

## MICROFINANCE FOR AGRICULTURE & RURAL DEVELOPMENT

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The goal of microfinance is to give low income people an opportunity to become self-sufficient by providing a means of saving money, borrowing money and insurance. The role of micro financing is Vibrant for social development as well as for the economic development of rural areas. Many steps to taken by government to bring in enough number of technologies in the rural areas for their implementation and use through micro financing for the overall development. Our nation has belongs to rural based. Therefore the nation development depends major part on rural economy.

However, support of micro financing agencies including banks is not reaching at real part therefore, most of the developmental programmes ineffective and many a times they don't even take off. In the rural areas people are not much aware about the micro financial schemes and their benefits. Hence, in order to provide sustainable rural development and progressive poverty alleviation the role of micro financing agencies becomes an important in the context of current scenario. The present study has focusing toward the micro-finance and agriculture rural development

### **Introduction**

The role of micro financing for rural development and alleviating poverty is well known and in many a cases it has been proved that well organized micro financing policies have helped in achieving sustainable development of the rural sector. During 11th five year plan Government of India also emphasized development of the rural sector through poverty alleviation and achieves more than 8% economic growth. For this purpose appropriate financial budget allocation has also been announced. For achieving this goal, both public and private sectors have to play important role in macro and micro financing.

Numbers of renowned economist have published an account on micro financing for development of rural infrastructure so that in due course of time the outcome of such efforts may lead to sustainable development accruing socio-economic benefits., Role of micro financing in promoting renewable energy technologies in rural areas for sustainable development and poverty alleviation. While dealing the topic he mentioned that the success of micro financing in rural development and promotion of renewable energy technologies (RET) is dependent on presence of several factors which includes infrastructure, availability of information, education of rural population, and availability of maintenance services and creation of opportunities for incoming generating activities.

However, for implementing these technologies micro financing through public and private sector agencies is the need of the hour. In the present paper efforts have been made to critically analyze all the issues focusing how micro financing can bring mutational changes in the rural economy for overall benefits to all the communities and weaker sections of the society.

### **Micro Finance-Features**

Microfinance is considered to be an adequate tool for financing small scale activities/technological applications in the rural areas because of the following features.

- 1 Provide credit for investment in small scale activities chosen by the poor people.
- 2 Empower the poor to build self confidence that I can do something.
- 3 Can pay for itself with the interest earned.
- 4 Allow to develop opportunities for self employment to the underserved people.
- 5 Have the broadest utility and the least cost per beneficiary.

The principles of sustainable micro-financing are as follows: (1) offers flexible customer friendly services preferred by low-income group, (2) has opportunities for streamlining operations and reducing costs (standardized simple lending process,

decentralized loan approval, inexpensive offices, and use staff from local communities), (3) operate in market basis charging market interest rates and fees, and (4) strive to recover the costs of the loan.

### **Agriculture, Rural Development and Rural Finance**

During the 1960s and 1970s the key issue in agriculture and rural development was agricultural production. Agricultural credit was but an input, next to improved seeds and seedlings, fertiliser, pesticides, tools and machines. The target group were farmers. The issue was how to disburse agricultural credit to farmers. The funds were provided by governments and donors. Disbursement mattered, not repayment. The main disbursement channels were agricultural development banks and projects. Agricultural credit was a service, not a business. The strategy had much to show: the green revolution, driven by technology, financed on credit, with subsidised interest rates.

The produce was purchased by government at guaranteed prices. So impressive was the business of the green revolution that the business of the financial service was ignored. But when farmers didn't repay their loans, the banks didn't cover their costs and the governments ran out of money to finance the subsidies, the banking business finally failed, and so did the service. Meanwhile, populations continued growing, increasing numbers of rural people could not live on agriculture alone. To survive they had to engage in numerous activities: on-farm, off-farm and non-farm. Rural household and rural economies got increasingly diversified. Access to finance was the limiting factor. Agricultural credit had been exclusive.

It excluded all those who didn't own and till the land: laborers, micro-entrepreneurs, traders, women and large numbers of smallholders too poor to pay the bribes and too uneducated to do the paper work. The unsatisfied demand prepared the ground for a revolution on the supply side: micro finance. Perhaps this should be called the blue revolution, blue being the bankers' colour. The new emerging issue was now how to link microfinance to rural entrepreneurs: through inclusive financial systems development.

### **Green technology for rural development**

The green technologies are those technologies which are eco-friendly. Depending on the necessity and challenges that are required for the overall development of the rural sector we need to bring in and implement at least some of the green technologies in such locations. For this purpose micro financing is very much needed for applications of green technologies. Integration of micro financing and technological application will definitely stimulate growth and overall development of the rural sector. Today we have number of green technologies namely renewable energy from wind, water, tidal energy, solar energy, development of bio-fuels from natural resources, bio-gas plants, bio-fertilizers, bio-manures, bio-pesticides, bio-waste recycling, bio-conservation, cattle farming and aquaculture, dairy and dairy products, pollution control and water purification, water conservation, rejuvenation for plantation and development of forest etc.

After witnessing a dip in 2009 on account of global financial crisis, the green sector in India is once again attracting the attention of investors and banks. Three reasons have been thought of which are favorable for investors in rural sector i.e. high yield, increasing investor comfort with renewable generation risk, and strong commitment from the central government to ensure renewable feasibility. The growth of the green sector is substantiated by pace of lending support financially through banks for implementing green technology projects. Recently Yes bank and State Bank of India have set aside certain percentage allocation of funds to implement projects related to clean technologies. Under the project, farmers contribute 50% of the cost and the balance 50% is financed through low interest micro finance loans from the bank. The repayment of the micro finance loan is then structured in a manner by which the income received from carbon credits is used for repayment.

### **Information, awareness and technology selection**

Though number of green technologies is available, all these cannot be implemented each and every where. Depending upon resources available and geographical and climatic

condition, location specific technologies we need to bring in and implemented. In such efforts we may have to critically examine location specific technologies and their feasibility for implementation. To familiarize about the technologies and develop skill there is again need for training and awareness. For this purpose regular training programmes have to be organized through various agencies and create a kind of awareness and develop expertise. This kind of exercise is very much needed for successful implementation of technological applications. Micro financing including lending and repayment rules and its awareness should be the part of such training programmes.

### **Micro finance for technology applications**

Microfinance is defined as provisions of thrift, credit and other financial services and products of very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improve living standard. Microfinance is provided in varying context either to individuals or groups ranging from personal micro credit to small enterprise support and rural finance.

The institution that provide microfinance and credit services are diverse including non-government organizations(NGOs), credit union, non-bank financial intermediaries and commercial banks. Generally, microfinance clients are poor and low income people that do not have access to other formal financial institutions. Microfinance clients are usually self employed or house hold based entrepreneurs.

Their diverse "Micro enterprises include small retail shop, street vending, artisan manufacture and service provision". In rural areas micro entrepreneurs often have small income generating activities such as food processing and trade. However in order to bring rural development on the faster track micro financing is essential to all these clients for technological applications. As referred earlier there are number of technologies available in the country. As the outcome of the efforts made by the R&D institutions in the country

and in order to implement such location specific technologies, support of micro financing from the microfinance institutions is required.

It is very much essential that while giving such support of microfinance to the different clients, the lending policies should be clear to take care of the client interest, so that, the technological application becomes a successful programme. While implementing such programmes both micro financing agencies as well as clientele should utilize the expertise for technological applications through outsourcing agencies.

### **Conclusion and suggestions**

Micro-finance plays an important role in integrating rural development and poverty alleviation. The impact of micro finance on rural development and poverty reduction has been measured in terms of several dimensions such as improved income, employment and household expenditure and reduced vulnerability to economic and social crisis. However, integrated rural development and technology based programmes leading to incoming generating opportunities for rural population can easily be put on fast track by the use of micro financing. the Government of India and the State Government should also provide the support for capacity building initiative and ensure transparency and enhance credibility through disclosures. So the growth of nation depends upon the rural development along with micro finance.

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