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Does Access to Microcredit Improve Small Business Survival Rates? Evidence From Indian Street Vendors and Micro Enterprises

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ABSTRACT: The research evaluates the potential impacts of microcredit on the survival likelihood of microenterprises and street vendors in India. The method used is that of qualitative secondary research, collecting evidence from peer-reviewed articles as well as government reports and policies for analysis. The result of the study indicates that microcredit can lead to improved survival of enterprises by alleviating liquidity issues, making more working capital available for lending purposes, providing not just financing, but working capital, and improving their financial resilience. However, the fact that microcredit becomes available does not guarantee that a borrower will continue operating their business, as the effective utilization of credit will determine whether a loan is productive or not. In some cases, small vendors will need just small financing for short-term needs, while others will seek more substantial funding needed for a wider range of business investments. The findings of the paper also indicate that developing flexible terms of repayments, and lending complemented with financial, and business support increase microcredit effectiveness.

1. INTRODUCTION

1.1 Background

Micro and informal businesses are critically important to employment generation, livelihoods and economic activity in India. Street vendors and other micro enterprises provide income for many people with limited access to formal employment or financing. Unfortunately, these enterprises also struggle with financial problems stemming from lack of savings, excess of risks, irregular income and limited access to institutional credit. Capital is especially important because a small business will require a steady flow of cash to acquire an inventory, fund its business expenses, and cover possible short-term setbacks. Hence, microcredit is becoming more important driver for financial inclusion in form of small loans issued to the poorly served entrepreneurs. In India, there are many programs such as Pradhan Mantri Mudra Yojana and PM SVANidhi that facilitate loans for micro businesses and street vendors. However, access to loans does not automatically guarantee that micro businesses will be able to operate successfully.

1.2 Problem Statement

Acquisition of microfinancial resources can help small enterprises secure the necessary funds for continuation of activity, purchase of inventory, capital expenditure, and exposures to any financial shocks. Nevertheless, provision of financial credit does not guarantee enhanced survival rates for businesses. The impact of borrowing may depend on how the funds are utilised, whether they are sufficient for the company's operational needs and whether repayment obligations are manageable. Credit can help increase a business potential if applied for entrepreneurial purposes, while expenditures on household needs, emergencies or repayment of previously obtained debt may bring only minimal value to the business operations. In addition, high repayment obligations form extra financial burden on enterprises with unstable or seasonal incomes. Therefore, it is necessary to study microcredit and business survival relation empirically and not just presume it to be positive. The research aims at studying the impact of microcredit on the chances of business functioning of the Indian street vendors and microenterprises and exploring the impacts of the factors impacting this connection.

1.3 Research Questions

1. Does access to microcredit improve the survival probability of street vendors and microenterprises in India?
2. Does the productive utilisation of microcredit for working capital, inventory and business investment contribute to higher business survival rates?

3. Does the size and repayment burden of microcredit influence the survival of small businesses?
4. Does the effect of microcredit on business survival differ between street vendors and other microenterprises?

2. LITERATURE REVIEW

2.1 Access to Finance and Small-Business Performance

The importance of access to finance in small-business performance has been highlighted, since financial barriers influence the level of investments, the availability of working capital and the potential of businesses to survive temporary financial difficulties. When firms cannot get enough external finance, they are likely to face difficulties with purchasing goods, buying equipment and carrying out their regular activities. Research conducted by Mach and Wolken (2012) revealed that companies experiencing credit access limitation are more likely to exit the market; many scholars have identified access to credit as an important indicator of small-business survival. There are also works in the field of microcredit providing evidence of the positive impact of access to finance on investments in entrepreneurship (Banerjee, Karlan, & Zinman, 2015). Leading to the examination of the question of whether better access to microcredit would help Indian vendors in improving their financial situation and the chances of surviving in the market.

2.2 Microcredit and Microenterprise Development

The purpose of microcredit is to alleviate the financial constraints faced by people and small companies that do not have access to traditional banks. The possible benefits of microcredit are more investments, more working capital and greater growth in businesses. Some evidence from India supports this. Banerjee et al. (2015) implementing a randomised evaluation of the microcredit programme in Hyderabad showed that microcredit contributed to an increase in the volume of borrowing, investments, and profits of current businesses. However, this study did not establish a major transformational effect on other household indicators. This indicates that microcredit may be effective for those entrepreneurs already running their businesses and able to make effective use of extra capital. Moreover, Banerjee, Karlan, and Zinman (2015) conclude that the experience gained through many random evaluations confirms that the effect of microcredit is moderate and not transformational in character. Thus, microcredit does help business development to some extent so that the ability of microcredit to yield good outcomes depends on the specific features and financial requirements of the businesses.

2.3 Microcredit and Business Survival

The association between microcredit and business success is less decisive than its link with financing or investments. Mach and Wolken (2012) revealed that small enterprises limited by credit constraints tended to withdraw from the market, which leads to the conclusion that financial barriers might increase the likelihood of business failure. However, recent developments indicate that the simple provision of microcredit does not guarantee success. According to Block et al. (2025), the ground-breaking research about the businesses of 36,000 French micro-entrepreneurs pointed out no influence made by the provision of microcredit to the business survival rates. The research stated that microcredit brings disparity, as it benefits successful businesses but has negative effects on those that are economically weak. As a result of the aforementioned studies, one has to conclude that the relationship between financial support and survival depends on the type and goals of entities under consideration. Thus, the analysis of microcredit provision without taking into account the peculiarities of the enterprise type, utilization of financial support, and ability of repayment may be misleading.

2.4 Microcredit and Street Vendors

Street vendors represent an important object for analysis related to microcredit, because they are mostly in low capital situations with irregular revenues and do not have access to financial institutions. Their day-to-day activities require them to have continuous source of finance for buying goods and covering payments needed for continuing operation. Kamath and Ramanathan (2015) studied financial diaries with informal businesses in Ramanagaram, Karnataka, which confirms that informal businesses have big seasons in revenues and their cash flows are unstable.

They also pointed out that standardized microfinance repayment schedule does not fit with informal business models very well. This becomes especially crucial for street vendors, as having regular obligations for repayment may be problematic in times of low sales. On the other hand, appropriate credit design can enable vendors to be financially supported and be able to cover payments needed for continuing operation. Therefore it is necessary to analyze the relation between microfinance and the survival of street vendors just not in terms of access to finance, but also considering cash grounds and timing.

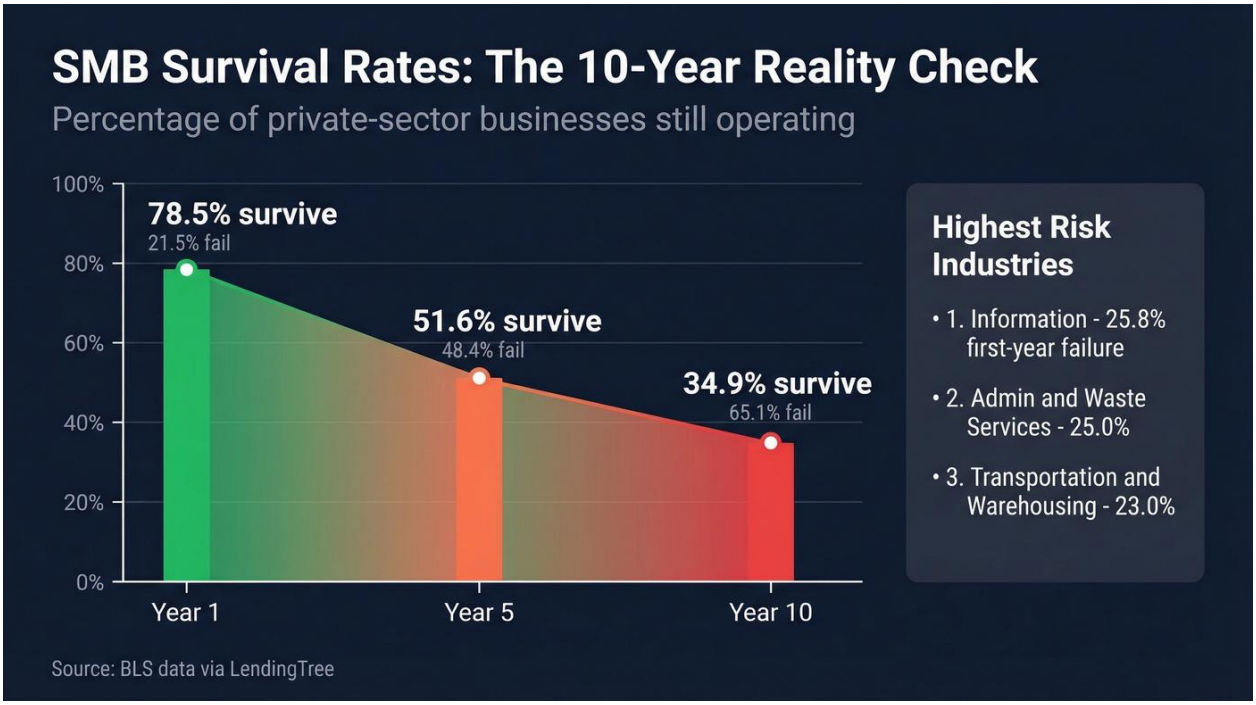
2.5 Productive Use, Credit Size and Repayment Burden

The role of microcredit in business may vary considerably based on how the borrowed money is utilized and the ability to repay the loan. Banerjee et al. (2015) studied the case of Hyderabad and found that microcredit made available to existing companies led to improved business investment and profit performance, which hints at the possibility of earning higher returns from microloans when properly used. However, Kamath and Ramanathan (2015), in turn, reveal that in informal businesses, revenue comes in drops, which makes it difficult to apply repayment schedules from microloans. Borrowers with more loans should not consider a bigger loan amount as beneficial when repayment obligations exceed their ability to earn money regularly. Money allocated to the inventory, equipment, and working capital should lead to higher productivity while the funds used for consumption and repayment of existing loans should result in less significant business benefits. This means that adequacy of the amount of borrowing, its utilization, and the burden of repayment have to be included in the analysis when determining the effectiveness of microcredit.

3. CONCEPTUAL AND THEORETICAL FRAMEWORK

3.1 Concept of Microcredit and Business Survival

Microcredit is the provision of small loans to individuals or microenterprises that may have little access to formal banking systems due to their lack of collateral, poor income or limited credit history. Microcredit must be distinguished from microfinance as there is a broader concept that includes not only credit, but also savings, insurance and various other financial services. Loans from formal institutions are usually provided by regulated financial entities under conventional lending procedures, whereas informal lending implies using the services of family and friends, borrowing from moneylenders or participating in rotating savings schemes. Different credit programs supported by the government, like MUDRA and PM SVANidhi, are institutional efforts to promote access to credit for microentrepreneurs and street vendors. In this paper, business survival is defined as the ability of the business to operate within a certain period. In practice, survival is measured in a binary way: 1 if the business is still in operation and 0 if it closes down (Mach & Wolken, 2012).



Source: Prospeo

3.2 Credit Constraint Theory

The theoretical principles of Credit Constraint Theory are useful for analyzing the link between microfinance and survival of enterprises. Small and informal firms often experience difficulties with financing as either there is not enough collateral, the available financial information is not sufficient, the market conditions are unpredictable, or the cash flow of the firms is unstable. As a result, entrepreneurs can see a promising investment opportunity, but their own funds do not allow them to make use of it. Credit constraints would result in the firms not being able to buy required inventory, invest in equipment or keep enough working

capital needed for responding to such temporary changes in the economy. With the help of microcredit, firms can obtain additional funds when their own resources are insufficient.

3.3 Pecking Order Theory and Resource-Based Perspective

According to the Pecking Order Theory, companies tend to follow a hierarchy when it comes to financing, starting with internal funds, moving to external debt and, if necessary, equity financing. Due to more limited collateral and information asymmetry, small and informal firms may resort to informal borrowing and personal savings. Microcredit may thus represent a useful alternative source of funding. At the same time, according to the Resource-Based View, financial resources should also be understood as potential advantages that can help companies operate and adapt to the environment. Good access to funds can give an opportunity to maintain inventories, invest in fixed assets, and take advantage of market opportunities. Thus, microcredit may play a valuable role if the business can transform the funds received into valuable business assets.

3.4 Theoretical Mechanism Linking Microcredit to Business Survival

This piece of theoretical writing argues that microcredit has an effect on whether businesses survive or not through a number of financial and operational channels. Initially, when companies that lack sufficient capital have access to microcredit, they gain much-needed liquidity that can subsequently be used for working capital and productive investments such as purchasing inventory, buying equipment or routine running costs. If these companies can improve their access to these resources, they stand a chance of improving their performance, which can ensure their survival and enable them to continue to function during periods of low demand, increased costs and any unforeseen events. However, the relationship between microcredit and business survival may not always be positive. The impact of microcredit depends on how properly companies use the loans, financial standing and other characteristics of companies as well as repayment obligations that they have to fulfil, as excessive repayment burdens or non-productive use of borrowed funds may reduce the potential benefits of credit.

3.5 Theoretical Mechanism

Microcredit Access
↓
Improved Liquidity
↓
Working Capital / Investment
↓
Business Performance & Resilience
↓
Business Survival

4. INDIAN CONTEXT OF MICROCREDIT AND INFORMAL ENTERPRISES

4.1 India's Informal Economy

There is a huge informal economy in India, which includes self-employment, domestic activities, and small businesses. Such informal firms generate a number of employment opportunities for people with little or no access to formal jobs. However, they are usually characterised by the lack of proper financial records, insufficient capital and difficulty accessing formal loans.

4.2 Role of Street Vendors

Street sellers are a significant part of the informal urban economy. They provide affordable goods and services and create self-employment. These businesses require very little capital and rely entirely on day to day cash flow. Firms that cannot access formal financing are unable to buy goods, run their businesses, or cope with emergencies, which requires extra financing for them.

4.3 Indian Micro and Small Enterprises

Micro and small enterprises play an important role in employment, local production, and entrepreneurship in India. These companies operate with very few assets, small number of employees, and limited financial reserves. In order to be able to operate their businesses, they need access to working capital and outside financing.

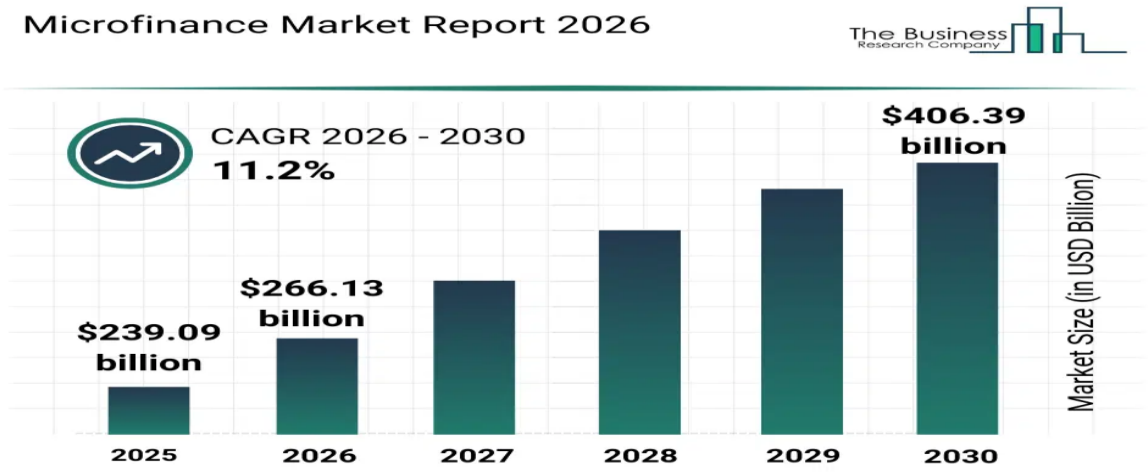
4.4 Financing Constraints

Indian microenterprises often face difficulties in getting financed due to problems like low collateral, scarcity of financial information, unstable income and asymmetrical information. These problems make it hard for them to get traditional bank loans

and prevent them from using only their savings or informal lenders. These problems limit their ability to invest, to have working capital and to react to shocks in the economy.

4.5 Evolution of Microcredit in India

Micro lending has come a long way in India from informal lending systems to more formalized systems. The growth of self-help groups, lending institutions and bank-linked lending facilitated minority finance on a significantly large scale. Later, the government programs aimed at integrating micro entrepreneurs and informal workers into the formal system.



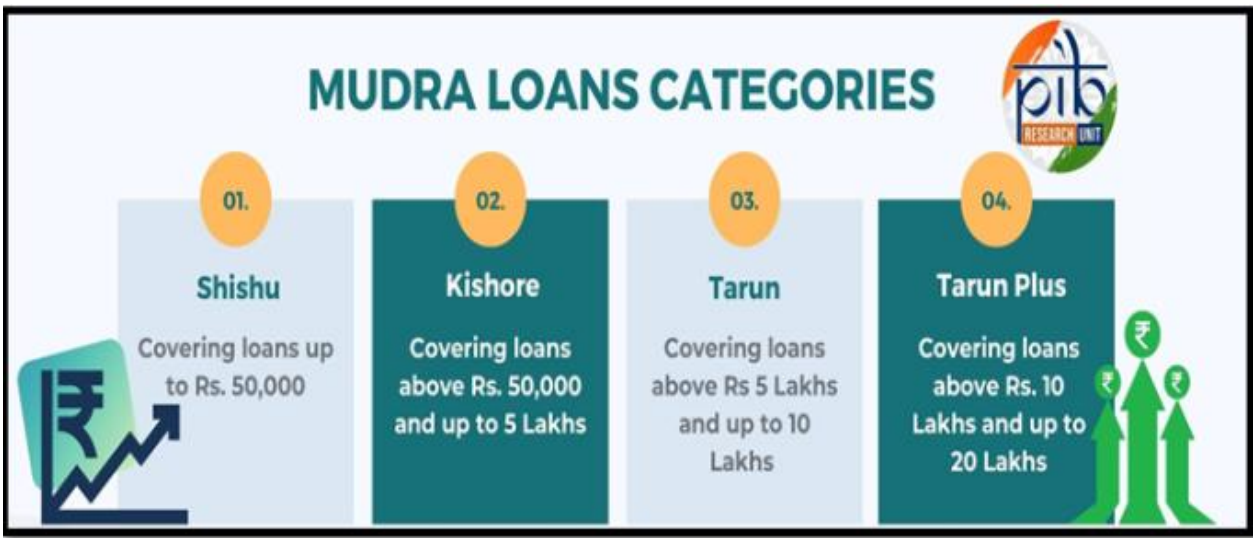
Source: Business

4.6 Financial Inclusion Initiatives

India has enhanced financial inclusion through various initiatives aimed at promoting access to banking, credit, savings and the use of digital financial services. For instance, schemes like Pradhan Mantri Jan-Dhan Yojana have reinforced the importance of having access to basic finance, as well as other credit-based initiatives aimed at connecting underserved entrepreneurs with formal financial systems to wean them off informal finance.

4.7 MUDRA

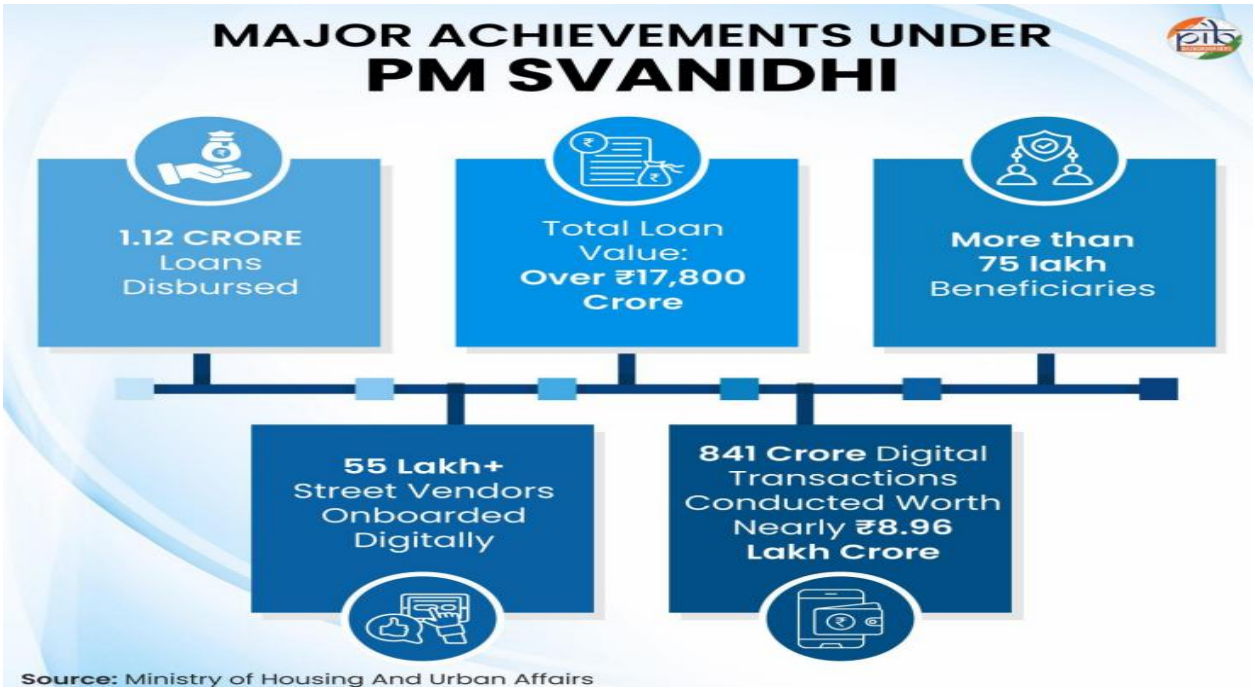
Pradhan Mantri Mudra Yojana (PMMY) has been introduced, whose aim is to increase access to institutional credit for micro and small enterprises. Using MUDRA loan, qualified non-corporate non-farm enterprises are able to access credit for their business operations. The scheme is particularly germane to this study given the fact that access to working capital may impact on enterprises' investments, continuity and survival.



Source: Drishtiias

4.8 PM SVANidhi

PM SVANidhi was developed to support working capital needs of street vendors. Under this scheme, street vendors receive collateral-free loans that come with incentives for early repayment and for going cashless. Thus, by connecting vendors to financial institutions, the program solves a key financing problem.



4.9 Digital Financial Inclusion

The process of getting financial lending has received a new boost due to the rise of digital inclusiveness in the credit process through bank accounts, mobile payments, and digital payment systems. In particular, digital mobile payment systems can make it easier for microenterprises (including the network of vendors) to conduct their business, i.e., ensure security and transparency of financial transactions.

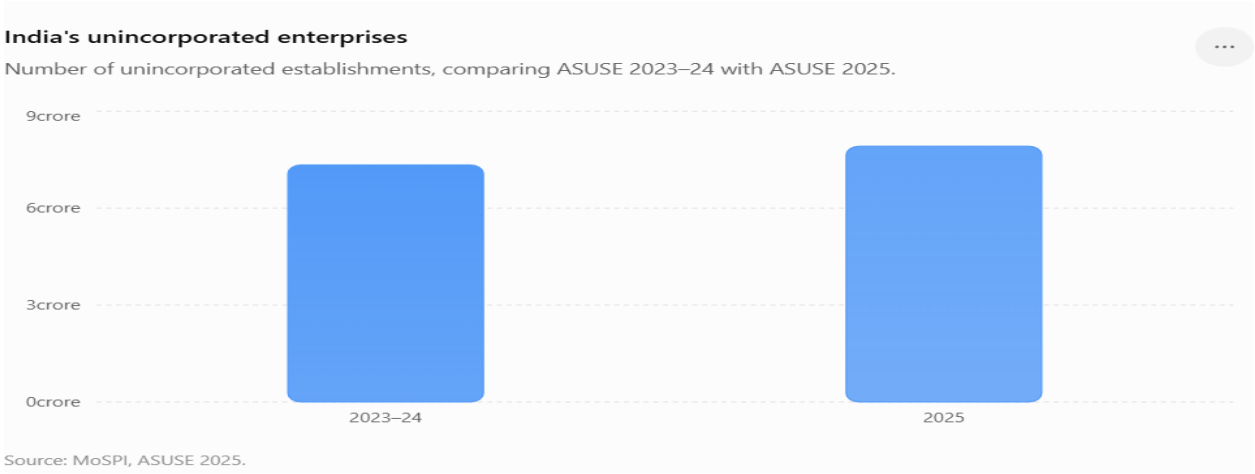
5. RESEARCH METHODOLOGY

This study employs a qualitative secondary research design, aiming to determine if microcredit plays a vital role in ensuring the survival of Indian street vendors and microenterprises. This research takes an interpretative approach to discover the various ways microcredit impacts working capital, productive investments, business sustainability and financial resilience. The secondary information gathered from peer-reviewed publications, governmental reports, policy documents and credible sources like the Reserve Bank of India, Ministry of MSME, Ministry of Housing and Urban Affairs, MUDRA, PM SVANidhi, World Bank and International Labour Organization is used for research. The studies related to microfinance, informal enterprises, street vendors, financial inclusion and business survival are already available in the literature and selected based on their reliability, relevance and quality. The evidence is analysed thematically over the major themes: credit access, credit usage, working capital, business performance, repayment burden and business survival.

6. EMPIRICAL ANALYSIS AND RESULTS

6.1 Scale and Importance of Indian Microenterprises

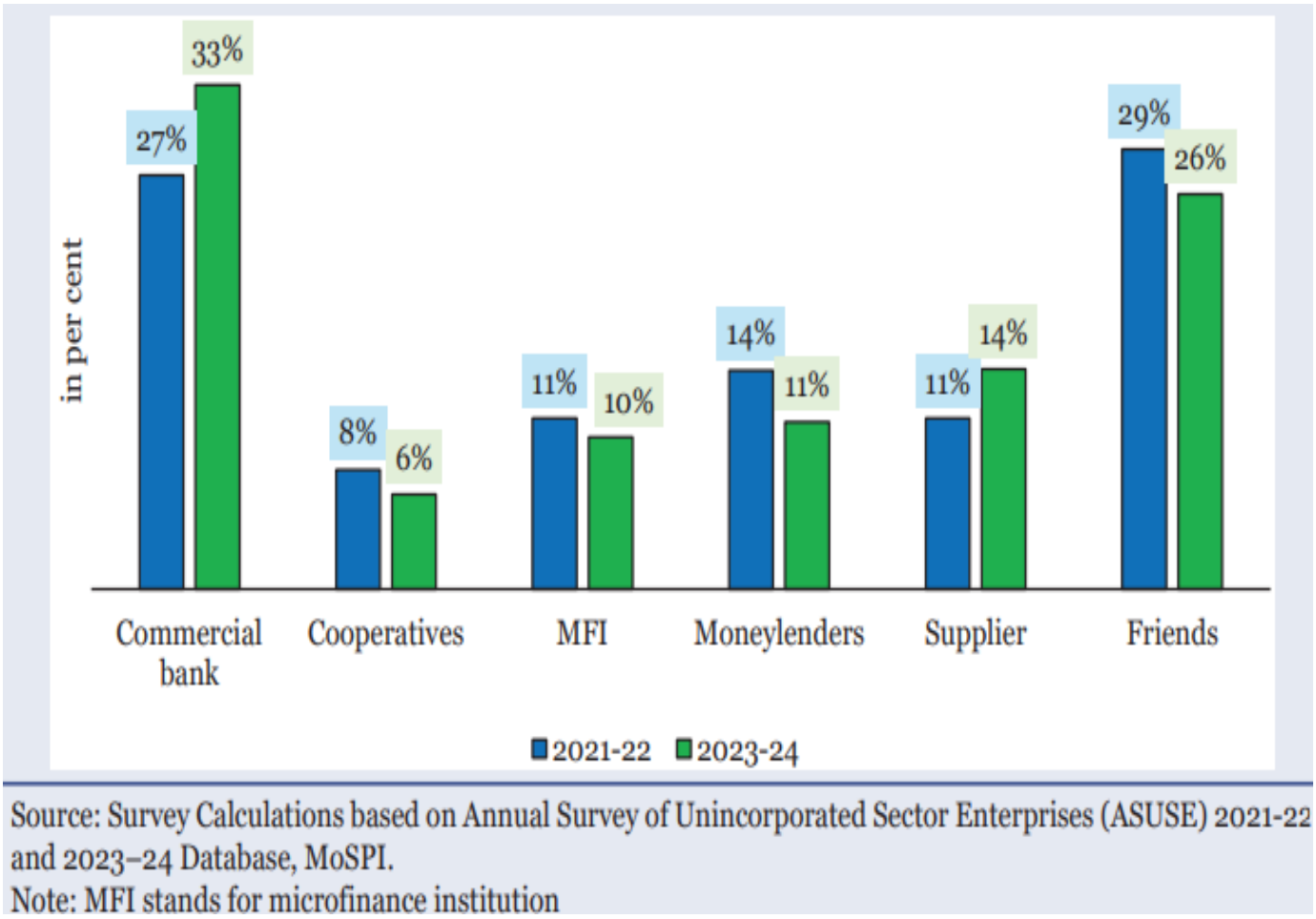
Unorganized enterprises constitute an enormous portion of the economic activities and employment structure of India. The most recent Annual Survey of Unincorporated Sector Enterprises (ASUSE) noted that the total number of unorganized establishments rose from 7.34 crores in the year 2023-24 to 7.92 crores in the year 2025 and the total employment rose to approximately 12.81 crores of individuals (MoSPI, 2026). This data provides justification for the necessity of studying the factors for the operationality of this type of enterprises. Working with restricted resources means that companies require capital in order to fund their stocks, operational activities, and unforeseen expenditures that usually arise in this type of work. Therefore, it is particularly important to study microcredit as one of the possible means to improve the sustainability and viability of these enterprises.



6.2 Access to Microcredit and Financial Inclusion

The growth of institutional credit points out to the fact that microcredit has emerged as an essential aspect of financial inclusion in informal enterprises in India. The PM SVANidhi scheme serves as a solid example as it was specifically initiated to provide interest-free capital loans to street vendors. By July 12, 2026, 76.95 lakh street vendors were granted over 1.15 crore loans totalling ₹18,475 crore (Ministry of Housing and Urban Affairs, 2026). According to the impact assessment conducted among more than 5000 beneficiaries, in 95% of the cases, PM SVANidhi was the very first bank loan taken by the beneficiaries which indicates that the program significantly improved access to formal finance. This data implies that microcredit has all the chances of lessening financial exclusion of entrepreneurs. However, increased access should not automatically be interpreted as improved survival, since the ultimate effect depends on how credit is utilised and whether enterprises can manage repayment obligations.

Distribution of establishments by Sources of loan outstanding as on last date of reference period



Source: Survey Calculations based on Annual Survey of Unincorporated Sector Enterprises (ASUSE) 2021-22 and 2023–24 Database, MoSPI.
Note: MFI stands for microfinance institution

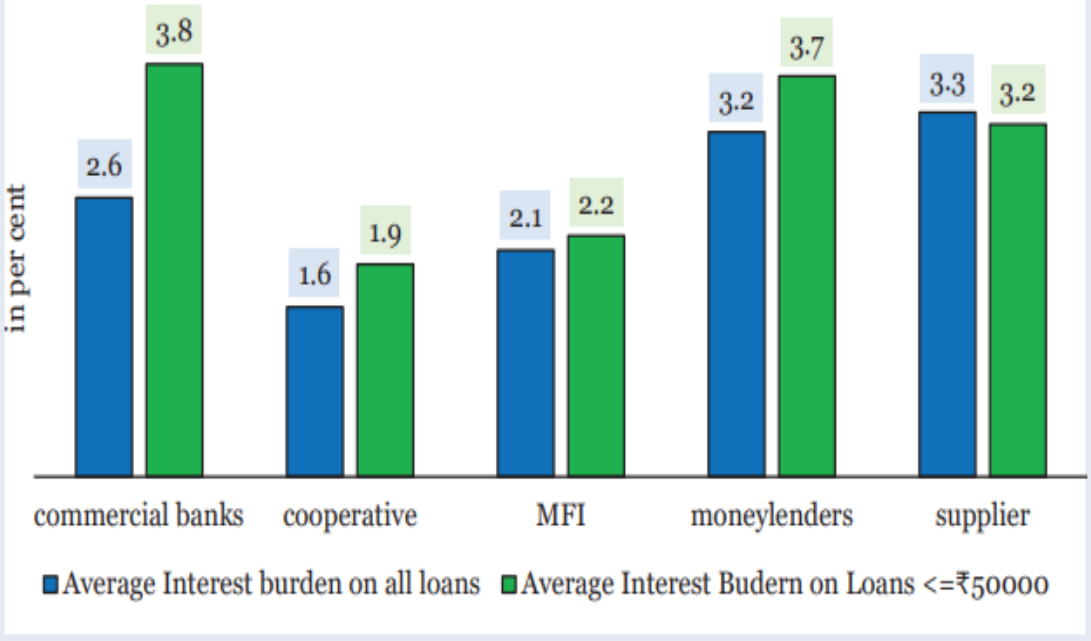
6.3 Credit Utilisation and Business Performance

The evidence available suggests that the usage of credit is vital for determining the possible contribution of credit to business sustainability. Effective utilization of credit in terms of inventory, equipment and working capital improve the productive and operational capacity of the business, while credit used for consumption and debt settlement can only provide limited benefits in this regard. For example, Banerjee et al. (2015) in their randomized study on microcredit expansion in Hyderabad found that microcredit significantly boosts business investment and income among entrepreneurs even though the overall impact is small. Furthermore, the PM SVANidhi program indicates that for the period of 2023-2025 the average annual income of borrowers increased by about 20% (Ministry of Housing and Urban Affairs, 2026). So, there are grounds to believe that microcredit can lead to better results of the business, provided that the credit is allocated to productive ventures, yet the present evidence shows that strictly speaking credit alone was not solely responsible for those advances.

6.4 Loan Size and Repayment Burden

The interplay between credit and business survival relates to the adequacy of the borrowed funds for the requirements of the business and the repayment obligations to be followed. PM SVANidhi has a progressive lending model whereby qualified vendors are able to progress to the higher loan tranches after they have made the repayments. By July 2026, 29.71 lakh vendors accessed the second loan tranche and 8.49 lakh the third loan tranche (Ministry of Housing and Urban Affairs, 2026). This shows the impact of repayment on the ability to obtain larger amounts of formal credit. However, studies have found that informal businesses often experience seasonal and volatile revenues, which may interfere with the repayment schedules (Kamath & Ramanathan, 2015). Thus, the cause of larger loans cannot be taken as a benefit in itself. The question of the appropriateness of the credit amount to the needs of the business, as well as the terms of repayment and cash flow capacity of the company, will largely determine the degree to which taking loan supports or hinder the stability and resilience of the business.

Average interest burden across different sources of finance



Source: Survey Calculations based on Annual Survey of Unincorporated Sector Enterprises (ASUSE) 2023-24 Database, MoSPI.

6.5 Street Vendors versus Other Microenterprises

Different categories of informal enterprises may react to microcredit differently because of dissimilarities in their demands for financing and how they generate revenue. Street vendors typically are small users of working capital for their inventories and day-to-day operations, which makes very short-term loans attractive to them. The PM SVANidhi program proves that the demand for microcredit is present among street vendors, as more than 76 lakh street vendors applied for this program by July 2026 (Ministry of Housing and Urban Affairs, 2026). Other types of microenterprises may require bigger and longer-term loans, which might cover

expenses connected with the purchase of machinery, buildings, and other equipment for business operations. The latest ASUSE study shows the diversity of India's unincorporated sector in the manufacturing, trade, and service sectors (MoSPI, 2026). Thus, the relationship between microcredit and the survival of unincorporated enterprises cannot be regarded uniformly.

6.6 Overall Findings

Secondary evidence indicates a positive but conditional association between microfinance and business viability. The availability of formal finance may ease credit constraints, provide working capital and aid in productive investments. The most recent PM SVANidhi report indicates significant growth in the access to formal finance by street vendors, while the increase in reported average annualised income proves positive outcomes for the participating borrowers. However, the evidence does not indicate that microfinance guarantees business survival. The past research shows that the outcomes vary by borrower characteristics, business conditions and usage of credit (Banerjee et al., 2015; Kamath & Ramanathan, 2015). Therefore, the results confirm the theoretical model proposed in the present research: access to microfinance → increased liquidity → working capital/productive investments → better business performance and sustainability → higher chances of business survival. The strength of this relationship is anticipated to depend on loan sufficiency, effective usage of funds and ability to make repayments.

7. DISCUSSION

7.1 Does Microcredit Improve Business Survival?

The evidence reviewed in this study indicates that microcredit can contribute to business continuity, but its effect is positive and conditional rather than automatic. The usage of formal credit is associated with either liberation of liquidity constraints or possession of the necessary funds by the firms. The data from the credit programs sponsored by the governments indicate some positive changes in business outcomes of informal business operators, while the academic literature also shows some successful experiences among microbusinesses that received microcredit funds and increased their investments and profits. At the same time, the data from other contexts indicates that microcredit cannot always guarantee success for majority of borrowers. Therefore, the conclusions of this study show that microcredit can be regarded as an enabling financial tool but not a guarantee of successful survival experience for firms. The effectiveness of microcredit will depend on the ability of the borrowers to utilize the resources for productive business activities and repayment of loan. Thus, finance can contribute to better prospects for business survival but still depends on characteristics of the company and conditions of borrowing.

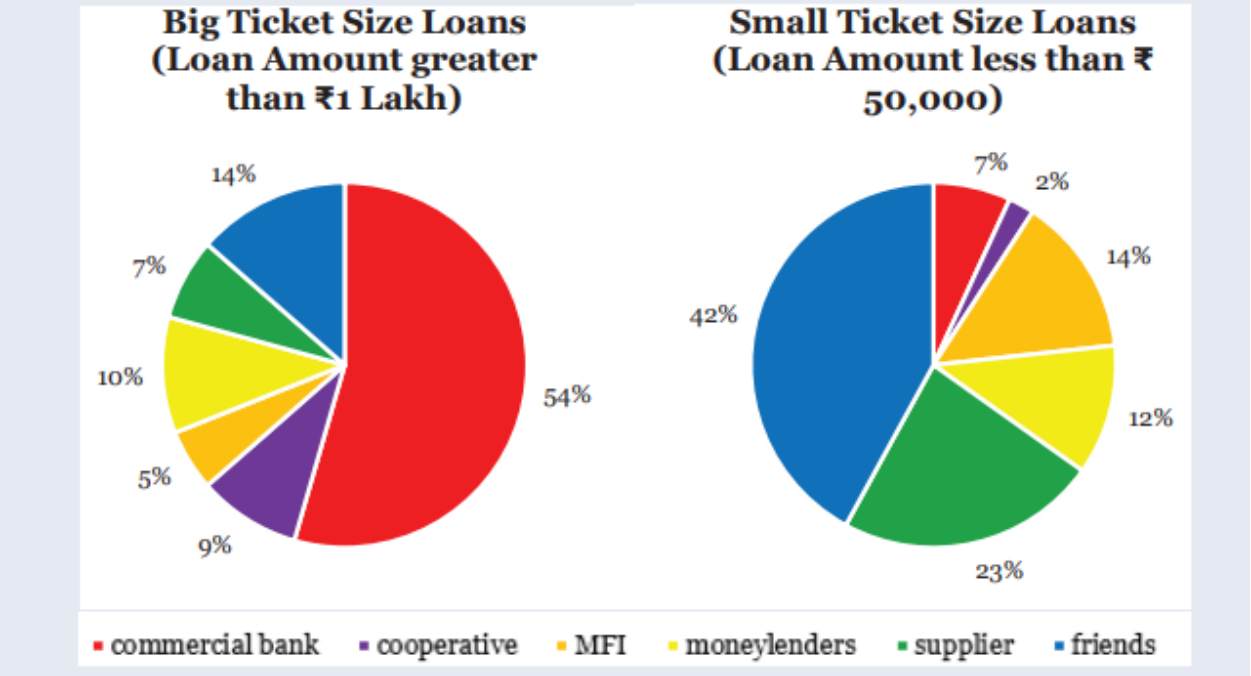
7.2 How Does Credit Affect Survival?

The impact of microcredit on business survival occurs through a number of interrelated mechanisms. First, microfinance offers increased liquidity, making it easier for a business to solve temporary problems in terms of internal funds. Second, microcredit may help in purchasing different kinds of goods, equipment and other productive inputs. Third, higher liquidity may allow businesses to cope with unexpected upheavals such as sudden drops in sales or increased operating costs. All these mechanisms may contribute to better business results and better financial durability, thus making the closure less probable. However, this path is not necessarily straightforward. If borrowed money is used for consumption by the household or debt payment, its positive effect on the business will be limited. So the mechanism can be expressed as follows: access to microcredit → liquidity improvement → capacity and investments → business performance → financial durability → business survival. The strength of this relationship greatly depends on the way in which credits are used and financial situation of the business.

7.3 Importance of Working Capital

Working capital is important because it has many applications through microcredit supporting businesses to remain in operation. Street vendors and informal businesses operate with limited working cash and have to regularly access funds in order to buy inventory and cover daily operations. Even if a business has the potential to make profits, temporary shortage of liquidity can lead to interruptions in current business operations due to the inability of the entrepreneur to restock or cover immediate expenses. Microcredit can fill the gap between cash required at the momen:t and cash to be generated by the business in the future. This is particularly true for street vendors who have unstable revenues depending on many factors, such as demand, season and state-level economic conditions. Evidence from the informal sector shows importance of dealing with cash flow variability. Thus, there is a survival effect of credit not only from the prospect of business development, but also from its ability to avert liquidity crises.

Distribution of Amount of Loan Outstanding by sources of financing (in per cent)



Source: Indiabudget

7.4 Role of Productive Credit Utilisation

The research findings imply that the way in which credit is utilized could be as significant as the access to credit. Efficient application of credit for such things as inventories, machinery, working capital and expansion may enhance the productivity of the business with a possibility of increasing its income generation capacity in the future. Whereas, credit aimed predominantly at family expenditures, emergencies, and servicing previous loans may not have a direct impact on business performance. The present differentiation has a significant meaning with regard to financially vulnerable families that often intermingle their business and personal finance. Hence, policies aimed solely at increasing the level of credit provision may be limited in their effectiveness. Increasing the level of people's financial literacy might be of help to ensure rational usage of borrowed funds. So it follows from the evidence that the efficiency of microcredit should be evaluated in terms of not only the credit volume, but also the extent to which the credit usage provides an input to the business activity and increases the income generation capacity of the business.

7.5 Effect of Repayment Burden

While credit can be a source of cash flow, the obligations to repay may lead to some financial pressure at the same time. This is especially true for informal enterprises, which usually face irregular income streams that depend on external factors, such as the market situation. Fixed payment schedules can be difficult to adhere to in the periods of low sales and can lead to limitations in cash flow available for operating purposes. Informal enterprises suggest that sometimes a fixed payment pattern does not take into account the real fluctuations of cash flows of the enterprises. Hence, it can be said that the correlation of the credit and survival might be conditional: if the repayment process of the credit is manageable, the financial situation is stable; if the repayment burden is high, the situation is unstable. Therefore, the important thing is not only whether the enterprise received the credit but whether the loan size, repayment burden, and expected cash flows are equal. Flexible repayment schemes can be more appropriate for businesses with unstable revenue streams.

7.6 Differences Between Street Vendors and Microenterprises

The impact of microfinance will not be the same for street vendors and other micro businesses since their funding requirements, business strategies and income structures are different. Street vendors usually require comparatively smaller amounts of short-term funds for regular inventory and operations. Government programmes targeting vendors are therefore particularly relevant to their financing needs. Other micro businesses, especially those involved in production or services will need larger and longer-term funds for the purchasing of equipment, accommodation and technology or business expansion. In addition, there exists considerable diversity in terms of production, trading and service activities in the unregistered sector of India. Thus, a uniform credit model will not yield equivalent results for all types of enterprises. Street vendors will see a noticeable effect from quick access to working capital loans, while other micro businesses will need investment type financing with longer repayment schedule.

7.7 Comparison with Previous Literature

These results align with previous literature, although they emphasize the dependent and inconsistent character of the link between microcredit and entrepreneurial performance. Past research has shown that an opportunity to access external finance improves firms' investments, profits, and sustainability. At the same time, other studies indicate that microcredit does not deliver benefits in the same manner to all borrowers. Differences in the profile of entrepreneurs, business environments, usage of credit and repayment conditions can significantly shape the outcomes. Evidence from informal enterprises once again illustrates that businesses may have different financial needs that are sometimes incompatible with standardized credit products. Thus, the current research calls for a more thorough interpretation of microcredit. Access to credit will make it possible for firms to survive only when the funds are adequate, effectively used and properly repaid.

8. POLICY IMPLICATIONS

The results imply that interventions in the area of microcredit need to go beyond just simply enhancing its availability, and focus on the quality and efficient utilization of finance. First of all, the government and financial institutions should go on extending formal credit access to microenterprises that are deprived of such choice, accompanied with reduction in documentation and collateral requirements. Secondly, loan sizes should bear relation to the actual working-capital and investment needs of various kinds of enterprises instead of applying the same standard limits. Third, flexible repayment structures need to be developed for seasonal and irregular businesses, thus minimizing the risks coming from repayment obligations. Fourth, borrowers need to have financial literacy, as well as basic enterprise-management support in order to facilitate efficient use of credits. Additionally, it is recommended to promote digital payments and formal record-keeping since they contribute to development of borrowers credit history and, thus, help them access financial assistance in the future. Finally, street vendors need to be offered support that would take into account their specific working capital and operational requirements. Thus, access to credit does not guarantee survival; rather, proper loan structure, utilization, flexible repayment and additional business management support are essential for sustainable enterprise development.

9. CONCLUSION

The research explored the impact of microloans on the ability of Indian street vendors and micro-enterprises to remain operational based on a qualitative analysis of existing evidence. The conclusions drawn from the research indicate that microfinance can have a positive impact on the ability of businesses to survive but that the presence of credit is not enough to ensure survival by itself. Positive influences are mainly due to the increased liquidity derived from access to cash, availability of working capital, investments in productive activities, as well as ability to cope with temporary financial shocks. The findings of the study also show that the productive spending of credits matters since the funds spent for inventory, equipment, and business operations are much more likely to have a positive influence on business performance than those spent on consumption needs or repayments.

The findings suggest that the repayment burden is another important element. If the business has sufficient cash flow to repay loans, then credit may contribute to survival. However, excessive or rigid repayment expectations tend to increase vulnerability. The effect also differs across enterprise types. Street vendors generally require smaller, short-term working-capital finance, whereas other microenterprises may require larger and longer-term investment-oriented credit.

Under financial inclusion policy in India, the results indicate that attention should shift not only to the enhancement of lending but to the appropriate size of loans, flexible repayment, productive use of credit, financial education and business assistance. However, the research is not without limits as the analysis is exclusively based on qualitative secondary data; thus, causal and statistical relationship between microcredit and survivorship cannot be claimed. Future studies should deal with enterprise-level longitudinal data and compare borrowers with non-borrowers over time and establish the causal effect of microcredit on business closures and survivorship.

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