

Addressing Rural Poverty through Rural Finance

This course was given by **Prof. Puneetha Palakurthi**, from the Southern New Hampshire University. She clarified key concepts used at the outset, in particular the difference between Rural Finance, which aims at improving the access by rural communities broadly to financial services while Agriculture Finance focuses on such access only in the agricultural sector. Another term Microfinance meant financial services from diverse sources to lower-income households and micro and small enterprises.

One of the major problems in the past agricultural loan programmes stemmed from the lack of land ownership by many small farmers, particularly women, which made it harder to get loan guarantees. Other problems mentioned included: large farmers being the primary target group for available loans; diversion of credit funds; loan repayment indiscipline; crowding out of alternative funding; lack of support for technological expansion; non-farm financial needs not addressed; and unsustainable operation of local financial institutions. In such circumstances, there was a clear role for Rural Finance: to supplement the shortage of formal rural and agricultural credit supply and help promote rural development including agricultural growth.

To design appropriate Rural Finance, it was imperative to first understand the rural market by identifying who the clients were (e.g. small farmers, micro-entrepreneurs) and what their precise needs consisted of. The latter could mean different purposes for required financial transactions, such as: money transfer, mitigation of the risks, infrastructure, transportation. Subsequently, it was important to identify the key challenges and constraints to demand and supply as well as the financial actors and institutions. Clients would generally want quick service, flexible loan, cost effective, choices of financial providers, diversification of products, and not require traditional collateral. The course also outlined the essence of value chain analysis which would be helpful to understand the dynamics of local environment. Such analysis could include such methods as assessment design, mapping interviews, identifying key constraints and solutions, and possible interventions.