IMPACT OF MICRO FINANCING IN RURAL SECTORS

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Abstract
In a country like India, farm financing is a service of the most important and closely related to the continued progress of the country, as the agriculture continues to play the central role. Rural financing is a specialized financial service that serves the poor; derive from the success of some of the micro enterprise credit programmers which is performed mainly by practitioners in developing countries. Rural Finance is being practiced as a tool to attack on the poverty all over the world. During the last decades, substantial work are being done for developing and experimenting the different concepts and approaches to reach financial services of the poor, we should thank mainly for the initiatives of the Non-Governmental Organizations (NGOs) and banks in various parts of the country working for the development of the rural sector.

The banking sector in India plays an important role in expanding rural economy through many programmes. Majority of the world's poor live in the rural areas. So most of them lack access to the range of financial services they can get to meet their needs. Financial services which are available to the rural people are relatively costly or rigid, whether they receive from formal or informal financial providers or traders and agricultural processors who are offering credit input. Micro finance builds mutual trust and confidence between bankers and rural poor to encourage banking in a segment of population where formal financial institutions usually find difficult to reach. The microfinance in India as shown a successful business model to solve number of challenges faced by the financial service sectors to provide services for the low income population. Micro Finance has become an important financial sub-sector in India. Around the world, it has shown to be positively correlated with reducing poverty and improving welfare by allowing the rural people to increase their sources of income. Micro-Finance is emerging as a powerful instrument for poverty alleviation in the new economy.

Key Words: ***Micro Finance, Rural Sector, Financial Services, Poverty Alleviation.***

INTRODUCTION

Micro-Finance is emerging as a powerful instrument for poverty alleviation in the new economy. In India, micro-Finance scene is dominated by Self Help Groups (SHGs) - Banks linkage Programme, aimed at providing a cost effective mechanism for providing financial services to the 'unreached poor'. Based on the philosophy of peer pressure and group savings as collateral substitute, the SHG programme has been successful in not only designing financial products meeting peculiar needs of the rural poor, but also in Strengthening collective self-help capacities of the poor at the local level, leading to their empowerment.

In India, over 65% of the population resides in villages. And approx, 70% of the villagers do not have bank accounts. But Finance is not completely absent. Just the sources of supply are informal like money lenders are said to control one third of all rural loans, and wield considerable strength, given their personal acquaintance with the local population and omnipresent distribution network. A number of banks and finance companies have begun to specialize in offering credit to farmers. Finance in this sector has an added benefit of supporting further work in the regional areas. As banks and financial services continue to extend their services into rural India they are generating employment in the vicinity. Understanding, rural finance is a line of credit specifically intended for the requirements of the agricultural industry. Ranging from mortgage assistance to land development and farming equipment, these credit plans are a significant aspect of rural and semi-urban support.

Microfinance offers a promising institutional structure to provide access to credit to the poor, the scale problem needs to be resolved so that it can reach the vast majority of potential customers who demand access to credit at market rates. To be successful, financial intermediaries that provide services and generate domestic resources must have the capacity to meet high performance standards. They must achieve excellent repayments and provide

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access to clients. And they must build toward operating and financial self-sufficiency and expanding client reach. In order to do so, microfinance institutions need to find ways to cut down on their administrative costs and also to broaden their resource base. Cost reductions can be achieved through simplified and decentralized loan application, approval and collection processes, for instance, through group loans which give borrowers responsibilities for much of the loan application process, allow the loan officers to handle many more clients and hence reduce costs.

One way of expanding the successful operation of microfinance institutions in the informal sector is through strengthened linkages with their formal sector counterparts. A mutually beneficial partnership should be based on comparative strengths of each sector. Informal sector microfinance institutions have comparative advantage in terms of small transaction costs achieved through adaptability and flexibility of operations. They are better equipped to deal with credit assessment of the urban poor and hence to absorb the transaction costs associated with loan processing. On the other hand, formal sector institutions have access to broader resource-base and high leverage through deposit mobilization.

MICRO-FINANCE AND POVERTY ALLEVIATION

Most poor people manage to mobilize resources to develop their enterprises and their dwellings slowly over time. Financial services could enable the poor to leverage their initiative, accelerating the process of building incomes, assets and economic security. However, conventional finance institutions seldom lend down-market to serve the needs of low-income families and women-headed households. They are very often denied access to credit for any purpose, making the discussion of the level of interest rate and other terms of finance irrelevant. Therefore the fundamental problem is not so much of unaffordable terms of loan as the lack of access to credit itself.

The lack of access to credit for the poor is attributable to practical difficulties arising from the discrepancy between the mode of operation followed by financial institutions and the economic characteristics and financing needs of low-income households. For example, Commercial lending institutions require that borrowers have a stable source of income out of which principal and interest can be paid back according to the agreed terms. However, the income of many self-employed households is not stable, regardless of its size. A large number of small loans are needed to serve the poor, but lenders prefer dealing with large loans in small numbers to minimize administration costs. They also look for collateral with a clear title - which many low-income households do not have. In addition bankers tend to consider low income households a bad risk imposing exceedingly high information monitoring costs on operation.

In other words, although microfinance offers a promising institutional structure to provide access to credit to the poor, the scale problem needs to be resolved so that it can reach the vast majority of potential customers who demand access to credit at market rates. To be successful, financial intermediaries that provide services and generate domestic resources must have the capacity to meet high performance standards. They must achieve excellent repayments and provide access to clients. And they must build toward operating and financial self-sufficiency and expanding client reach. In order to do so, microfinance institutions need to find ways to cut down on their administrative costs and also to broaden their resource base. Cost reductions can be achieved through simplified and decentralized loan application, approval and collection processes, for instance, through group loans which give borrowers responsibilities for much of the loan application process, allow the loan officers to handle many more clients and hence reduce costs.

Convenience of location, positive real rate of return, liquidity, and security of savings are essential ingredients of successful savings mobilization. Once microfinance institutions are engaged in deposit taking in order to mobilize household savings, they become financial intermediaries. Consequently, prudential financial regulations become necessary to ensure the solvency and financial soundness of the institution and to protect the depositors. Governments should provide an enabling legal and regulatory framework which encourages the development of a range of institutions and allows them to operate as recognized financial intermediaries subject to simple supervisory and reporting requirements.

One way of expanding the successful operation of microfinance institutions in the informal sector is through strengthened linkages with their formal sector counterparts. A mutually beneficial partnership should be based on comparative strengths of each sector. Informal sector microfinance institutions have comparative advantage in terms of small transaction costs achieved through adaptability and flexibility of operations. They are better equipped to deal with credit assessment of the urban poor and hence to absorb the transaction costs associated with loan processing. On the other hand, formal sector institutions have access to broader resource-base and high leverage through deposit mobilization.

CHANGING SCENARIO OF RURAL CREDIT

Indian rural credit structure is regarded all over the world as quite unique and innovative. It required a careful feasibility study to understand rural structure. Evolved over a period of last eight decades, it can perhaps claim the honour of being a very important constituent of the most complex rural economy in the world. In rural areas the indigenous moneylenders continued to be the banker in need. Since these money-lenders had virtual monopoly in supplying credit in rural areas, the poor were often subjected to exploitation. With the overriding monopoly the money-lenders often resorted to usurious practices--- levying the exorbitant rate of interest, demanding gift/contribution to the temple funds out of the amount of credit, demanding advance interest, etc. Besides, often the money-lenders resorted to unethical practices like taking thumb impression on a blank paper for inserting some arbitrary amount, manipulation of account to inflate the balance due. The poor villager could not escape the clutches of these indigenous bankers as they had to keep on borrowing from them under distress since they were the only source of credit for all type of requirements production and consumption. The conditions of the poor peasantry were perpetually so pathetic that an adage “they are born in debt, they live in debt & die in debt” was the usual description of their plight.

To mitigate the sufferings of the poor farmers the infrastructure of co-operative credit was brought into being in the matter of agricultural finance. The Co-operatives Societies Act of 1904 provided the formation of primary agricultural co-operatives credit societies. Later in 1912, the co-operative movement was extended to formation of non-agricultural co-operative credit societies also.

To this effect nationalization of 14 major Indian commercial banks in July 1969 can be described as a major landmark in the history of Indian financial system and a big leap towards rural banking. With emphasis on lending to priority sector—agriculture, rural artisans and handicrafts, small scale industries, small business and retail trade and other weaker sections of the society— rural banking came to the fore. The step was initiated to utilize effectively the professional skills and acumen developed by the banking system for achieving the basic objective of balanced socio-economic development.

Both the Co-operative and Commercial banks made substantial development in providing credit to agricultural and rural economy. The total share of co-operatives in total borrowing of the rural household grew from 5,204 in July 1964 to 12,065 in Dec 1974. But still it was noticed that two-thirds of the total credit was taken from non-institutional sources. The demand for rural credit was on the increase owing to adoption of modern agriculture, which increasingly required larger amounts of capital both short term & long term.

OBJECTIVES

The study was mainly undertaken for the following objectives

1. To study actual problems faced by rural people in availing credit from the bank.
2. To study the challenges encountered by banks and action taken to overcome such challenges.
3. To study the priority and the special scheme provided by the bank to the rural population.
4. To study awareness of rural people about rural financing.

SCOPE OF THE STUDY

In a country like India, farming finance is a service of utmost important and closely related to the continued progress of the country, as agriculture continues to play the central role. Rural financing is specialized financial services that serve the poor people, financial service is derived from the success of some micro enterprise credit programmers performed mainly by practitioners in developing countries. Rural Finance is being practiced as a tool to attack poverty of the world over. Despite having a wide network of rural bank branches in the country and implementation of many credit linked poverty alleviation programmers, a large number of the very poor continue to remain outside the fold of the formal banking system. Various studies suggested that the existing policies, systems and procedures and the savings and loan products often did not meet the needs of the hardcore and asset less poor. The study highlights the policies, procedures and practices followed by Bank regarding rural finance. Priority given by Bank towards the rural financing for rural areas. Problems faced by rural people in case of credit. Suggestions for improving and educating the rural people regarding rural finance.

RESEARCH METHODOLOGY

The study is Descriptive/quantitative research which includes quantifiable data involving numerical and statistical explanations. It generates numerical data or information that can be converted into numbers. The presentation of data is in the form of numbers and statistics. A closed- ended questionnaire is analyzed using quantitative research. Research produces result on specific issue that is being investigated and uses statistical, mathematical and computational programmes.

1. **Data Collection Techniques:** The data's are collected through primary data and secondary data:-
   Primary data: Data collected through questionnaire, administered to sample of 100 rural business peoples selected from Bangalore rural places. Questionnaire is pre-designed and pre-tested. Out of 130 only 70 responded.
   Secondary data: Through various books, committee reports, References taken from book & reports mentioned in the bibliography at the end of the assign project. Relevant web site related to topic.
2. **Sampling design:** Bangalore rural district is one of the 30 districts in Karnataka. Presently in Bangalore rural district there are 2 Divisions, 4 Talukas, 35 Hoblis(cluster of villages), 1713 in habited and 177 uninhabited villages, 9 towns and 229 Gram Panchayaths. The rural people are mostly agriculturist. The project survey was conducted in Devanalli, Doddaballapura, Hoskote, Nalmangala and Ckickaballapura. The number of 100 respondents was from the selected village for the study to analyze the behavior rural people with reference to micro finance. But the responses that we could collect were limited only to 50 respondents.
3. **Tool of analysis:** Using simple percentage method for statistical interpretation supported by tables and graphs.

LITERATURE OF REVIEW

The literature consulted reflects a combination of academic sources and reports from the agencies and organizations involved in supplying financial services in developing countries. This review also clearly defines the different types of subsidies currently used in agricultural development and proposes "smart"—that is, appropriate—use of subsidies to support viable agricultural development. The emphasis here is largely on agricultural credit, with less attention given to other financial services. Paper focuses on credit primarily for small farmers rather than for large farmers and agribusinesses, which normally have better access to commercial credit sources. It does not delve into the rapidly expanding literature on agricultural value chain finance, which offers a viable alternative for reducing risk and costs in some types of agricultural finance while increasing access to funding for some smallholders who may otherwise not be reached unless there are subsidies or directives for financing them. The paper is intended for decision makers in developing countries as well as staff in international agencies, financial institutions, nongovernmental organizations (NGOs), and other organizations who make decisions about programs and policies affecting financial services, especially credit, for poor farm and nonfarm households in rural areas.

Karmakar (2008) analysed the studies conducted by various experts have shown that the self-help groups have indeed helped in the social and economic empowerment of rural women at the same time delivering crucial financial services. Self Help Groups has expanded as the largest micro finance programme in the world in terms of its outreach and has extended banking service to people hitherto not served by the banking systems.

Anjanikumar et al (2007) analysed the performance of rural credit and factors affecting the choice of credit sources. The study was based on the Debt and Investment Survey of NSSO, conducted in 48th round and 59th round. They found that performance of rural credit delivery has improved since the indicator of dependence of non-institutional sources of finance showed considerable reduction.

Zohir and Matin (2004) state that the interaction within MFI groups can create co-operation and trust that not only facilitates the microfinance activities, but also contributes benefits beyond the service provided, such as a greater sense of community, trust and reliance on the group in times of crisis. These networks can lay the foundations for other social capital developments in the community. They state that examples of cultural impacts of social intermediation that affect the greater community could be a change in attitude of society towards the acceptable age of women's marriage, domestic violence, dowry, etc.

DATA COLLECTION

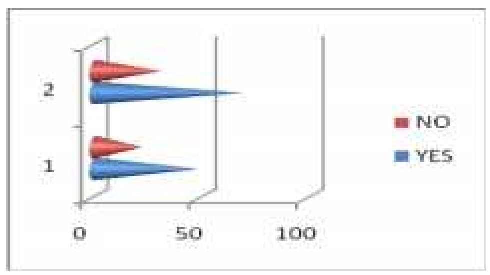
Primary data are collected through close- ended questionnaire. The questionnaire was filled by village respondents who perform mainly rural business. The sample design was for 135 respondents, but only 70 respondents responded. The data or the questionnaire was filled according to respondent's perception.

DATA ANALYSIS AND INTERPRETATION

The data collected are analysed through numerical and statistical methods (i.e., percentage), and the results analysed by using tables and graphs.

1 Table showing the percentage of respondents having bank account:

Particulars	No of respondents	% of respondents
YES	48	69
NO	22	31
TOTAL	70	100

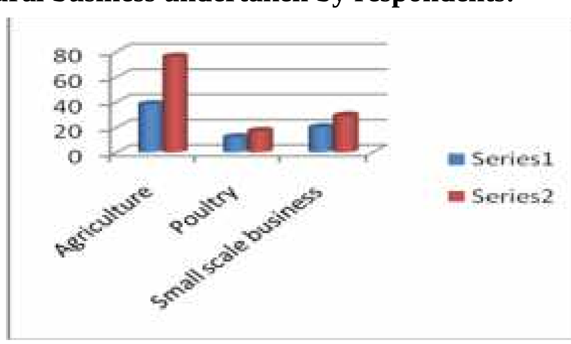


From the graph we notice that from fifty respondents' thirty-two respondents have their bank accounts and from remaining eighteen respondents some respondents are yet to apply for bank accounts, some of them do not have sufficient/required proofs or documents. According to various study it is said that, the main reason for rural people do not have their bank accounts is:

a) They do not trust the bank c) Withdrawal fees are probably expensive b) Service is unreliable d) Bankruptcy So, 64% of respondents have their bank A/C's and 36% of respondents do not have their bank A/C's..

2.Table showing different kind of rural business undertaken by respondents:

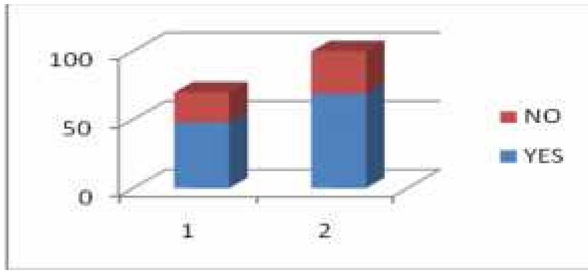
Particulars	No of respondents	% of respondents
Agriculture	38	76
Poultry	12	17
Small scale business	20	29
Total	70	100



From total respondents we found that the entire number of respondents was rural business people by table and graph we can conclude that. From the total of fifty respondents 50% (25) were farmers, 20% (10) were under poultry business, 30 %(15) were under small scale business (include hotels, shops, textiles etc..,). So by this we conclude that respondents (i.e., 50%) are still more focused through agriculture field. Less number of respondents (i.e., 20) is focused on poultry business. It may be because of increase in bacterial infection on animals or disease which attacked on animals.

3. Table showing respondents who has/has not taken loan

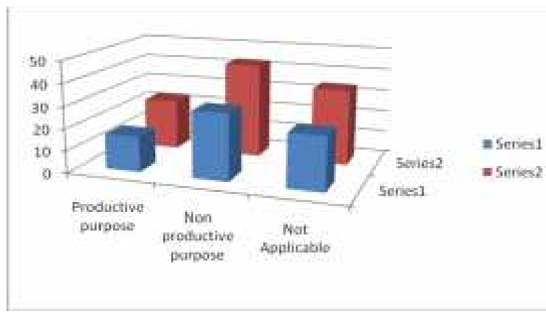
Particulars	No of respondents	% of respondents
YES	48	69
NO	22	31
Total	70	100



The above chart shows the how many respondents have taken loan from bank or else were. The chat and table shows that 66% (33) of respondents has taken loan from bank or elsewhere, Were as, 34% (17) of respondents has not taken loan from bank or else were It is understood that 34% (17) of respondents has not taken loan from anywhere (it is assumed that they are from the upper-class where they don't have any necessity to take loan from bank or any were).

4.Table showing purpose of loan taken:

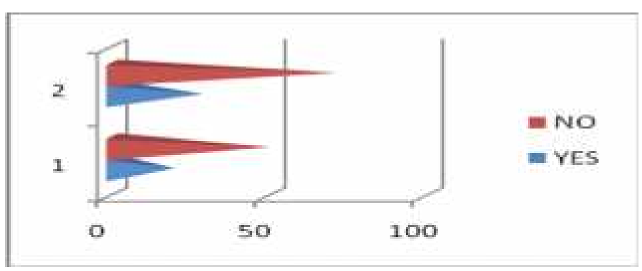
Particulars	No of respondents	% of respondents
Productive purpose	16	23
Non-productive purpose	30	43
Not Applicable	24	34
Total	70	100



The above graph shows the purpose of loan utilized by respondents. So by the graph, results that 46% (23) respondents utilized the loan amount in nonproductive purpose (i.e., includes seed shop, spare particles, mini buses, stoves, cylinders, etc) And 20% (10) of respondents utilized the loan amount in productive purpose (i.e., includes purchase agriculture products like, (seeds, diesel/mobile oil) and agro- chemicals, purchase of tractors, harvest combines and far, machinery). And the remaining 34% (17) of respondents are not applicable; those are respondents who have not taken loans from banks nor from any were else.

5.Table showing does respondents face problems in availing loan from banks

Particulars	No of respondents	% of respondents
Yes	20	29
No	50	71
Total	70	100



Above chart showing how many respondents face problems in availing loans from bank. Here it should be noted that 18 (36%) of respondent who does not have any bank account and those who has not taken loan from bank have given their assumption views to this question. The graph shows that out of 50 (100%) of respondents only 13 (26%) of respondents face problems in availing loans from banks. And remaining 37(74%) of respondents does not face any problems in availing loan from banks.

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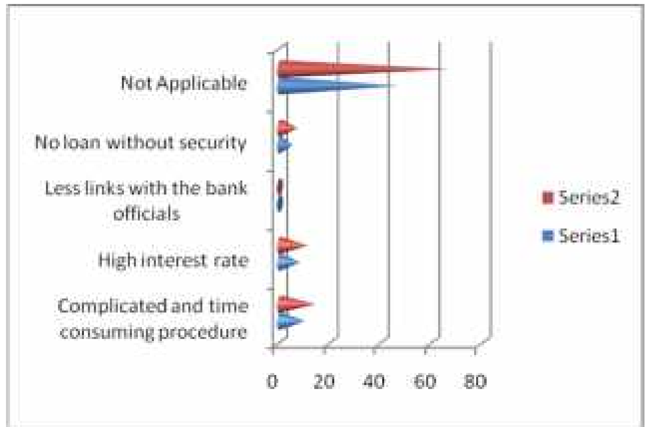
6. Table showing problems faced by respondents in availing loans from banks

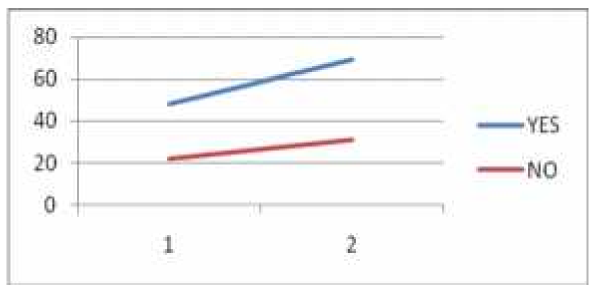
particulars	No of respondents	% of respondents
Complicated and time consuming procedure	10	14
High interest rate	8	11
Less links with the bank officials	0	0
No loan without security	5	7
Not Applicable	47	67
Total	70	100



The above graph shows what problems are faced by respondents in availing loans. From the table and graph we can say that 18% (i.e., 9) of respondents face problem because of complicated and time consuming procedure. 6% (i.e., 3) of respondents face problem because of no loan without surety or security. Only 2% (i.e., 1) of respondents face problem because of high interest rate. And none of the respondents has any problem because of fewer links with bank officials. And remaining 37(74%) of respondents does not face any problems in availing loan from banks.

7. Table showing respondents having knowledge about rural financing

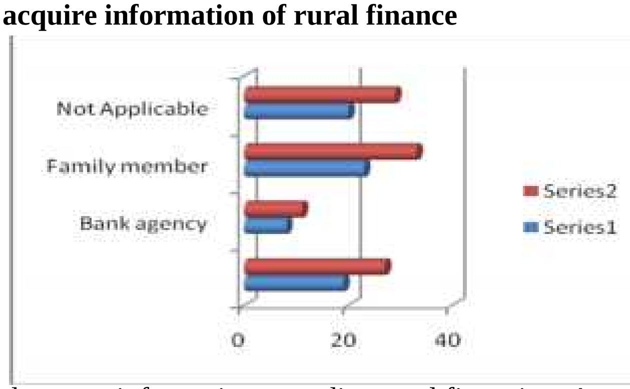
Particulars	No of respondents	% of respondents
Yes	48	69
No	22	31
Total	70	100



It's very much important to know whether rural people have knowledge about rural/micro finance. Hence, above chart and table shows respondents' knowledge regarding rural financing. Out of 50 respondents. It's noted that 62% (i.e., 31) of respondents have knowledge regarding rural financing. And 38% (i.e., 19) of respondents have no information regarding rural financing. So by the above chart and table we can interpret that maximum number of respondents (62%) are aware of rural finance.

8. Table showing how the respondents acquire information of rural finance

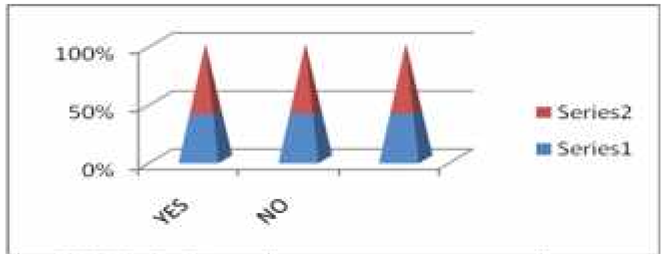
Particulars	No of respondents	% of respondents
Government call centers/SHG'S/Stree shakthi programmes	19	27
Bank agency	8	11
Family member	23	33
Not Applicable	20	29
Total	70	100



Above graph shows different modes through which respondents get information regarding rural financing. Among 31 respondents, 13 (26%) of respondents got to know about rural finance through government call centers/SHG'S/Stree shakthi programmes. 6 (12%) of respondents through bank agency. 12 (24%) of respondents through family members Remaining 38% (19) of respondents are not applicable since they don't have any information regarding rural/micro finance.

9. Table showing satisfaction of respondents towards banks service

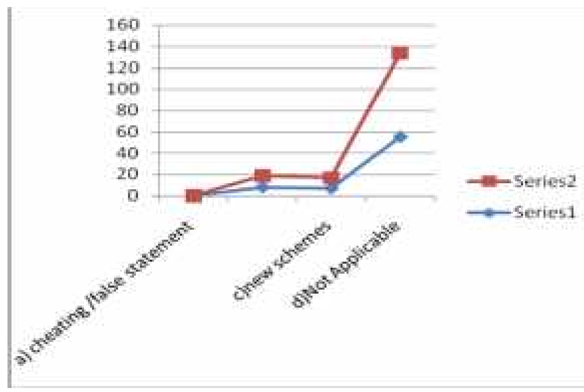
Particulars	No of respondents	% of respondents
Yes	34	49
No	12	17
Not Applicable	24	34
Total	70	100



Above chart showing whether respondents are satisfied with their bank services Among 50 respondents, 24 (48%) of respondents are satisfied with their bank services. Were as remaining 8 (16%) of respondents are not satisfied with their bank services. And the remaining respondents are not applicable, since these respondents do not have their bank accounts.

10. Table showing the main reason for respondent's disappointment

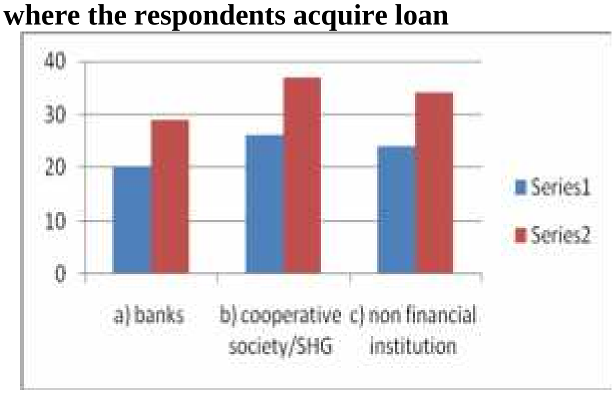
Particulars	No of respondents	% of respondents
Cheating /false statement	0	0
Too much rules and restrictions to be allowed	8	11
New schemes	7	10
Not Applicable	55	79
Total	70	100



Above table shows the main reasons for respondent's disappointment. Among 8 respondents, 5 (10%) of respondents are disappointed because of rules and restrictions which has to be followed strictly. And 3 (6%) of respondents are disappointed because, introduction of new schemes. Among 8 respondents none of them are cheated by fake statements. Remaining 84% (42) of respondents are not applicable since they don't have any complaints against their respective banks. This shows that still some rural people face problem with their respective banks

11. Table showing different modes from where the respondents acquire loan

particulars	No of respondents	% of respondents
Banks	20	29
Cooperative society/SHG	26	37
Non-financial institution	24	34
Total	70	100



Above chart and table shows different modes the respondents acquire loan. Among 50 respondents, 19 (38%) of respondents acquire loan from cooperative society or self-help groups.17 (34%) of respondents acquire loan from non-financial institutions (includes commission agents, landlords, relatives & friends, village shopkeepers etc.). And 14 (28%) of respondents acquire loan from banks. This shows that even today people depend upon non-financial institution for acquiring loans.

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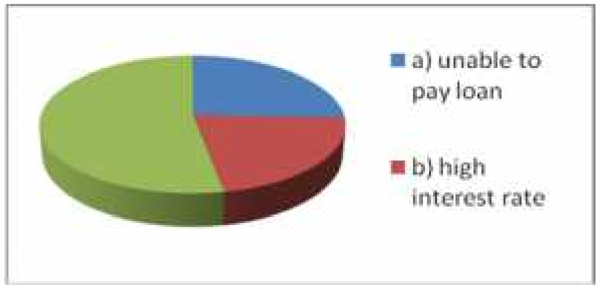
12. Table showing main reason for farmers committing suicide according respondents

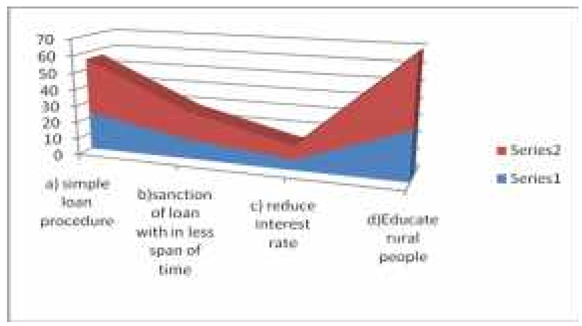
Particular	No of respondents	% No respondents
Unable to pay loan	18	26
High interest rate	15	21
Monsoons/Natural calamities	37	53
Total	70	100



Above graph shows main reason for farmers committing suicide according respondents. Table and graph shows that among 50 respondents. Among 50 respondents, 26 (52%) of respondents say that main reason is due to monsoon/ natural calamities.13 (26%) of respondents view was due to high loan amount which farmers cannot repay back. 11 (22%) of respondents say that due to high interest rate. so it is would be good if any respective authority educate rural people about precautionary measure about nature/monsoon calamities.

13. Table showing suggestions for the banks in improving micro financing suggested by respondents

Particulars	No of respondents	% of respondents
Simple loan procedure	23	33
Sanction of loan with in less span of time	12	17
Reduce interest rate	6	8
Educate rural people	29	41
Total	70	100



Above graph shows the suggestion given by the respondents to improve banks service towards micro or rural financing. Among 50 respondents, 18 (36%) of respondents suggest government to educate rural people about rural finance. 17 (34%) of respondents suggest bank to make simple loan procedures. 10 (20%) of respondents suggest bank to sanction loan within less span of time. And remaining 5 (10%) of respondents suggest to reduce the interest. Hence maximum of respondents suggest educating rural people so that it can reduce number of non-financial institution.

FINDINGS

Problems Faced by Rural People

From the survey report it was found that major problems faced by rural people are Complicated and time consuming procedure, High interest rate and No loans without security.

Knowledge about Rural/Micro Finance among Rural People

According to the report it was found that in 50 respondents 31(62%) of respondents are aware of rural/micro finance. Respondents are aware of micro finance through Government call centers/SHG'S/Stree shakthi programmes (26%), Bank agency (12%), Family member (24%). And remaining 38% of respondents have no information about micro finance**.**

Different Modes to Acquire Loan

According to the report it was found that in 50 respondents, 19 respondents acquire loan from cooperative society and self-help groups. And 17 respondents acquire loan from non-financial institutions (includes commission agents, landlords, relatives & friends, village shopkeepers etc.) And among 50 only 14 respondents acquire loan from banks. This results that maximum number of respondents acquire loan through self-help groups, the reason behind this is most of the respondents were from female category. And maximum of them are member of street shakthi association which is related to this self-help groups. These SSA provides loan without any surety, which repayable with favorable installments. And apart from that 17 respondents acquire loan from non-financial institutions (includes commission agents, landlords, relatives & friends, village shopkeepers etc.) It is because either they don't have any security against the loan or they are not member of SSA So by this we can conclude that SHG's and SSA are improving their interest towards rural areas.

Satisfaction of Respondents towards Banks Services

According to the report it is found that among 50 respondents, 24 respondents are satisfied with their bank services provided. And from remaining 26 respondents, 8 are not satisfied with bank services and the balance of 18 respondents do not have their bank accounts. Main reason of unsatisfied bank customers was too much of rules and restriction and introduction of new schemes.

According to the report it was found that the main reason for farmers committing suicide was mainly because of monsoon/ natural calamities.

SUGGESTIONS

As per the above evaluation of the major problems and issues relating to the rural financial system I can submit the following observations & recommendations,

- Banks should educate and inform their customer about various schemes and available loans for rural areas.
- Banks while providing various loan facility, it should reduce or limit the rules and regulations to some extent. So much of rules and restrictions may confuse rural people.
- Farmers mainly face problems because of monsoon and natural calamite, so it would be good if relevant authority educate rural people about precautionary measure which should be followed during such difficult time.
- Interest rates must be different for different categories. First it should be concessional rate exclusively for small and marginal farmers at 1.5% to 11.5% & Secondly, there should be a higher rate of interest applicable to the rest of the agricultural borrowers upper limit for it is15.5% .
- Agricultural and Rural Infrastructure Development Corporation should be setup in these rural areas which will concentrate on building up necessary backward and forward linkages and supporting services as well as formulate location specific schemes for accelerating the transformation of agriculture and to arrange for funding of the schemes.
- In present scenario each village is allotted to a commercial bank branch under the Service Area approach. Each block should be allotted to a bank which has the largest presence in the block through its branches. This will reduce the cost of supervision, improve quality of monitoring and be beneficial to the customers.
- The government should give high level of subsidies than at the present level to the rural women, as they have a lot of limiting factors in running the business when compared to their counterparts in urban areas.
- The Co-operative Banks and Regional Rural Banks should develop their branches in most backward areas. It should be useful to the poor rural women in getting more credit facilities.
- The government and NGOs should give training programmes and advertisements to SHGs and micro-finances. It should be useful to SHG members in knowing the micro finance facilities.
- The government and NGOs should motivate the rural women to form lot of SHGs which would guide them to start different type of petty business.
- The NABARD should stand as a guarantor to all the loans given to the SHG members. The financial institutions should not insist in any collateral securities from SHG members.

To Improve Rural Finance Bank can Work upon following Policy

- The simple but comprehensive record book should be issued to every farmer containing information on land records and institutional transactions. This record book should be made a valid document for presentation to banks and other institutions for availing the necessary services.
- Computerization of land records by the state government will facilitate institutional lending's.
- Application form should be made simple and in the local language.

- All banks should fix one day in a week to deal with and help the farmers in filling up of the application form and completing the formalities.
- To minimize the time gap between date of applying for loan and its disbursement, proper maintenance of records with respect to receipt of applications and disbursement of loan should be made mandatory.

CONCLUSION

Agriculture and its associated activities are found constituting the economic base and the main source of livelihood and employment for the people in the state. However, unprecedented growth of population on one hand and decreasing rate of available agriculture land along with degradation of supporting natural resources as required for sustaining crop productivity on the other have been seriously forcing the problems of sustaining livelihood for farming communities. It is becoming difficult to do the farming activity without external or internal sources. Microfinance is one of those small ideas that turn out to have enormous implications. Microfinance is considered to be a valuable tool for the alleviation of poverty around the globe. In order for microfinance to realize its full potential, however, it must be sustainable and capable of expansion beyond the limitations imposed by a reliance on development assistance. Both developing and developed nations are key actors in this regard.

In this context the significance of extending non-farm sector becomes only alternative but it also required finance assistance for its development. Means a lot of hard work & government awareness is required to flow the finance assistance in Rural Economy. But various schemes which are provided by the various banks & government should be specific in its eligibility criteria to stop the misuse of these funds by large farmers and to ensure that the credit reaches the farmers who are in need of finance.

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