month, he now generates ₹50,000/month by diversifying into cold drink and ice cream trading, supported by two godowns and seven commercial refrigerators acquired through the society's financial assistance.

Despite limited formal education (12<sup>th</sup> standard), Asif's sharp business acumen and the credit society's trust in his vision enabled this transition. The loans helped him pivot during competitive market shifts, moving from low-margin confectionery sales to high-demand cold storage distribution. This expansion not only stabilized his income but also created local employment opportunities.

### **Resilience and Reinvention Through Cooperative Support**

Mohammad Idrees Mohammad Yusuf, a 50-year-old transport service provider from Nanded, weathered the storm of the COVID-19 pandemic with the aid of Rahat Co-operative Credit Society. A member for four years, Idrees saw his pre-pandemic business—owning three transport vehicles—crumble as lockdowns led to severe financial losses, forcing him to sell two vehicles. At his lowest point, the society stepped in, granting him a lifeline through loans of ₹30,000 and nine subsequent loans of ₹50,000 each. These funds enabled him to pivot strategically as he purchased 100 centring plates and three concrete mixers, which he now rents out to construction projects, while continuing his transport services with his remaining vehicle.

This diversification stabilized his income, now at ₹30,000/month, and fuelled broader family progress. Idrees is rebuilding his home, and his son launched a Chinese restaurant—a testament to restored financial confidence. His critique of interest-based

loans as “lanat (a curse) and gunah (sin)” contrasts sharply with his praise for interest-free cooperative credit, which he credits for his recovery.

Idrees' journey epitomizes entrepreneurial grit. By blending traditional transport work with innovative equipment rental, he turned crisis into opportunity. His story underscores how cooperative societies empower members to adapt, survive, and thrive—even in unprecedented challenges—while upholding ethical financial principles.

### **Daily Wage Labourer to Livestock Entrepreneur**

Shaikh Shammi Shaikh Razzak, is a 50-year-old resident of Pusad. With only a 4<sup>th</sup>-standard education, Shammi spent decades as a daily wage construction worker, earning ₹9,000/month under gruelling conditions that forced him to rely on sleeping pills to endure physically exhausting workdays. His life took a decisive turn eight years ago when he joined Rahat Co-operative Credit Society, Pusad, accessing seven loans of ₹50,000 each to pivot toward entrepreneurship.

Initially using the funds to purchase four goats for sale, Shammi gradually expanded into buffalo trading, acquiring four buffaloes to establish a sustainable livestock business. This strategic shift liberated him from precarious daily wage labor, stabilizing his income at ₹20,000/month. The transition not only improved his financial security but also restored his health and dignity, ending his dependence on sleeping pills.

Shammi's journey underscores how cooperative societies empower marginalized individuals to break free from exploitative work cycles. By channelling loans into livestock—a low-risk, high-return asset—he built a self-reliant enterprise that thrives on local demand. His story highlights the societal impact of patient, ethical credit in enabling uneducated workers to redefine their futures through dignified entrepreneurship. Today, Shammi stands as a testament to resilience, proving that even modest resources, coupled with determination, can catalyse profound personal and economic transformation.

### **From Employee to Entrepreneur with Cooperative Backing**

Datta Murlidhar Pund, a 32-year-old businessman from Parbhani, Maharashtra, has redefined his career trajectory through the support of Rahat Urban Co-operative Credit Society. With a 10<sup>th</sup>-standard education, Datta initially worked as an employee at a mattress firm, earning ₹24,000 per month. Seeking financial independence, he turned to the credit society, becoming a member two years ago. Leveraging four loans (₹20,000, ₹30,000, ₹30,000, and ₹40,000), he launched his own mattress shop 1.5 years ago, diversifying into air cooler sales and

forging a strategic partnership with a local furniture store to supply mattresses on demand.

The loans enabled Datta to purchase inventory, expand his product range, and invest in a transport auto-rickshaw for efficient logistics. This multifaceted approach—combining retail, wholesale, and transport services—doubled his monthly income to ₹48,000. Datta highlights the stark contrast between conventional interest-based loans and Rahat’s interest-free model, emphasizing that daily repayments without added interest eased his financial planning and accelerated debt clearance.

From a salaried worker to a self-reliant entrepreneur, Datta’s journey underscores how cooperative credit can unlock entrepreneurial potential. By aligning flexible financing with his business acumen, he transformed a modest shop into a thriving enterprise, creating local employment opportunities and meeting community needs.

### **Empowering Resilience Through Cooperative Support**

Syed Fakhruddin, a 45-year-old disabled entrepreneur from Nanded with education up to the 7<sup>th</sup> standard, has redefined his life’s trajectory through the Rahat Co-operative Credit Society. For years, Syed earned a modest ₹10,000 per month as a hawker, selling toys and balloons at marriage halls and events, navigating physical challenges and financial instability. He turned to Rahat society four years ago when he joined the credit society, accessing ten interest-free loans of ₹50,000 each. These funds enabled him to diversify his income streams: he expanded into renting construction equipment—including swings, breaker machines, vibrators, generators, and cutters—while also leveraging a Ramadan loan to sell seasonal fruits, capitalizing on festive demand.

Beyond business growth, Syed channelled the loans into transformative personal milestones. He rebuilt his ancestral tin-roofed home into a sturdy RCC structure, purchased a flat, and funded critical appendix surgeries for his three sons, ensuring their health and well-being. Strategic financial support from Rahat freed him from the burden of high-interest debt, allowing him to redirect earnings toward sustainable investments. Today, his monthly income stands at ₹15,000, a 50% increase that reflects both entrepreneurial grit and the society’s unwavering trust.

Syed’s journey underscores how cooperative credit can uplift marginalized individuals, turning adversity into opportunity. Despite his disability and limited formal education, he transformed from a struggling hawker into a multifaceted entrepreneur and homeowner, securing his family’s future.

## **Business Development**

### **Transforming Livelihoods Through Financial Inclusion**

Mukeet Khan, a 28-year-old welder from Ardhapur, Maharashtra, has charted an inspiring path of growth by leveraging the support of the Rahat Co-operative Credit Society, Ardhapur. With only a 10<sup>th</sup>-grade education, Mukeet initially operated a small welding business with limited resources: a single welding machine, a cutter, and four employees working on one site. His raw materials, sourced locally from Ardhapur, were expensive, and despite receiving advances for larger projects, he struggled to fund the necessary equipment and materials. His monthly income hovered around ₹12,000, supplemented by modest earnings from growing low-profit crops like soybean and gram on his agricultural land.

These challenges began to shift when Mukeet joined the Rahat Co-operative Credit Society three years ago. Recognizing his potential, the society provided him with three tailored loans totalling ₹1,20,000. The first loan of ₹20,000 enabled him to purchase a drilling machine, expanding his service offerings. A second loan of ₹50,000 allowed him to buy raw materials in bulk from Nanded, a nearby city with cheaper rates. The third ₹50,000 loan served as working capital, empowering him to take on larger projects like construction work, tin sheet installations, and shutters.

The impact of these interventions has been transformative. Mukeet now operates with enhanced efficiency: his workforce manages two sites simultaneously, and his upgraded toolkit includes two cutters and a drilling machine. His ability to source affordable materials and bid for bigger projects has doubled his monthly income to ₹25,000. Beyond welding, he revitalized his agricultural practices by shifting from traditional crops to high-value sugarcane and banana cultivation, further boosting his earnings.

Mukeet’s journey underscores the power of financial inclusion and education. By addressing his specific needs—through timely loans and knowledge-building—the Rahat Co-operative Credit Society helped him break cycles of scarcity and unlock sustainable growth.

### **Revitalizing Retail Through Interest-Free Finance**

Mohammad Ansar, a 28-year-old cosmetics trader from Ardhapur, Maharashtra, transformed his struggling business, Cosmetics Ladies Emporium, with support from the Rahat Co-operative Credit Society. After completing his education till the 10<sup>th</sup> standard, Mohammad ventured into retail but faced financial constraints post-launch, struggling to stock

diverse products and retain customers. Initially sourcing supplies from Nanded, his limited inventory restricted his monthly income to ₹15,000. Seeking a lifeline, he joined the Rahat Co-operative Credit Society 1.5 years ago and secured a ₹50,000 loan. With these funds, he diversified his product range—adding shampoos, juices, oils, and gels—and shifted procurement to Gujarat, where bulk purchasing lowered costs and improved product variety. This strategic expansion attracted more customers, doubling his monthly revenue to ₹35,000. Mohammad highlights the financial advantage of the credit society's model: while conventional interest-based loans would cost him ₹25,000 annually, Rahat's nominal service charge of ₹5,000/year significantly boosted his profitability. Today, his thriving shop stands as a testament to how interest-free financing, combined with smart sourcing and inventory diversification, can empower small entrepreneurs to break financial barriers, scale operations, and secure sustainable growth in competitive markets.

### **Weaving Success Through Cooperative Support**

Aruna Dattahinge, a 42-year-old entrepreneur from Umarkhed, Maharashtra, has transformed her modest saree and dress material business into a thriving enterprise with the sustained support of the Rahat Co-operative Credit Society. A Class 12 passed out, Aruna opened her shop in 2017 but faced stagnant growth due to limited capital and inventory. Her initial annual income hovered around a meager ₹6,000, with minimal customer footfall outside festival seasons. Seeking to expand, she turned to the Rahat Co-operative Credit Society, where she had been a trusted member for eight years, and secured three strategic loans: ₹10,000, ₹30,000, and ₹50,000. These funds enabled her to renovate her shop, diversify her stock with sarees, fabrics, and seasonal collections, and purchase bulk inventory at competitive prices. The upgrades attracted a steady stream of customers, with business peaking during festivals like Diwali and weddings, while maintaining consistent sales year-round. By 2024, her annual income skyrocketed to ₹40,000, complemented by an impressive ₹10 lakh turnover. Aruna credits the credit society's affordable financing and her long-term membership for this growth, emphasizing how timely loans helped her break free from financial stagnation. Her journey reflects the power of patient, community-driven financial support in empowering women entrepreneurs to scale micro-enterprises, stabilize incomes, and carve a niche in competitive markets.

### **Scaling Heights Through Strategic Financing**

Syed Tasleem, a 36-year-old hardware and electricals trader, has redefined entrepreneurial success with the backing of the Rahat Co-operative Credit Society, Pusad, where he has been an active member for eight years. A Class 12 passed out, Syed

began his journey with a modest shop, limited to 300 low-quality, locally sourced products, and a single employee, struggling with an annual turnover of ₹40 lakhs and a monthly income of ₹4 lakhs. Over the years, the credit society's consistent support through eight loans of ₹50,000 each empowered him to transform his business radically. He expanded his shop into a spacious emporium, diversified his inventory to 1,000 high-quality branded products—including desert coolers, sanitary fixtures, water tanks, and pump motors—and scaled his workforce to 10 employees. This strategic expansion, coupled with a shift from local to premium brands, catapulted his annual turnover to nearly ₹2 crores and boosted his monthly income to ₹18 lakhs. Syed credits the credit society's accessible, repeat financing for enabling him to meet rising customer demands, enhance product variety, and establish himself as a trusted supplier in the competitive hardware market. His journey underscores how sustained financial support and entrepreneurial vision can turn a small venture into a thriving enterprise, fostering economic growth and employment opportunities in the community.

### **Transforming a Salon Business Through Affordable Financing**

Shyam Baburao Sakhare, a 48-year-old salon owner from Parbhani, Maharashtra, exemplifies how access to ethical credit can break cycles of debt and fuel business growth. A Class 12 graduate, Shyam struggled for years with high-interest loans from local moneylenders, paying ₹2,000 in interest every three months on a ₹15,000 loan, which drained his earnings and left him unable to save. His modest salon, reliant on outdated equipment and basic services, earned him just ₹600 daily. In 2022, he joined the Rahat Co-operative Credit Society, Parbhani, and over three years, secured four tailored loans (₹15,000, ₹20,000, ₹25,000, and ₹30,000). These funds were strategically invested: the first loan purchased two modern salon chairs, the second upgraded to four premium chairs, the third enhanced interior décor, and the fourth renovated the ceiling, creating a welcoming ambiance. These upgrades attracted more clients, boosting his daily income to ₹1,000 and enabling him to offer a premium experience. Shyam highlights the society's interest-free model—charging only nominal service fees—as transformative, contrasting sharply with the exploitative rates of moneylenders. He also praises the convenience of daily collection agents and supportive staff, which streamlined repayments and reduced stress. Today, his revitalized salon stands as a testament to how ethical financing, coupled with smart investments, can empower small entrepreneurs to escape debt traps, modernize operations, and achieve sustainable prosperity.

### **Brewing Prosperity Through Ethical Finance**

Hanuman Narayan Ghagarman, a 38-year-old tea seller from Parbhani, Maharashtra, has transformed his modest livelihood with the support of the Rahat Co-operative Credit Society, where he has been a member for five years. With only a sixth-grade education, Hanuman began his journey with a small tea stall featuring six chairs and a single table, earning a meager ₹300 daily, while also selling six liters of milk each day. Trapped in a cycle of debt, he once borrowed ₹20,000 from a moneylender but received only ₹18,400 after immediate interest deductions, burdened by an additional ₹1,000 in interest. This exploitative system left him financially strained until he joined the Rahat Society in 2018. Over time, he secured three loans (₹15,000, ₹15,000, and ₹25,000), which he strategically invested to expand his tea stall to 14 chairs and multiple tables, doubling his milk sales to 12 Liters daily. Crucially, a portion of the loan also funded his father's kidney stone surgery, showcasing the society's flexibility in addressing both business and personal emergencies. These improvements boosted his daily income to ₹600, while the interest-free model—free of hidden penalties—saved him from predatory lending practices. Hanuman now champions the Rahat Society's ethical approach, emphasizing its transparent terms, daily collection agents, and compassionate staff. His story underscores how accessible, interest-free credit can empower marginalized entrepreneurs to break free from debt, scale businesses, and secure familial well-being, proving that even small ventures can brew significant change.

### **Empowering Women Through Microenterprise Growth**

Shagufta Sayyed, a dynamic leader of a Mahila Bachat Gat group in Parbhani, has transformed her home-based ladies' clothing business within just one year of joining the Rahat Co-operative Credit Society. A 12<sup>th</sup>-grade graduate, Shagufta initially struggled with limited capital, maintaining only ₹15,000 worth of stock and earning ₹6,000 per month. After securing a ₹50,000 loan from Rahat (disbursed in two installments of ₹25,000 each), she expanded her inventory to ₹30,000 by sourcing quality fabrics from Beed, enabling her to offer more variety to customers. Her innovative use of WhatsApp statuses and local hoardings for marketing significantly boosted sales, increasing her monthly income to ₹10,000. Notably, Shagufta utilized part of the loan to clear a high-interest debt, freeing herself from financial strain. The structured, interest-free repayment model of Rahat—where the second instalment is released upon repayment of the first—taught her disciplined financial management while supporting business growth. As both an entrepreneur and a women's self-help group leader, Shagufta now advocates for cooperative credit systems, demonstrating how accessible financing and digital outreach can uplift women-led

microenterprises, fostering economic independence and community resilience.

### **Accelerating Growth Through Ethical Financing**

Imran Ansari, a 34-year-old two-wheeler auto garage owner from Parbhani, has transformed his small mechanic workshop into a thriving business with spare parts retailing, thanks to support from the Rahat Co-operative Credit Society. With a 10<sup>th</sup>-grade education, Imran initially worked as a solo mechanic, earning ₹40,000 per month with limited growth prospects. After joining Rahat 1.5 years ago, he secured three loans (₹50,000, ₹80,000, and ₹1 lakh) to diversify into spare parts sales, significantly expanding his service offerings and customer base. This strategic shift boosted his monthly income to ₹1 lakh. Imran highlights the stark contrast between Rahat's interest-free model and traditional loans: Rahat requires no collateral, charges no interest, and offers flexible repayments, unlike high-interest loans that impose rigid withdrawal conditions and hefty interest burdens. He credits the society's transparent, borrower-friendly approach for enabling him to scale his business without financial stress. Today, Imran's garage stands as a model of how ethical credit can empower micro-entrepreneurs to break barriers, innovate, and achieve sustainable prosperity.

### **Rising from Crisis to Prosperity Through Cooperative Resilience**

Shaikh Israil Shaikh Haroon, a 40-year-old fruit vendor from Pusad, Maharashtra, turned post-COVID adversity into unprecedented success with the sustained support of Rahat Co-operative Credit Society. A member of the Rahat for seven years, Israil faced severe setbacks during the pandemic—business closures, erratic income, and mounting hospital expenses—which pushed him to borrow ₹30,000 at a crippling 10% interest from a moneylender. Struggling under this debt, he discovered Rahat's interest-free loans and secured relief through multiple disbursements (₹30,000 twice and ₹50,000 ten times), enabling him to repay the exploitative loan and pivot his business strategically.

Post-COVID, Israil revamped his fruit-selling model by sourcing papayas directly from forest growers instead of intermediaries, slashing costs and boosting profitability. This shift, coupled with Rahat's flexible financing, propelled his monthly income from ₹16,000 to ₹60,000. The loans also facilitated transformative personal milestones: he constructed a two-story house, purchased two plots of land, and cleared his vehicle loans, achieving financial autonomy.

Israil's journey underscores the stark contrast between predatory lending and cooperative

solidarity. By replacing high-interest debt with Rahat's ethical credit, he redirected earnings from survival to growth, transforming his family's socioeconomic standing.

## **Personal Use**

### **Fulfilling Family Expectations through Ethical Financing**

Shailesh Ganveer, a 44-year-old auto-rickshaw driver from Nagpur, is associated with Samadhan Credit Co-operative Society Ltd. Having studied till Class 10, Shailesh was earning ₹15,000 per month driving his auto-rickshaw, which barely covered his family's basic needs and his children's education expenses. After joining the cooperative society two years ago, he was able to secure a ₹50,000 personal loan that proved transformative for his family's circumstances.

The loan enabled Shailesh to invest in his children's education, manage household expenses more comfortably, and partially helped purchasing a bike for his son's transportation needs. These strategic uses of funds helped stabilize his family's financial situation and contributed to doubling his monthly income from ₹15,000 to ₹30,000. Thus, Shailesh could now fulfill his family's requirement through the personal loan granted.

### **Utilizing Funds for a Secure Retired Life**

Afaqur Rehman, a 66-year-old retired businessman from Chhatrapati Sambhajnagar, has been a dedicated member of Al-Khair Urban Co-operative Credit Society Ltd. Since its inception in 2002. Having completed his education till Class 12, Afaqur built a business career but faced financial challenges post-retirement. The credit society became his reliable financial partner during this phase, providing him with timely gold loans to meet his essential needs. Over the years, he has availed four loans—two of ₹1 lakh each, one of ₹80,000, and another of ₹22,500—which he utilized judiciously for medical expenses and daily household requirements.

These loans played a crucial role in helping Afaqur maintain his financial independence and quality of life after retirement. By leveraging the gold loan facility, he avoided the burden of high-interest debt while addressing urgent personal and medical needs. His case demonstrates the importance of interest free financial institutions in supporting senior citizens to live with dignity and security in their post-retirement years.

### **Educational and Medical Needs Fulfilled through IFMI**

Burhan Shaikh Abdul Gani, a 70-year-old construction worker from Chhatrapati Sambhajnagar with education up to Class 7, has relied on Al-Khair Urban Co-operative Credit Society Ltd. As his financial backbone for seven years. Despite his modest means, Burhan has successfully navigated his essential expenses through seven gold loans ranging from ₹10,000 to ₹50,000. These funds have served as a crucial safety net, helping him cover household necessities, medical emergencies, his children's education, and even marriage expenses.

### **Overcoming Familial Debt Traps Through Interest Free Credit**

Seema Begum Syed Karim, a 27-year-old member of Rahat Co-operative Credit Society's Dargah Road branch in Parbhani, exemplifies resilience in overcoming familial debt traps. As the lead member of a Mahila Bachat Gat (women's savings group) and a society member for eight years, Seema utilized a ₹40,000 loan to rescue her family from a crippling interest-based loan. Her brother had earlier pledged their wooden-house papers as collateral for a high-interest loan, forcing Seema to divert her entire ₹20,000 monthly income toward interest repayments, leaving nothing for household needs. The credit society's loan allowed her to clear this debt, reclaim her home's ownership, and rebuild the structure with tin sheets, replacing its fragile wooden framework.

Seema's experience starkly contrasts the burden of exploitative lending with the empowerment of cooperative microfinance. She highlights how interest-free or low-interest loans enabled her to prioritize family welfare over predatory repayments. Beyond financial relief, this support restored her agency, allowing her to invest in home improvements and stabilize her income.

## **7. Conclusion**

This study demonstrates the transformative potential of interest free microfinance societies in Maharashtra as a powerful tool for financial inclusion and poverty alleviation. By offering Shariah-compliant, interest-free financial services, these institutions have enabled marginalized communities—including daily wage labourers, women entrepreneurs, and small business owners—to break free from exploitative debt cycles and achieve sustainable economic progress.

The findings reveal that interest free microfinance has facilitated three key outcomes: Asset Creation & Livelihood Improvement, beneficiaries like Mujahid Khan (auto-rickshaw driver) and Shagufta Sayyed (women's self-help group leader) transitioned from financial insecurity to asset ownership, with income increases of up to 300%. Debt Relief & Financial

Stability, entrepreneurs such as Shaikh Nadeem escaped high-interest moneylenders, reducing debt burdens by 90%, while others like Shyam Baburao (salon owner) modernized businesses without predatory loans. Women's Empowerment & Rural Development, societies like Parbhani's Rahat Credit Society supported 4,224 women borrowers (51% of beneficiaries), fostering financial independence and community resilience.

In conclusion, interest free microfinance societies in Maharashtra exemplify how ethical finance can drive socio-economic transformation. By aligning financial services with community needs and religious principles, they offer a replicable blueprint for poverty reduction and equitable development in India and beyond.

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