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## MICROFINANCE: A TOOL FOR RURAL LIVELIHOOD PROMOTION

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### ABSTRACT:

Microfinance is one of the tools coming forward in recent year in poverty eradication. The Scheme of Microfinance has been found as an effective instrument for lifting the poor above the level of poverty by providing them increased self-employment opportunities and making them credit worthy. Microfinance in India is now become booming sector. Providing bunch of financial services to the rural and urban poor under single umbrella is the key concept of microfinance. It is expected that microfinance should not be

limited to the microcredit but it also imparts the other financial services. But in reality microfinance and microcredit are the taken in a similar way. Now microfinance is not limited with the Microfinance industry but many of the banks are also engaged in the same business with label of Micro banking. Microfinance/Micro Banking industry has a focussing on women client. The reason behind is the creditworthiness of women. Now day's microfinance industry is a burning issue in media and society. Experts are having the different opinions about the sector. Some of these saying credits from MFI improving the economic ability and status of rural poor while some are blaming the industry for forceful collection of the payment from the clients. So it's very urgent need to know the reality from the clients or beneficiaries of the sector. So with this aim researcher decided to made the study on this topic.

The present paper is based on the primary data and the articles reviewed by the researcher. The present study is conducted with the clients of MFIs in Karveer Taluka of Kolhapur District which provides microfinance and microbanking facilities in the rural area. In the present paper researcher taken efforts to find out the role of the microfinance in livelihood promotion of the rural households. Study has been conducted with 110 samples which have been selected by simple random technique from four villages of the Karveer taluka. The researcher also took an effort to find out effect of microfinance on their social and economic life. In conclusion it seems that the credit form the MFI is playing vital role in livelihood promotion of the rural poor. It has improved earnings from their livelihood activities.

**KEYWORDS:** Microfinance, Rural Livelihood, Livelihood Promotion, Poverty eradication.

### INTRODUCTION

Poverty is the common obstacle in achieving all kind of development in the developing country. "Poverty must be seen as the deprivation of basic

capabilities rather than merely a low income" said by Dr. Amartya Sen (1999). Poor's are in trap of poverty because of lack of access of productive capital. This trap of poverty make difficult to poor to overcome from the poverty without external intervention. This trap of poverty made effects on the income, saving and

overall economic condition of the family. Hence eradication of poverty becomes prime objective to achieve the projected growth. Lack of access of credit is one of the reasons behind the poverty. Government of India has been taken lot of efforts to eradicate the poverty by providing various schemes and programme.

Opportunity to access the credit is necessary for self-employment and to expand the existing livelihood. Formal Financial Institutions are unable to reach those who are poor and creditworthy. However, Microfinance emerged as a way to tackle poverty. In recent years it has been available as one of the tools for poverty eradication.

Microfinance, according to Otero (1999, p.8) is "the provision of financial services to low-income poor and very poor self-employed people".

Generally, microfinance products are categorized under three heads: micro credit, micro savings and micro insurance. The term micro credit is often used in place of micro finance itself. But micro credit is just one aspect of the micro financing concept which means to provide micro loans to the low income group people, it covers a wide variety of loans for consumption as well as production such as housing loans, education loans, agricultural loans, loans for small and medium enterprises, it is just the credit and saving aspect of the microfinance that has developed in the recent years.

Microfinance institutions are focusing on the women borrower to facilitate the opportunity and resources to empower them. The credit has provided to the women to expand the existing livelihood and also to start new enterprises.

### **Why Microfinance:**

In developing countries like India the credit requirement of the rural poor has not been fulfilled by the formal financial institutions. Absence of collateral security and absence of recognised employment are the main reasons. Banks are unable to provide small loans because of high transaction cost. The unavailability of loans from formal financial institutions leaves no option to borrow the money from moneylenders with huge interest rates. In India, there are several efforts that have been taken by the government to deliver the small credit through formal institutions by setting up special agricultural banks/rural banks or directing commercial banks to provide loans to rural borrowers. However, these programmes could not achieve targeted goals due to several reasons. The common reasons found by many researchers are the political difficulty for governments to enforce loan repayment and the selection of relatively wealthy and influential people, rather than the poor, for bank loans (Adams et al., 1984; Adams and Vogel, 1986; World Bank, 1989). Women's World Banking (1995) estimated that in most developing countries, the formal financial system reaches to only the top 25 per cent of the economically active population. This leaves the bottom 75 per cent without access to financial services apart from those provided by money-lenders and family.

So these circumstances created a need for microfinance which can reach to the poorest of the poor and those who are non-bankable.

### **Origin and History of Micro Finance:**

The concept of micro-credit is not new. It existed in every society in one form or other. Towards microfinance, the concept was first developed by Jonathan Swift in 1700 in Ireland with a view to bring out the financial services to the doorsteps of the neglected rural poor by banks by establishing 'Irish Loan Fund System' through provision of short-period loans without collateral security. In the 1800s variously and Credit Co-operatives began to emerge in Europe to assist the rural populace to break out their dependence on money lenders and improve their financial conditions. The modern concept of microfinance can be traced out as the Marshall Plan at the end of the Second World War in the middle of the 20th century. In the 1900s, microfinance companies came into being with specific mottoes of increasing the commercialization of the rural sector as well as weaker sections' manpower resource by mobilizing 'idle' savings; and increasing investment through credit, and thereon zeroing indebtedness. Many countries like Indonesia (1895), Pakistan (1957), Bangladesh (1976) and Bolivia (1980) started micro credit facilities by establishing various institutions. Success stories in neighbouring countries, like Grameen Bank in Bangladesh, Bank Rakyat in Indonesia, Commercial and Industrial Bank in Philippines etc., gave further boost to the concept in India in the 1980s. India thus adopted the similar model of extending credit to the poorest sector and took a number of steps to promote micro financing in the country.

The beginning of the microfinance movement in India could be traced to the self-help groups/bank linkage program started as a pilot project in 1992 by NABARD. This program has emerged as the most popular model of microfinance in India. Presently, the financial/nonfinancial institutions like microfinance institutions, non-government organizations, self-help groups, banks, etc. has been serving million borrowers successfully. Microfinance the term, micro-credit was replaced with a broader coverage than microfinance. It is a set of financial activities provided to the poor masses basically incorporating loans, savings and deposits, insurance, transfer services, etc. to enable them to utilize their meagre resources and entrepreneurial skills including abilities to the fuller extent so as to improve the economic conditions and shield themselves against risks.

### Microfinance Providers in India:

Following are the legal organizations through which Microfinance provided:

1. Regional Rural Banks (RRBs)
2. Local Area Banks (LABs)
3. Cooperative Banks
4. Commercial Banks
5. Section 25 (Not-for-Profit) companies
7. Trusts
8. Non-Banking Finance Companies (NBFCs)
9. Cooperative Societies, SHGs and Federations

### Microfinance Institutions operating in Maharashtra:

Satin Creditcare, SSK, Swadhaar, IDF Financial Services Pvt Ltd, Annapurna Mahila, Grama Vidiyal, Suryoday, GrameenKoota, Bandhan, Sanghamithra, IRCED, dMatrix, Annapurna Micro Finance (P) Ltd, Ujjivan, Equitas, Utkarsh, Janalakshmi, SKS, Spandana, Asmitha, BSS Microfin, Sampada, ESAF, Intrepid, Navachetana, Share Microfin, Hindusthan, Madura Micro Finance Ltd, Hand in Hand, Basix, People Forum, GraminMahilaSwayamsiddha, SankalpGraminMahila, YashvardhiniGraminMahila, Sahara GraminMahila, Sahayog, NABARD Fin. Services Ltd. **(Bharat Microfinance Report 2015)**

### Microfinance Outreach in India:

Sr . No.	Indicators: MFI Model	2015	2014
1	Client Outreach	371 Lakh	330 lakh
2	Women Client	97%	97%
3	SC/ST Clients	28%	19%
4	Other Minorities	18%	14%
5	Rural Client	33%	56%
6	Gross Outstanding Portfolio	48882 Cr	33517 Cr
7	Average Loan Per Borrower	Rs. 13162	Rs. 10079

### (Bharat Microfinance Report 2015)

Bharat Microfinance Report (2015) shows the outreach of Microfinance institutions. The report says that the women client percentage of women is 97%. There are multiple reasons for focus of MFI on women. Some of these reasons behind this huge percentage are as we earlier discussed in the article. The above table also talks about the SC/ST Clients, Minorities clients and Rural Clients. The table also speak about the percentage of female staff in the MFI sector. The percentage of female staff in MFIs is very low and is about 16% only. This low percentage itself shows that MFIs are having very less concern about the women empowerment and gender equalities. They advertise the recruitment by saying required only male candidate. So it can be concluded that MFIs must increase the number of female staff then only they can think about the overall women empowerment.

### Challenges in front of MFI:

There are many challenges before the MFI in achieving the gender equality through microfinancing.

- i) Challenge of recruitment of female staff
- ii) Lack of Non-financial services
- iii) Target oriented outreach
- iv) Focus on the quantity not on the quality
- v) No end use monitoring of the credit
- vi) Not serious and purposeful efforts to change the attitude of community towards women.

### LITERATURE REVIEW:

The review of the studies made on related subject presented in this paper. Purpose of this is to conceptualize and understand the factors related to the subject. It has helped in understanding the theoretical as well as methodological aspects of the review as well as empirical studies. Further, review of literature has helped to get answers to the questions like; what are the studies made on the subject so far? What subjects are addressed partially? What subjects need to be addressed? What are the theoretical gaps? What are the methodological gaps?

**Vijay Mahajan (2005)** a social entrepreneur and chairman of BASIX, opined that in the article 'From Microcredit to Livelihood Finance', "It cannot be said that microcredit can by itself promote economic growth. In reality, microcredit is barely adequate even as an instrument for poverty alleviation, leave alone economic growth. Microcredit is a necessary but not a sufficient condition for micro-enterprise promotion". Along with credit other inputs are required, such as identification of livelihood opportunities, selection and motivation of the micro-entrepreneurs, business and technical training. Establishment of market linkages for inputs and outputs is a core part of entrepreneurship development. In the absence of these, micro-credit by itself, works only for a limited familiar set of activities – small farming, livestock rearing and petty trading, and even those where market linkages are in place. It will be difficult to create the new entrepreneurs without providing value added services to the credit.

**Professor Yunus (2003: 171; emphasis added)**, "Micro-credit is not a phenomenon that remove poverty in one step. But it can end poverty for many and reduce its severity for others. Collective efforts with innovative programmes that enable people's potential, micro-credit are an essential tool in our quest for world free from poverty.

**Shastri (2009)** made a study on Micro finance and poverty reduction in India (A comparative study with Asian Countries), the study was conducted to understand the role of microfinance in poverty reduction. The conclusion of the study is The Scheme of Micro-finance has been found as an effective instrument for lifting the poor above the level of poverty by providing them increased self-employment opportunities and making them credit worthy. With some effort substantial progress can be made in taking MFIs to the next orbit of significance and sustainability. There is a need of Designing financially sustainable models and increase outreach and scale up operations for poor in India. People belong to villages are still unaware about banking policies and credit system.

**Dr. Ajit Kumar Bansal, Ms. Anu Bansal (2012)** made study on Microfinance and Poverty reduction in India. The study comes to the conclusion that microfinance is a way for fighting poverty, particularly in rural areas, where most of the world's poorest people live. Accessing small amounts of credit at reasonable interest rates give poor people an opportunity to set up their own small business. Study further says that when poor people have access to financial services, they can earn more, build their assets, and cushion themselves against external shocks. Poor household's use microfinance to move from everyday survival to planning for the future: they invest in better nutrition, housing, health, and education. Most poor people cannot get good financial services that meet their needs because there are not enough strong institutions that provide such services. It shows that access and efficient provision of microcredit can enable the poor to smooth their consumption, better manage their risks better, gradually build their assets, develop their micro enterprises, enhance their income earning

capacity and enjoy an improved quality of life. Microfinance services can also contribute to the improvement of resource allocation, promotion of markets, and adoption of better technology; thus, microfinance helps to promote economic growth and development.

### SIGNIFICANCE:

This paper talks about the claims and realities about microfinance and rural livelihood promotion. Now day's microfinance industry is a burning issue in media and society. Experts are having the different opinions about the sector. Some of the experts are saying microfinance improving the economic ability, economic status of rural poor and promoting livelihoods of rural poor. While other experts are blaming the industry for forceful collection of the payment with high interest rate from the clients. So it's very urgent need to know the reality from the clients or beneficiaries of the sector.

### OBJECTIVES:

1. To find out the reasons behind the approach of people towards MFIs/Micro banking.
2. To explore the role of Micro finance in livelihood promotion of rural people.
3. To suggest the possible intervention to maximize effect of microfinance on rural livelihood.

### METHODOLOGY:

The present paper is based on the primary data and the articles reviewed by the researcher. The present study is conducted with the clients of MFIs in Karveer Taluka of Kolhapur District which provides microfinance and micro banking facilities in the rural area. In the present paper researcher taken efforts to find out the role of the microfinance in livelihood promotion of the rural families. Study has been conducted with 110 samples which have been selected by simple random technique from four villages of the Karveer taluka.

### Sampling:

Four Villages from the Karveer Taluka of the Kolhapur district has been selected for the study where more than three MFIs are operating. Out of 10 villages four are selected by lottery method. These villages are Uchgaon, Haldi, Khupire and Pachgaon. Total 110 samples were selected by simple random method for the study and sample distribution is as bellow.

Sr. No.	Name of Villages	No. of Clients	No. of Respondents
1.	Uchgaon	210	21
2.	Haldi	350	35
3.	Khupire	350	35
4.	Pachgaon	190	19
<b>Total</b>		<b>1100</b>	<b>110</b>

### RESULT AND DISCUSSION:

**Table No. 1 General Background of Clients of MFI's**

Sr. No.	Variable	Major Findings
1.	Religion	78.2% clients of MFI belong to Hindu religion.
2.	Caste	57% clients of MFI are from SC category.
3.	Education	50% clients of MFI completed their secondary education.
4.	Occupation	77.3% clients of MFI are engaged in small enterprises.
5.	Annual Family income	Majority of the respondent i.e. 66.6% having more than 75,000/- annual incomes.
6.	Bank Account	95.5 % clients of MFI having their Bank Account (43.6% Nationalise Bank)
7.	Member of SHG	60.9% clients of MFI are not a member of SHG

Table No. 1 speaks about the general background of the respondents those have been availed credit from the MFIs and Banks. General background includes Religion, Caste, and Education, Occupation, Annual family Income, Bank account and membership of SHG.

Majority of the respondents belongs to the Hindu religion remaining from the Boudh and Muslim. More than half of the respondents are from the SC category which shows the outreach of the MFI up to socially and economically backward class of the society. If we see the education of the respondents half of the respondent completed the secondary education. Very few of them have taken education higher secondary and above.

More than one fourth of the clients of the MFI and bank are engaged in small entrepreneurship which includes grocery shops, vegetable venders, rural artisan, dairy business, cloth shops, tailoring etc. Here one thing is clear that MFIs are providing the credit to those who are actively involved in income generating activity where cash flow is very regular. It also seems that small entrepreneurs from rural area are approaching to the MFI and banks for microloan because of unavailability of credit from formal financial institution.

Majority of the clients of MFI are having annual income more than 75,000/- which shows the cash flow in the family due to small business. Because of small turnover of money from their livelihood activity banks denies the loan so they are approaching to the MFI.

Most of the clients have bank account and majority of them are having bank account in Nationalise bank and remaining is having their account with co-operative and private banks. Its good thing to know peoples from rural area are having their bank account but it has to remember that majority of the respondent are engaged in small business. Because of engagement in business they may have opened bank account and operating the same.

More than half of the members are not member of SHG. This is very interesting finding from the study. Though MFI claims that they provides the service for saving the money but it has been found that people are approaching MFI only for credit not for other financial services. It is also observed that the interest of the women in SHG is decreasing because in SHG they need to have meeting, regular saving, keeping accounts and meeting minutes; also they have to visit banks regularly. So they thought that instead of doing all these things in SHG why should not avail the loan from MFI where all these things need not to follow.

It is clear from the above table the respondents are the people those are denied by the banks. They are having existing livelihood activities and also having a good income from it. It also seems that MFIs provides the credit to those who are having existing livelihood activities.

**Table No. 2 Association with MFI's**

Sr. No.	Variable	Major Findings
1.	Source of Finance	55.5% from bank under Micro banking scheme remaining from the private MFI.
2.	Member of MFI/Bank	40.9 % clients are associated from more than 4 years.
3.	Loan availed from No. of MFI/Bank	47.3% clients of are taken loan from two MFI/bank.
4.	Source of Information about MFI/Bank	68.2% clients of MFI are got the information from their neighbour.
5.	First Loan Amount	42.7% clients reported that first loan amount was between 15001 to 20000/-
6.	Types of Model/Group	92.7% clients reported that they have taken loan in JLG.
7.	Current Outstanding	60% clients Current Outstanding is varies from 35000 to 50000/-
8.	Satisfaction about loan	90% clients are satisfied with the loan amount received from the MFI/Bank.

9.	Annual Rate of Interest	87.3% clients reported interest rate more than 24%
10.	Mode of Repayment	60.9% clients paying their instalment monthly.

Table No. 2 shows association of respondents with microfinance institutions. More than half of the respondent reported that they have availed loan from the bank (RBL Bank Pvt. Ltd. Provides micro loan through micro banking business) and remaining from the private microfinance institutions. Majority of the respondents are associated with MFI from last four year which shows that there is a long association between the rural families and MFIs. They are repeat clients for the MFI two or third time.

Around half of the respondent has taken the loan from more than one MFI. Some of the respondents are taken loan from more than two MFIs. It shows that there is a multiple lending by the MFIs. As per the new norms there is a limit of 50,000/- per client and they should not avail the loan from the more than three MFI but the people are taking loan from more than 3 MFIs by manipulating the process of lending.

Majority of the respondents reported that they came to know about the MFI and micro banking from the neighbours while remaining told that they got information from the field officers of MFIs and banks. It is because the MFIs lending the loan through the JLG (Joint Liability Group) model where there must be member more than 5 in group. Almost all the respondent are taken a loan through JLG model. So those who want to avail the loan they need to form JLG and for that they have to find out the member and form the group.

Majority of the clients reported that first loan amount was between 15001 to 20000/-. It is clear from their response that they need a small amount of money which bank never gives because bank thinks about the cost of lending. Cost of lending is same for all ticket size of the loan. So people approach to the MFI for small loan.

More than half of the respondent reported that their current outstanding loan amount ranges from 35000/- to 50000/- Multiple lending and over lending creates risk for the clients and also for the MFIs. It may affect on the sustainability of the MFIs.

Most of the respondents are satisfied about the loan amount provided by the MFI it is because they need small amount of loan and the need is get fulfilled by multiple MFIs. Here the clients have the multiple options of MFIs to complete their requirement of the loan.

Around three fourth of the respondent reported that they availed the loan with interest more than annual 24 per cent. It is true that this rate of interest is huge and high as compare to the interest rate of formal financial institution. The reason behind having high rate of interest is MFI gets fund from the market with interest rate 12-14 per cent then MFI, then operating cost and profit force MFI to lend the credit more than 24% interest rate.

Majority of the respondents are paying their instalment on monthly basis. These equal monthly instalments paid by the clients on particular date of every month. While paying the instalment the entire JLG member need to be present and attend the meeting of repayment. It is because to avoid the irregularities in the repayment and keep the peer pressure on up to close the loan.

**Table No. 3 Purpose and Effect on income level**

Sr. No.	Variable	Major Findings
1.	Approach to Formal Financial Institutions	18.2% respondents approached to Formal Financial Institutions before approaching to MFI. (Credit Cooperative Societies)
2.	Loan received from Formal Financial Institutions	81.8% respondent reported that they have not received loan from Formal Financial Institutions.
3.	Reason to Approach for Micro loan	76.4% respondent reported that they approached MFI/Micro banking because of Easy Loan Availability and Doorstep Service

4.	Difficulties faced for Micro Loan	No one has reported any difficulty for micro loan.
5.	Document Provided	78.2% respondent provided Adhar card as document for loan.
6.	Purpose of Loan	76.4% respondent taken loan for Small Entrepreneurship.
7.	Improvement in Business income	55.5% respondent reported there is a good improvement in their income while 39.1% said improvement at limited level.
8.	Impact of Micro loan	95.5% reported positive impact on their income level.

Table No. 3 shows the purpose and effects of microfinance on income level of rural families. It shows that some of the respondents were approached to the formal financial institution mostly to the credit co-operative societies but they have not received loan. More than three fourth of the respondent reported that they have not received loan from formal financial institution. The reason behind is requirement of documents and lengthy process keeps respondent away from the formal financial institution.

Three fourth of the respondent reported that easy loan availability and doorstep service was a reason behind approaching to the MFI or Micro loan from the bank. Remaining said that less documentation is also reason behind the same. It shows the reason behind approaching to the MFI is easy process, less struggle to the respondent to get the loan. It is again interesting that no one has reported any difficulty while availing loan from the micro finance institutions. Forming JLG and providing identity proof and address proof is a enough documentation for the loan from MFI. More than three fourth of the respondent reported that they have submitted photocopy of Adhar card as a document for the loan. Here one thing need to consider that MFIs never ask for the no dues certificate to the applicant and also don't ask for the collateral that might be one reason behind approaching to the MFIs.

It is found that majority of the respondents have taken the loan for small enterprises. The respondents want to extend their business by purchasing assets and stock in their respective activity. It is good to know that they are investing the loan amount in their livelihood activity to improve their income from the same. More than half of the respondent reported that there is a good improvement in their income level and more than one fourth said that there is a limited improvement in the income level. Almost all the respondents reported that there is a positive impact on their income level and livelihood activity. It is clear from the finding that loan from the microfinance institution affecting positively on the income level and improving the income of the respondent. So it is needed to understand and accept the role of MFI in livelihood promotion. Microfinance and micro loan playing an important role in improving the income level of the rural poor from their existing livelihood activities.

**Table No. 4 Role in Livelihood Promotion**

Sr. No.	Variable	Major Findings
1.	Involvement in Income Generating Activity	90% respondent reported that they are involved in income generating activities.
2.	Start-up of New Livelihood Activity	69.1% reported they have not started new livelihood activity but expanded the existing activity. 30.9% reported that they have started new livelihood activity.
3.	Existing Livelihood Activity	98.2% respondent said that they have existing livelihood activities.
4.	Purchase of New Asset	97.3% respondents reported that they have purchased



		assets from the loan taken from the MFI/ Bank.
5.	Fulfilment of Requirement loan	56.4% told their loan requirement has fulfilled but 43.6 said that their loan requirement has not been fulfilled.
6.	Source of fund for balanced Amount	50.9% respondents said that they have managed balanced amount from the personal savings.

Table No. 4 speaks about the role of microfinance in rural livelihood promotion. It is found that almost all the respondents are involved in the income generating activities. These activities are grocery shops, vegetable venders, rural artisan, dairy business, cloth shops, tailoring etc. Their livelihood is depends on these activities.

It is observed that around three fourth of the respondent have not started new livelihood activity but some are said that they started new livelihood activities. It has been found that almost all the respondents are having existing livelihood activities. It is found that some have started new activity along with existing activity. Almost all the respondent reported that they have invested the money in their activity and purchased assets so that it can improve the income from the activity. Purchasing new assets in existing livelihood activity and expanding the business is one of the good sign concern with their entrepreneurship.

More than half of the respondent told that their loan requirement has fulfilled but some has reported their loan requirement has not been fulfilled by MFIs. It is because they want to all the money required for the expansion of their activity has to give by MFIs. But the MFIs expect the some contribution from the clients so that they will take care of the activity and for the ownership of the activity. It is observed that around half of the respondent manage the balance amount from their personal savings and some are depends upon the relatives and friends. Still five per cent of the respondents approach to the money lender for remaining amount to invest in the livelihood activities.

So it is clear from the above table that the micro credit improves the income from the livelihood activity, plays vital role in expanding existing livelihood activities and also in starting new livelihood activities. In other words microfinance contributes in promotion of rural livelihoods and improves the lives of poor.

### **Suggestions to improve contribution of microfinance in livelihood promotion of rural families:**

#### **1. Non- Financial Services by MFI**

The MFIs should not limit themselves only to the credit they should render the other financial services along with microcredit. They should impart the financial literacy training to the clients, business development trainings, and Technical guidance for specific entrepreneurship. It will facilitate effective access to microfinance services and equal opportunities in income generation and perhaps most effective means of promoting livelihood. Provisions of non- financial services not only sustain the entrepreneurship but also MFIs.

#### **2. End use monitoring of Credit**

It has been seen that most of the MFIs are in the hurry of the business. They want to reach maximum number of borrower within very short time of period. In the initial stage when microfinance introduced in India there were end use monitoring of the credit availed by the women. But due to business pressure end use monitoring of credit has lost that resulted in practice that men from the family started taking loan on the name of their wife. The loan borrowed by the women has been used by the men for their own business. It has also experienced that women became only mediator to borrow the loan. So it is very important to have the end use monitoring practice in the MFI. It is more important for MFI also to have the sustainability.

### 3. Group mechanism should use to strengthen the livelihood activities

All MFI's having group approach toward the women borrower. MFI's can strengthen and promote this group network which may use for the further linkage of them with other stakeholders of the community. This group mechanism should use for the building of institutions and strengthening them. Co-operation and groups of people for specific activity may bring the positive change among them by linking for the inputs and output.

### CONCLUSION:

Microfinance is a booming and currently burning issue in India. It has been appreciated as well as challenged by the various ways by the experts. Microfinance is considered as a tool for poverty eradication and livelihood promotion of rural and urban poor. The focus of microfinance is on entrepreneurship development and promoting existing livelihood activities. The outreach of MFI shows significant contributions towards the poverty eradication and livelihood promotion of rural community. The study concluded that the efforts taken by the MFI sector for the livelihood promotion are appreciable but it needs to expand their contribution from the credit. Microfinance is not only microcredit there should be other financial service need to be provided by the MFIs. If the MFIs would have been taken such efforts in promoting lives of the rural people in real sense by rendering the other financial services along with technical support to improve the livelihood activity then they will not have to face the challenges what they have facing now days. To sustain the microfinance institutions industry must have focus on non-financial services along with financial services though there is huge competition in the sector. The competition in the sector pushed the MFIs in the trouble and the number game played by them has recoil on them.

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