ISSN (Print Version) 0975-3931
ISSN (On Line Version) 2278-1277

Targeting the Poor for Rural Development – Review of International Experience on Microcredit Programmes

Saikumar C. Bharamappanavara[1] and Naveen Kumar K[2]

1 Introduction

Though, Globalization is under discussion at the world level. Still about 1.3 billion people worldwide lives under absolute poverty. i.e., one out of five people in the world survives by less than $1 a day (HUMAN DEVELOPMENT REPORT, *2005*). They are unable to meet their basic human needs for food, clothing, shelter and minimum health care. The poverty is a social evil exists in most of the developing countries due to lack of literacy, unemployment, gender inequalities, high population, and due to lack of financial resources. Hence as proclaim to eradicate poverty, the period of 1997-2006 was observed as the first United Nations decade for the eradication of poverty by the international community. Most of the farmers in rural areas in developing countries are either small or marginal farmers or landless labourers who do not have access to banking systems and to any of formal financial support, which in turn makes them to take money from private money lenders at high rate of interest for their livelihood and financial needs, their by making them to go-around the vicious cycle of debt and poverty. In the off late, microcredit is recognised as an effective tool to fight against poverty by providing financial support to those who do not access to or neglected by the financial banking institutions. The year 2005 is proclaimed as the year of microcredit to recognise its contribution to poverty alleviation by UNESCO (*UNESCO*, *2004*). According to estimation about 67.6 million people around the world have access to micro-credit and the number is estimated to cross 100 million in the near future (*ASIA/PACIFIC REGION MICROCREDIT SUMMIT REPORT*, *2004*). Thus, micro-credit has generated greater interest, enthusiasm

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[1] Ph.D student (DAAD Fellow), Dept. of Agril. Economics, Division of Resource Economics, Berlin Institute for Cooperative Studies (BICS), Luisenstrasse-53. Humboldt University of Berlin, Germany. Email: saikumarbc@gmail.com

[2] Faculty, National Institute of Bank Management (NIBM), NIBM P.O, Kondhwe Khurd Pune – 411 048, India. Email: naveen@nibmindia.org

ISSN (Print Version) 0975-3931
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and worldwide attention among the international institutions, organisations, development agencies at the world level against the background success of Bangladesh Grameen Bank in micro crediting to rural poor. These things clearly indicate the importance of microcredit in poverty alleviation and rural development and made us to know its chronicle, present and the future, its global issues.

2. Innovations in Rural Credit Markets: Micro-Credit Revolution

Rural economic development is a priority for policy makers in many developing countries, due to widening income inequality between urban and rural populations. Given that rural households are predominantly depend on agriculture, any improvement to agricultural productivity will have a positive effect on income and equality. Moreover, it is known that agricultural production is sturdily associated with the inputs that are transformed into outputs with considerable time lags. As a result, the rural households need to carefully plan income and expenditures, thus making a case for access to credit. Although a dearth of formal lending has led to rapid growth of the informal credit market, these loans are rarely used for productive purposes by the rural customers. Thus there is reason to believe that rural households remain credit constrained and under the clutches of informal lender with high rate of interest and exploitation. The informal journey of joint-liability (group)-led micro-credit programmes in the world-wide witnessed that the poor are bankable as well as they can create a formal credit history with banking institutions. This is one of the greatest innovations in rural credit market in many counties.

In past 25 years, since its emergence many research activities are conducted in studying the impacts of micro-credit on income and expenditure. There were entirely different experiments and experiences of micro-credit system in different countries at the world level. There are challenges for expanding the micro-credit outreach to reach the millennium development goals. This section of the paper has made an effort to review the following issues:

1. Reason for stagnation in rural society and problems of rural credit markets.
2. Microcredit- emergence, definition, philosophy and features and its impacts.
3. Micro-credit experiences at the world level.
4. Microcredit- A tool to achieve Millennium Development Goals
5. Challenges for micro-credit
6. Policy lessons for rural development

2.1 Reason For Stagnation In Rural Society And Problems Of Rural Credit Markets

2.1.1 Reason for Stagnation in rural Society

The consequences of closed economy trends and its impact on nature of markets available for the farmers produce and the trade liberalization is making rural peasants households still marginalised. The landless households lack land resources, education and no access to financial support, technology. Whereas, landed households have advantage of all these facility, which creates wide disparity in the rural areas, thereby instead of growth, causing stagnation in the rural society.

2.1.2 Problems of rural credits

Rural credit was entrapped in social hierarchies, appropriated by large and landed households. This imperfect market for rural credit leads to nurture poverty through a process of ruthless exploitation. It is necessary here to quote the recent study by *KHAN* in the year 2007 as an example of for that matter, Bangladesh experienced acute shortage of funds for rural finance in the last year, like the total rural finance requirement was Tk.790 billion of which Tk.480 left unmet. Though, Agriculture (18%) and micro, small and medium non-farm enterprises altogether (17%) forms the vital contributing sectors to the Bangladesh economy still stifled by lack of credit facilities. In developing countries including Bangladesh, banking institutions function as a conduit for transferring money from rural areas to urban areas. The reasons were insolvency of state owned agricultural banks, declining flow from nationalised banks, High transaction cost in institutional credits, lack of institutional mechanisms to cope with natural disasters, lack of market based insurance to have ensured income to the farmers and no trust on loan worthiness of small, marginal farmers and landless labourers by the formal banking sector. Thus, posing potential dynamic sectors of the economy hamstrung by serious credit constraints.

2.2 Microcredit- Emergence, Definitions, Philosophy And Features And Its Impacts

2.2.1 Emergence

Bangladesh was the first to have concept of microcredit on experiment in 1950-1960's, since all the government efforts in order to empower peasants' households were failing in late 70-80's. It lead to the emergence of new Micro-credit lending Programme by Bangladesh Grameen Bank and Bangladesh Rural Advancement Committee (BRAC, an NGO) in 1980's to reach poor landless households. Beneficiaries of the microcredit loans are poor women who don't have assets to present as collaterals in banks and hence never had access to formal banking institutions. In Bangladesh most of the microcredit funds are used towards paddy husking, livestock rearing, aquaculture, vegetable production, poultry farming and petty business. Later, microcredit is used for different range of activities at the world level. Here the example of Self-Employed Women's Association (SEWA) in India can be mentioned, which has given microcredit for strong social component like labour advocacy, health care, education proving microcredit can be expanded to any extent based on successful participation of rural households. The concept of microcredit is emerged and expanded going beyond Asia, America and Africa and even reached eastern Europe in the name microfinance at mercy corps at the world level.

2.2.2 Definition

According *Muhammad Yunus* who have been awarded noble peace prize for his contribution to microcredit in the year 2006 (for the first time for a financial institution awarded noble prize) explains that the word Microcredit did not exist before the seventies and now it has become a buzz word among the development practitioners. He classified it broadly under four categories, 1). Informal Micro-credit: Through money lenders, loans from friends and relatives, 2).Formal Micro-credit: Through conventional or specialised banks like agricultural credit, livestock credit, fisheries credit, handloom credit etc., 3). Cooperative Credit: Through credit union, savings and loan associations.4). NGO lendings.

2.2.3 Features

Microcredit flag was first time hoisted by Grameen banks in the world level with the following ten general features to meet the objectives of Micro-credit concept. 1) It promotes credit as human rights for poor households, 2) Missions to help the poor families to overcome the poverty, 3). It is not based on any collateral or legally enforceable contracts/legal procedures instead based on trust, 4) Offered for creating self employment rather than consumption needs, 5) Initiated as a challenge to convectional banking, 6) Provides service to the poor based on principle *"People should not go to the bank, bank should go to the clients"*, 7). Borrower should join a group of borrowers to obtain the loans, 8). Loans are paid in weekly instalments, 9). Microcredit comes both obligatory and voluntary savings for the borrowers, 10). Low cost delivery system and repayment discipline through Group approach that helps in sustainability of microcredit programmes.

2.2.4 Philosophy

The Grameen Bank philosophies of the micro-credit are, 1). Poverty is not created by the poor, it is created by institutions and policies surrounding them, 2).Charity is not an answer to poverty- it helps poverty to continue, 3).Unleashing of energy and creativity in each human being is the way to reduce poverty, 4). Micro-credit is a weapon against hunger and poverty. The main eligibility need for micro-credit Membership in Grameen Bank is, the client must have less than 0.5 acres of land and their total asset must not exceed the value of one acre of median quality land.

2.2.5 Impacts

In case of Grameen bank in Bangladesh, the total numbers of borrowers are 7.44 million of which 97 per cent are women from poorest of the poor section. Initially, Grameen bank started with grants and borrowings from international donors, later decided to become self-reliant and started collecting money internally by collecting savings. Presently, lends more than half a billion dollars a year in the form of loans averaging about $200 to about 7.44 million borrowers without any collateral and also maintains 99% recovery of credit. Since inception, the total amount disbursed is US$ 6.76 billion of which US$ 6.04 has been repaid. There are varied rates of Interests for different purpose and all interests are simple rate on declining balance method. The percentage contribution of Grameen bank to GDP is 1.10 in 1996 and increasing steadily in Bangladesh. But, recently NGOs are blamed of charging higher interest rates.

Microcredit success is due to its ability to address the needs of the poor in getting the credit with few transactions cost. Microcredit generated new employment opportunity particularly for poor women. The household survey conducted in five project villages and two control villages of Bangladesh by IFPRI/BIDS in the year 1988 found that GB members had an increase in the income by 43% higher than the target Group in the control villages. According to Study conducted by *HOSSAIN* in the year 1988, the increase in income is also due to positive changes in the labour force participation among the men and women. It was found that each year about 5 percent of GB families move out of poverty as per the study conducted by *KHANDAKER* in the year 1998 for the World Bank Report. GB member participants were not only privileged by multiple loans but also have observed influence on quality of leadership, entrepreneurial skill, initial endowment, skill training.

2.3 Micro-Credit Experiments At The World Level

Due to success in Grameen Bank (GB), created curiosity and hope in other developing countries, among policy makers who would like to use credit as an anti-poverty tool. Since, from last two decades, worldwide global campaign is going on this new development strategy-“micro-credit” to tackle the problem, i.e., provision of microcredit to small, marginal and landless farm households. So, presently many of international donor bank agencies like World Bank have supported the concept of microcredit for self-employment and sustainable livelihood of the rural poor.

During 1990’s microcredit experiment were tried all over the world when there was problem of acute rising of poverty. Association of Social Advancement (ASA) an international NGO provided assistance to 30 organisations in 17 countries. One among the assisted was also an NGO from India called Bandhan in West Bengal. Later India has come to the centre of discussion in the year 2002 at the world level for operating micro-credit. In most of the cases women is the primary borrower mainly for self employment activities accounting for more than 40 percent of the fund disbursed by the microfinance institution. In Bangladesh, the use of NGO based microfinance institutions microcredit up to 2001 was disbursed highest to small business(43.02%) followed by livestock(18.11%) and agriculture (12.23%),indicating most of the disbursed microcredit is going towards productive activities.

Professor *Muhammad Yunus* launched a €150 million global micro-finance outfit styled by Grameen-Credit *Agricole* Foundation in Paris on 18 February 2008.

Credit *Agricole* SA and Grameen Trust have teamed up to create a dedicated foundation(*STAR REPORT*, 2008).It is intend to provide microfinance institution with a complete range of financing facilities in the form of credits, guarantees and equity capital along with advisory services. Grameen Trust is a sister organisation of GB stepped into support microfinance initiatives in 38 countries.

In China, Chinese Foundation for Poverty Alleviation (CFPA) Beijing, CFPA, a government NGO under state poverty alleviation office developed its own micro-credit model based on GB model. Mercy corps is another important organisation supporting micro-credit in dozens of countries ravaged by wars, conflict and civil unrest.

2.4 Microcredit- A Tool To Achieve Millennium Development Goals

The ‘micro-credit summit of 1997’ set the millennium goals to work against poverty. It has set a goal to reach 100 million of the world’s poorest families with micro-credit. In the campaign, it was showed that 54 million families around the world benefitted from micro-credit of which 26.8 million are among the poorest or those whose who live under US$1 per day. Global ‘Micro-credit summit 2006’ set goals to be reached by 2015, they are aimed at 1).Reaching 175 million poorest families with micro-credit, 2). Ensure 100 million families rise above the US$1 a day threshold, lifting 500 million people out of extreme poverty. 3).To reach the summit goal of 100 million, each country must reach 50 % of the poor families in their country.

2.5 Challenges For Micro-Credit

Professor *Muhammad Yunus* in his study, on expanding microcredit to reach the millennium development goals, in the year 2004 stated the existing general challenges and their solutions for the microcredit .The challenges are 1). Lack of initiative in creating financial institutions, 2). Absence of legal framework for creating micro-credit institutions, 3). Barriers in accepting deposits, 4). Lack of conceptual clarity at the international level, 5). Most critical problem faced by NGO’s today is finding money to lend out to the poor. International donors expressed that there is not enough capacity on the ground to build a higher outreach. Micro-credit organisations complain that they are stuck with a dearth of money, as no soft loan or market money is available.

He also has given the actions taken in Bangladesh for the above mentioned problems, the pioneer of micro-credit model found one solution. i.e., creation of national wholesale fund-PKSF (Rural Employment Support Foundation). The government of Bangladesh and the World Bank put their money into PKSF which in turn make it available to the NGO’s. PKSK provided approximately US$262 million to date to nearly 200 NGO’s to carry out their microcredit programmes. The reason for hefty growth of NGO’s in Bangladesh is due to existence of this wholesale fund. Further, Grameen Trust was created in 1989 to provide support to start Grameen replications in other countries. It started providing start-up money for projects all around the world since 1991. Grameen Trust in collaboration with GB organises International training Programme for micro-credit practitioners worldwide.

2.6 Policy Lessons For Rural Development

The policy lessons for the future rural development based on these reviews from international perspective has shown the path of micro-credit which can make 'a poor/asset less' 'market worthy'. Some of the important policy lessons learnt are, 1).Lending institutions for the first time created by the creditors and managed by creditors, 2).Own choice of investment and best utilized individual genius, 3).Opening markets domestically/internationally create opportunities for investment and specialization, 4). When there are more products, then more markets and you are more developed, 5).Social capital is created through group based activity supporting individual wishes, 6). Proletariats have not's are potential for mobilizing for rural development, 7).Unemployed youths are attracted to work for the poor through micro-credit of NGO's which will lead to considerable social change, 8). Every individuals whenever they get time need to interact with the poor to motivate them for attaining social/qualitative changes in life, 9).Developing a global partnership for development, 10). Need for integrating traditional sector to modern sector. Finally, in the era of Globalization, microfinance institutions inculcate modernisationists/liberals view of changes through knowledge, technology and market institutions.

3. Critical Observations From Reviews

The reason for stagnation in growth of the rural society, problems of rural credit markets, lack of access of banking facility to the poorest poor. If we see at the global level the same situation was persisted since 1960-70's not only in Bangladesh, also exists more or less same pattern in all the developing countries like example India, China, Nepal, Pakistan and Albania. These problems are stated as serious threat for rural development also in the study by *VALENTINE* in the year 2005.In developing countries most of the farmers not have access to formal financial institutions since majority of them are small and marginal farmers with limited resources, they lack collaterals to keep as security for their loans, also the amount of money they want to borrow is too small to make it worthwhile for a bank, It was not the problem with formal banking institutions ,as these poorest of the poor were in large volume need small money without collateral security which was not possible to meet by formal banking institutions to finance due to high administrative and transaction costs. This made them away from the financial sources and thus many people remains as poor. There is a proverb said by Adam Smith concerning the above situation like, "*Money, Says the proverb. When you have got a little, it is often easy to get more. The great difficulty is to get that little".*

Later, the microcredit concept was started first time by *Muhammad Yunus* in 1970's an economist from Bangladesh with a radical idea to give poor people access to credit to help them to improve and sustain their livelihood and succeeded in it. As a result, 'Micro-credit' revolution started from last two decades at all over the world, especially in developing countries. Now, 'Micro-credit' is recognized as an effective tool to fight poverty from bottom-up approach in the society (*NIELS and ROBERT, 2007*). At the international level, microcredit is supported by unilateral and multilateral donors such as United Nations Development (UNDP), the World Bank, and United States Agency for International Development (USAID) and EU governments. The international experts also have positive hope about Micro-credit in poverty alleviation, here quoting the example of statement by Noble laureate *Amarthya Sen* "The micro-finance is bringing hope, prosperity and progress to many of the poorest of poor people in the world" (*MICROCREDIT SUMMIT CAMPAIGN REPORT, 2006*).

3.1 Microfinance and Micro-credit are different..???

Always these two above terms are used synonymously, but the term Microfinance encompasses micro-credit. Microfinance refers to loans, savings, insurance, transfers services and other financial products targeted at low-income clients. Micro-credit refers to a small loan amount to a group of neighbourhood people/client in a group by Microfinance institution (*SA-DHAN REPORT, 2007*). It can be offered often without collateral security to an individual or through group lending. Since the definition of Micro-credit is not absolute, it varies from country to country depending on the level of poverty. Adding general UNDP definition (*UNDP REPORT, 2005*) to the definition given by Professor *Muhammad Yunus*, "Micro-credit is an extremely small loan given to impoverished people to help them become self-employed/or to meet their necessities". Though giving credit to the landed farmers in small amounts as production loans did exist in rural areas through formal banking institutions since 1900, the statement on definition of microcredit by Noble Laureate clearly accentuated that giving non-farm credit to the poorest of the poor was neglected in the developing countries till the last part of the century.

Based on Literatures review from *SA-DHAN REPORT* in the year 2007, adding to the features of Micro-credit, 1) A substitute for informal credit to the poor, 2)Easy and poor friendly repayment mode, 3). Simple and less documentation, 4). Financial assistance for non-productive purposes in case of emergency, 5). Deprived Segment is target beneficiary, 6). Empowering women households in decisions.

The Philosophy of Grameen Banks though looks quite simple, have lots of connotation and responsibility to the society. It says poverty is not created by the poor, but created by surroundings policies and institutions. This statement means that government and private organisations should provide a favourable environment /opportunities for the poor to come up out of their impoverishes, rather keeping away from the facilities. Another philosophy says "Charity is not an answer to poverty, but it helps poverty to continue". This statement gives a clear picture like how people react for different concepts. If a rural poor is given any fund or subsidy which he no need to repay, then he definitely uses it for some non-productive/consumptive purpose. It will solve his one problem temporarily later again leaves him in the same situation where he was earlier not gives any sustainable solution. If the same person is given with credit which he need to repay with his earnings by the new means of his livelihood. It will bestow him sustainable source of income for his needs and to come out of poverty. Thus the philosophy of micro-credit builds the solution for the problems within them.

One important features of Micro-credit is, it gives credit "based on trust" without any collateral security. Even then has achieved on an average more than 90 % credit recovery. From the literatures it confirms that this success is mainly because of group lending where each group member has affable pressure on neighbourhood regarding loan repayment. Earlier Micro-credit started only under Grameen Bank flagship in Bangladesh, but currently micro-credit is also championed and monitored by thousands of Non-Governmental Organisations around the globe often combining with small business training ,consulting and marketing support. Boosting this statement by taking example of Dhan Foundation working in South India, along with giving credit to the poor ,also provides training on income generating activities like tailoring, hand looming, food processing etc., so that the farmers can develop their own livelihood strategy (*SA-DHAN REPORT, 2007*).

3.2 Evidence of Change: Impacts of Micro-credit Programme

Impacts of microfinance are more challenging to measure. The effect can be seen through three ways, 1).Increase in family income, 2).Women empowerment, 3). Its influences the self-confidence, co-ordination, communication and leadership skills. Supporting to it, here are some facts of impact of microcredit on Bangladesh. The pioneer of Micro-credit in the world Bangladesh in the year 2006 (*WORLD BANK REPORT, 2007*) has observed 99% increases in the borrowers income, often by more than 15%. About 90% of microcredit borrowers are women which had made them to handle and manage the money, and this added additional social benefit by reducing gender inequality. World Bank has done 14 year study in Bangladesh and found that microfinance has directly contributed 40 percent to the poverty reduction.

According to SA-DHAN Study in the year 2006, India is performing greatly in microcredit with a CAGR of 76%. NABARD has conducted a research on impact assessment of micro-credit in the year 2005, inferres that microfinance client diversified their risks and thus reduced vulnerability to external shocks and also they are able to provide regular and more years of schooling to their children. Women are empowered in decision making.

In Uganda, three micro-credit programmes were studied for 2 years (*BARNES, 2001*) and they have showed that increase in both assets and savings compared to a non-participating group and observed higher profits from their micro businesses.

In Ghana study conducted by Freedom and Hunger expressed that poor clients has observed increase in their income by US$36 per annum compared to US$18 per annum non-client and also able to increase their earnings by diversified occupation.

The evaluation study by Centre for Agriculture and Rural Development (CARD) Philippines indicated that the microcredit programme has reached very low income households, generated self-employment and significantly increase d their income. When the clients enter the microcredit system 100 percent of them were poor , belonged to bottom 50 per cent of the population living below poverty line, but later 50 % of them crossed poverty line.

Thus from the above examples of impact studies it is clear that ,it has evolved into much more than giving poor people start up credit. Micro-credit has made them access to savings, credit, insurance and other financial services. It made them to have better plan for life by 'Impacting their Lives', rather living Day-to-Day life.

3.3 International Experiences

Microcredit was considered radical less than 40 years ago, now it is no-more specific only to Bangladesh, widely spread throughout the world with the background of success by Bangladesh and presently subsists in more than 43 countries like Banc sol, Bolivia and Indonesia etc., In the year 2000 *BEATRIZ et al.*, while explaining microcredit beyond group lending in EU and Russia said that the Global Principle of Microcredit is to "Raise incomes and broaden financial markets by providing financial services to small scale entrepreneurs who otherwise lack access to capital".

At the Global level, the study conducted by Sam and Harries in the year 2007 on microcredit summit campaign reported that Presently, there are about 3,100 microfinance institutions providing microcredit to the 92.9 million poor at the world level which is nearly equal to combined population of European Union indicating microcredit is no longer micro in its approach at global level, as a fact it was just 1.6 million who served under microcredit in the year 1997.Out of 92.9 million people clients ,Asia's share is 59.6 million in which Bangladesh has got about 15 million. Here below are few of the experiences from different parts of the world on microcredit approach salient features with reference to features of Grameen bank in Bangladesh (*KABIR HASSAN, 2002*).

3.3.1 Bank Kredit Desa System (BKDS)-Indonesia

The BKDS in rural Indonesia is much well known. The loans are made to individuals and the operation is financially feasible like Grameen Bank, Bank kredit Desas lend to the poorest households, and the loans are small with an average amount of $71 .The loans are 10-12 weekly repayments and interest of 10 percent on the principal(*MORDUCH*,1999).These loans do not require collateral. The BKDS borrowers can graduate naturally to large scale lending from the Bank in the later periods.

3.3.2 Banco Caja Social-Columbia

Banco Caja Social is a unique institution within the microfinance community. It serves about one million clients, but does not have international exposure like other microfinance institutions such as Grameen bank or other banks. The reason for this is because Banco Caja Social does not rely upon international donor funds, but has quietly mobilized local deposits for nearly 90 years. Operating profitably by serving low income customers in Columbia, it provides many interesting lessons for other institutions which are targeting the poor. By several factors it is unique, it has a long history of operation, founded in 1911, and bank provides financial services to low and medium income customers throughout the year. Another important character of this bank is it satisfies the dual goals of outreach and sustainability. The bank has achieved this by having 1). A large and diverse loan portfolio, 2). being managed by the non-profit organisation foundation that has maintained a clear and consistent vision, 3). Upholding good client relations, 4). improving financial viability and rigor through increased competition, 5). emphasizing savings.

Though have severe competition from commercial bank, but still maintains its objectives which determines its future success.

3.3.3 Bank For Agriculture and Agricultural Cooperatives (BAAC)-Thailand

The BAAC has operated in rural areas of Thailand for 30 years. It was originally conceived as a vehicle to deliver low-cost credit to Thai farmers. In recent years, BAAC has been going through a process of adapting to the diversifying demands of a market– driven, growing rural economy. BAAC’s current function is to provide credits directly to farmers and through agriculture cooperatives and farmers associations at below market interest rates for agriculturally related activities. As BAAC has adopted to meet the varying needs of a changing market, it has come to be internationally recognized as one of the few sector-specialized, government-owned rural microfinance institutions which have demonstrated need for government subsidies. The most notable feature of BAAC’s success is its tremendous loan outreach and its impressive savings mobilization, especially outside the Bangkok metropolitan market. It mainly faces two problems, 1).government restricts BAAC to lending to farm households which limits their potential for growth. Rural areas in Thailand have shown significant growth in other allied sectors, but BAAC is limited to lending to agricultural sectors, 2).interest rate reforms may be required because lending interest rates should reflect the costs of providing the loans.

From the above review of case studies, it is clear that microfinance industry has begun to realize certain degree of success and has reached the point where it must begin to institutionalize that success. The expansion associated with institutionalization may lead it to face some challenges that are common to all sectors. Thus microcredit has success in its bowl all over the world.

3.4 Micro-credit outreach expansion to reach Millennium Development Goals

Though there is impressive increase in the income of the poorest of poor by micro-credit funding for sustainable livelihood. It may not alone help people to get out of poverty. Since there are many other problems which are interdependent have made them to remain poor. So to come out, along with micro-credit, access to health, education and other basic needs need to be met under same system. Hence in the new millennium development goals along with micro-credit expansion as per 'Global Micro-credit summit-2006' other below mentioned goals also needs to be targeted in the same way as, microcredit approach for poverty alleviation (*UNFPA, 2006*), which ultimately helps to reach our goal of poverty free society by adding together of health and education. They are, 1). Achieving universal Education, 2). Gender Equality and Empower Women, 3). Creating awareness among the 'poorest of the poor' to make constructive use of the available opportunities to come out of the poverty line.

3.5 Sustainability of the Micro-Credit Programme

The main Challenges were lack of money availability for micro finance institutions. But, now supported by international donor agencies like UNDP, USAID World Bank, and EU Government. Here under some of the Challenges, based on the Study conducted by *JORDAN et al.*, in the year 2007. 1). Sustainability of Micro-credit system model in the long run is identified as a big challenge, 2). Viability of Micro-credit institutions even after withdrawal of Support from the government. These things can be tackled by proper design of the microcredit-NGO-client linkage model through dedicated involvement of public, private and then the NGO's. Financial and institutional sustainability of the lending institutions and its models/approaches is one of the persistent challenges for the micro credit programme. In the world, large numbers of micro credit organisations are in not-for profit entities, where financial viability without external financial support is non-achievable. As a result, commercialisation of microfinance programme is difficult for many of the countries. The future of microfinance is largely depends upon the market driven micro lending than the subsidy driven lending.

4 Conclusions and Suggestion for the Further Debate

From the above review paper, it is clear that micro-credit has ability to induce anti-poverty concern within the social system. In the present context there are numbers of international agencies supporting the micro-credit concept and providing non-financial services as a means of eradicating the poverty all over the world. Based on numerous reviews of research studies conducted it is identified as a key innovation since 25 years from emergence for overall sustainable development of livelihood of the rural poor. But the success and sustainability in the future definitely depends on ability of public, private and Micro-credit institutions performance.

On the other hand, still there exists a high percentage of poverty in the world and urban poverty is increasing due to modernisation, migration to urban areas. So keeping in mind the complete eradication of poverty in the world, the next debating question arises for policy makers, development scholars and practitioners is about concert and sustainability of Microcredit system to tackle the poverty in the long-run and to attain comprehensive financial self stability, sustainability livelihood in the rural poor. Some of the options for the future debate are,

1. Micro-credit is achieving success in rural poor section can also be extended to urban poor and expect same success.
2. Formation and utilization of autonomous national and international fund for micro-finance.

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