

## A Study on Rural Sustainable Development through Micro Finance Services

**Dr. Pratap Bapuso Lad**

Assistant Professor, Department of Economics,

Krantiagrani Dr. G. D. Bapu Lad Mahavidyalay, Kundal, Tal: Palus Dist: Sangli

Email: [prataplad66@gmail.com](mailto:prataplad66@gmail.com)

### Abstract

Microfinance is considered as an important contribution to improve the standard of living of poor people to eradicate poverty in rural areas. Microfinance is the need of the hour with a focus on rural areas to enhance their infrastructure and improve the economic conditions of the poor. Efforts should be made to improve the economic conditions of women in rural areas by participating in self-help groups and providing microfinance. For the overall development of the rural areas, it is the need of the time to try to bring the economically disadvantaged groups into the stream of economic development through micro finance initially and to provide them with an ideal finance supply at low interest rate for the future by taking incentive programs to set up small enterprises.

**Key words:** Rural Development, Micro Finance, income, expenditure, SHGs, poor, poverty, Improvement, saving, interest etc.

### Introduction:

A key service provided by MFIs is to increase access to micro-scale funding for MSMEs. This is beneficial for people who do not have access to a bank account or who do not have collateral. Both of them can access financing through MFIs to continue their business and increase community productivity. Lack of money leads to lack of food and water, lack of sanitary living conditions, and malnutrition and sickness, people do not work, and this leads to lack of money. Microfinance aims to break this cycle by making more money available. Availability of funds means that basic needs are met. RFIs in India form a robust multi-agency system comprising Rural Co-operative Banks, Regional Rural Banks, Scheduled Commercial Banks, Small Finance Banks, Non-Banking Financial Companies-Micro-finance Institutions and Local Sector Banks. Many micro-entrepreneurs have been created in rural areas of the country as microfinance institutions provide loans to rural poor women on easy terms. Due to this, many poor people in rural areas have also got employment along with self-employment. Financial inclusion enables poor people to finance their activities, save, support their families and protect themselves from the risks of everyday life. Their distribution in the market is ensured by various financial institutions: microfinance institutions, cooperatives, micro insurance providers, banks etc.

### Problems of the Study:

Micro-finance companies provide small loans to people who do not have access to banking facilities. MFIs promote financial inclusion that helps poor and low-income households rise out of poverty, increase their income levels and improve overall living standards. Microfinance serves as a cornerstone for financial inclusion and grassroots development in India. By providing loans and financial services to marginalized sections of society, it has contributed to poverty alleviation, women empowerment and rural development.

### Objectives of the Study:

The main objective of this research is to develop rural areas through micro finance services and some specific objectives have been given by the researchers in relation to rural development as follows.

1. To study sustainable development of rural areas.
2. To study micro finance services and rural development.
3. To study rural factors affecting microfinance service recruitment.

### Significance of the Study:

Microfinance is a financial strategy to provide small loans, savings and insurance services to individuals in underserved communities. It empowers entrepreneurs, promotes financial inclusion and

breaks the cycle of poverty by offering accessible and tailored financial solutions. Many rural individuals depend on informal sources of credit, such as moneylenders, due to limited access to formal banking channels. This often leads to exploitative lending practices and high-interest rates.

### **Scope of the Study:**

Microfinance is considered to be one of the most important contributors to poverty alleviation in rural areas and uplifting the standard of living of the poor. If the focus is on rural development, it requires credit enhancement in infrastructure, micro credit movement for poor people and especially poor women. Undeniably, the microfinance movement is critical to the development agenda. In a country like Bangladesh, where there are as many as 20 million micro-lenders, the success of this movement has shown that microfinance can lift millions out of poverty.

### **Limitation of the Study:**

Microfinance institutions work with clients who do not have access to traditional banks. A microfinance institution, like a bank, is a credit provider. However, the size of the loan is smaller than that offered by conventional banks. These small loans are known as microcredit. Commercial banks include public sector banks private sector banks, foreign banks and microfinance banks. Co-operative banks include urban and rural co-operative banks. Union Bank of India is a leading public sector bank in India.

### **Period of the Study:**

The researchers have conducted the said research on the basis of information from 2021-2022 with the view of sustainable rural areas and comprehensive study of economic conditions of rural people. The role of banks and credit institutions providing micro finance services is important in the development of rural areas.

### **Research Methodology:**

It is the need of the hour to make efforts to bring the rural people into the stream of economic development and improve their standard of living by meeting their economic needs. For this, the researchers have reviewed the banks and credit institutions in the rural areas and have studied the need for loans at low interest rate to the people in the rural areas on the basis of secondary resources. Research papers, articles, newspapers, serial books, reference books, books, annual reports, etc. have been used in detail in this.

### **Research Method:**

In the sustainable development of rural areas, the role of banks and credit institutions that provide microfinance services is important, and efforts must be made to promote the establishment of small enterprises by providing loans to the poor, disadvantaged and women at low interest rates. The said research has been done through descriptive analysis method and the researcher has made a detailed study of micro finance services and sustainable development of rural areas through various secondary sources.

### **Results and Discussion:**

Financial institutions provide credit to individuals and businesses through loans and lines of credit. They assess the creditworthiness of borrowers, determine interest rates and provide financial assistance for various needs such as personal loans, mortgages, business loans and working capital. Financial inclusion means delivering useful and affordable financial products and services to individuals and businesses that meet their needs transactions, payments, savings, credit and insurance in a responsible and sustainable way. The objective of microfinance is similar to that of microcredit; its mission is to provide financial services to encourage entrepreneurs in poor nations to act on their ideas and access the financial tools available to do so and eventually become self-sustainable.

### **Micro Finance and Development:**

One limitation is the challenge of balancing outreach and financial sustainability, which many NGOs in microfinance face. Another constraint is inadequate flow of funds and non-availability of credit and working capital, which hinder the expansion of microenterprise business development. Rural banking means providing banking services to people living in rural areas. Sectors Rural banking has become an integral part of Indian financial markets. A majority of the Indian population still lives in rural or semi-

urban areas. Rural credit is any type of loan or financial assistance taken by people living in rural areas for setting up agriculture or small businesses.

### **Cost of Capital and Business:**

Microfinance allows people to secure reasonable small business loans, consistent with ethical lending practices. Like traditional lenders, micro financiers charge interest on loans and set specific repayment plans. When we use the local prime interest rate as the opportunity cost of capital, only one-third of firms are financially profitable. Original, underlying data provided by Microfinance Information Exchange. Many micro-entrepreneurs have been created in rural areas of the country as microfinance institutions provide loans to rural poor women on easy terms. Due to this, many poor people in rural areas have also got employment along with self-employment.

### **Poverty and Finance:**

Microfinance works to support the economically weaker section of society in India. Microfinance contributes to rural development through various factors such as providing loans to the disadvantaged sections of the society, providing them with financial services through banks, alleviating their poverty and empowering women. Rural Bank is an Indian bank that pioneered the microfinance movement. Since its inception, the bank has worked with underserved communities across the country by providing home and community services. It also offers no collateral loans to customers.

### **Financial Resources:**

Lack of financial resources not only affects productivity but also affects the quality of agricultural production. Farmers in some developing countries do not have adequate funds to invest in better technology, machinery and equipment leading to poor quality agricultural production. Rural finance is here referred to as the provision of financial services through formal, semi-formal and informal institutions to the rural agricultural and non-agricultural population at all income levels.

### **Microfinance and Small Entrepreneurs:**

Microfinance is the delivery of small amounts of financial services mainly loans but increasingly savings and insurance to entrepreneurs who do not typically have access to mainstream or traditional financial services. Its mission is to provide financial services to encourage entrepreneurs in poor nations to act on their ideas and access the financial tools available to do so and eventually become self-sustainable.

### **Financial Services:**

Microfinance refers to financial services provided to low-income individuals or groups that are generally excluded from traditional banking. Most microfinance institutions focus on offering credit in the form of small working capital loans, sometimes called microloans or microcredit. Microfinance includes microcredit, the provision of small loans to poor consumers; savings and checking accounts; micro insurance; and payment systems, among other services.

### **Micro Enterprises:**

Microfinance caters to the financial services needs of the poor and micro enterprises and is generally a collateral-free short-term facility while commercial banks generally deal with corporate clients, SMEs and individuals with large income levels and extend financing facilities based mainly on collateral. They aim to offer banking services to low-income individuals and groups and receive funding from established financial institutions to support the underprivileged. As a result, these institutions have become powerful tools in the fight against poverty in India.

### **Conclusion:**

A microloan provides a lump sum that the borrower repays with interest through regular payments over a period of time; the main difference is that the loan amount is usually smaller. Microloans are often repaid over three to six years, although the term can vary depending on the lender. Microfinance is a non-profit organization that provides financial assistance to low-income people. Examples of these services are micro-loans, micro-savings and micro-insurance. Microfinance in India is a financial institution that provides small loans to individuals who do not have access to traditional banking services. Microfinance is a banking service provided to low-income individuals or groups who otherwise do not have access to

financial services. Microfinance allows people to secure reasonable small business loans, consistent with ethical lending practices.

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