The International Journal of Leadership and Innovative Management (IJLIM)
e-ISSN: 3064-7207 Vol.3 Issue 2 | 2026

Contribution of Rural Financial Services and Microfinance to Agricultural Productivity and Poverty Reduction

Dr. Nand Lal Sahu
Assistant Professor, Department of Commerce,
Naveen Government College, Akaltari, Bilaspur, C.G.

Badri Prasad Sahu
Lecturer, Department of Commerce

Abstract: Access to rural financial services has the potential to make a difference in agricultural productivity, food security, and poverty reduction. However, an efficient, sustainable and widely accessible rural financial system remains a stumbling block as a major development challenge in most of the developing countries. This paper assesses the structure of the rural financial services and the role of financial institutions from the viewpoint of their success in improving the rural population's livelihoods in India, with emphasis on Chhattisgarh is a state within the country of India in the midwestern part of the country. The aim is to highlight some key issues that could be drawn to the attention of the Finnish development cooperation authority for possible action and consideration. The paper also highlights the contributions of microcredit and cooperatives to help people come out of the deeply rooted poverty trap and their significant contribution to agricultural productivity.

Keywords: Rural Financial Services, Microfinance, co-operatives, Agricultural Productivity, Poverty, India, Chhattisgarh.

Introduction

Rural financial services are about providing financial services- secure savings, credit, financial transactions, money transfer services for remittance and insurance-in rural areas. The ability of rural households to make long-term investments to ensure time-patterned income flow is shaped by an economy's financial services. Despite the rapid development of financial services, a majority of smallholders around the world, especially in third-world countries, remain without access to the financial services that they need to improve their livelihoods. Despite the significant demand for financial services in rural areas, institutions offering financial services-such as banks, credit unions, cooperatives, Microfinance Institutions (MFIs) or insurance companies-are typically reluctant to serve in rural areas due to the precarious nature of agricultural production. As a result, the majority of the developing world's resource-scarce poor households are bereft of financial access to the formal financial system. Tapped with this lack of access, households, farmers, as well as small rural entrepreneurs rely on costly sources of accessing financial services, especially through informal sources. Most loans from informal sources, especially from money lenders, are too expensive to be profitable, and debt can lead to permanent dependency of borrowers on money lenders and thereby entangle them in the vicious cycle of poverty.

Thus, the overall financial sector development can be viewed as an important catalyst for economic growth and development for three reasons (Inter-American Development Bank, 2001). First, financial sector development helps accelerate economic growth through efficient intermediation and risk management. Countries with developed financial markets with greater financial depth have higher economic growth than countries with less developed financial markets. Second, the lack of adequate financial services hinders the formation of new enterprises and the modernisation of existing ones. Third, improved financial intermediation could directly reduce vulnerability and alleviate poverty. Microfinance as a tool of rural financial services has a clear impact on poverty by positively affecting the household economic development, ensuring Income Generating Activities (IGA), sources of income, reducing vulnerability, housing tenure, and enterprise growth.

Rural financial market for growth and poverty alleviation

The rural financial market facilitates economic growth and rural poverty reduction through smooth financial intermediation. Financial intermediaries help to mobilise funds, channel them from surplus units to deficit units, create money, and smooth the payment system. The efficient provision of loans, deposits, payments, and insurance services encourages rural entrepreneurship and helps the rural economy to grow (World Bank, 2003). The presence of financial services helps the rural economy to grow and reduce poverty. Access to working capital can substantially accelerate the adoption of modern agricultural technologies and production, thereby improving the ability of the rural sector to meet the subsistence needs of the poor. It also helps to produce the surplus in primary and intermediary products required for urban consumption, export, and to avoid environmental degradation (World Bank, 2003).

Characteristics of the Rural Financial market and constraints:

Many impediments prevent rural households from accessing financial services. In general, both the users and providers of financial services face some common obstacles in getting and providing financial services, such as:

1. High transaction costs: This is due to the underdevelopment of rural infrastructure, inadequate communication and information technology and the remoteness of the local areas. Moreover, small average loans and small savings further compound this problem of higher transaction costs.

2. Higher risks: Credit risk in rural areas is higher since the incomes of the rural households depend on the seasonality of agriculture, which is susceptible to natural disasters (such as floods, droughts, plant diseases, and fluctuating weather). The covariant risk (in prices and yields) is high in the agricultural sector. Rural households mostly depend on one or two sources of income, thereby increasing the risks of financial intermediation. Many households either entirely lack collateral or do not have the legal title to land.

3. Social Factors: In most developing countries, the illiteracy rate is higher, especially in rural areas. Poorly educated households find it increasingly difficult to assess the credit risk and profitability of loans and savings. On the other hand, financial institutions willing to work in rural areas may lack motivated and trained staff to work in rural areas. This leads to poor institutional capacity among rural financial institutions, especially in developing countries.

Country-level constraints inhibiting the rural financial market include:

a) unsound macroeconomic management

b) restrictive agricultural or financial policies (particularly interest rate controls)

c) insufficient institutional capacity within rural financial institutions to achieve high levels of outreach in a sustainable manner

d) underdeveloped legal systems, particularly with respect to marketable property

e) inadequate regulation and supervision of financial intermediaries

f) Poor governance, corruption and other political factors.

According to the World Bank (2003), the most common factors inhibiting the rural financial markets include:

- Weak institutional capacity of Rural Microfinance Institutions (MFIs) due to poor governance and operating systems, and low skills of management staff;
- Low business and financial skills of potential clients, especially in Latin American and Caribbean Countries;
- Policy constraints on financial and agricultural markets that limit the profitability of both RFMIs and their clients (especially in Africa, South Asia, and the East Asia and Pacific Regions);
- Inadequate physical and financial infrastructure to penetrate rural areas (especially in Africa);
- Dominance of state-owned banks operating on non-commercial principles (especially in the East Asia and Pacific and the Middle East and North Africa Regions).

India

Structure of Rural Finance

In India, formal financial institutions like government and private commercial banks, State-owned agricultural or rural development banks (for example, BRDP in India), savings and loan cooperatives, microfinance banks, leasing, housing and consumer finance companies can offer a wide range of financial products. In between stand financial nongovernmental organisations (NGOs), self-help groups, small cooperatives and credit unions. Formal services such as microfinance cannot replace loans from friends, relatives, and moneylenders, but they do complement them and enable the liquidity-constrained rural population to access a wider range of financial services. Microfinance emerged as a noble substitute for informal credit and is considered to be a powerful instrument for poverty alleviation among people who are economically active but financially constrained (Murdoch and Haley, 2002).

Microfinance (MF) has become a buzzword among development practitioners. The term' microfinance' means providing very poor families with very small loans (microcredit) to help them engage in productive activities or develop their tiny businesses (The Microfinance Gateway, 2008). According to the Consultative Group to Assist the Poor (CGAP), microfinance is the supply of loans, savings and other basic financial services to the poor, including working capital loans, consumer credit, pensions, insurance and money transfer services. Similarly, Hossain (2002) defines MF as the practice of offering small, collateral-free loans to members of cooperatives who otherwise would not have access to the capital necessary to begin small businesses or other income-generating activities. The term 'microfinance' is often used in a much narrower sense, referring principally to microcredit delivered through NGOs for tiny informal businesses of micro-entrepreneurs (Christen et al., 2003). The term microfinance institution now refers to a wide range of organisations dedicated to providing these services, like NGOs, credit unions, cooperatives, private commercial banks, parts of the state-owned banks, and non-bank financial institutions.

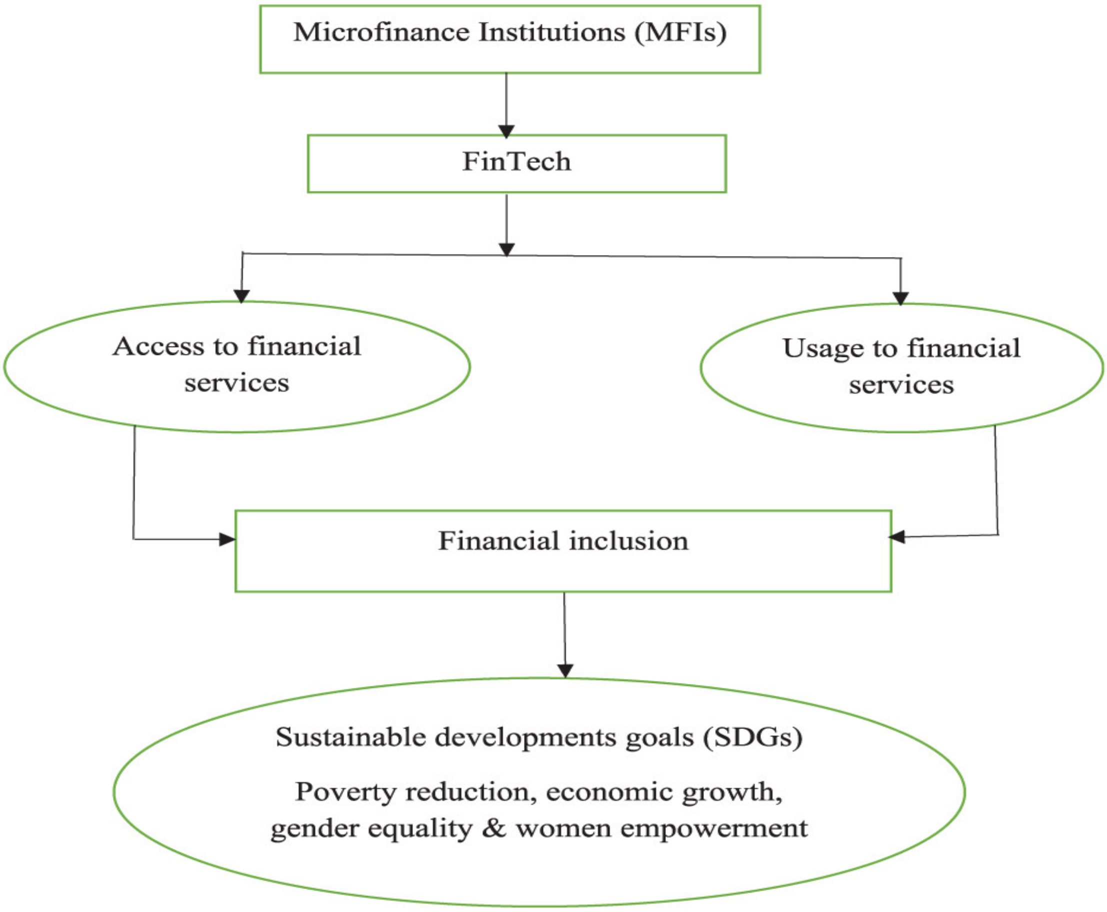

Figure 1: The conceptual framework proposes that Financial Technology (FinTech)

The conceptual framework proposes that Financial Technology (FinTech) serves as an important mechanism through which Microfinance Institutions (MFIs) enhance financial inclusion and contribute to the achievement of the Sustainable Development Goals (SDGs). MFIs have traditionally played a significant role in providing financial services such as microcredit, savings, insurance, and remittance facilities to low-income households and financially excluded populations. However, the rapid advancement of digital technologies has transformed the delivery of these services, enabling MFIs to adopt FinTech solutions including mobile banking, digital payments, online lending platforms, electronic Know Your Customer (e-KYC), biometric authentication, and mobile wallets. According to the World Bank (2022), digital financial services significantly reduce transaction costs, expand outreach to underserved populations, and improve the efficiency and accessibility of financial services. Similarly, Demirgüç-Kunt et al. (2022), in the Global Findex Database, reported that digital financial technologies have substantially increased account ownership and the use of formal financial services, particularly in developing economies.

The framework suggests that FinTech positively influences two critical dimensions of financial inclusion: access to financial services and usage of financial services. Access refers to the availability and affordability of formal financial products, while usage reflects the frequency and effectiveness with which individuals utilise these services. Sarma (2008) emphasised that both dimensions are essential for measuring financial inclusion, as mere availability of services does not ensure meaningful participation in the financial system. Likewise, Park and Mercado (2018) argued that financial inclusion should encompass not only access but also the active and sustainable use of financial products and services.

Overall, the conceptual framework suggests that FinTech acts as an enabling and facilitating mechanism through which Microfinance Institutions improve both access to and usage of financial services. These two dimensions jointly strengthen financial inclusion, which subsequently contributes to sustainable development outcomes such as poverty reduction, inclusive economic growth, gender equality, and women's empowerment. Thus, the framework provides a comprehensive theoretical foundation for examining the role of FinTech-enabled microfinance in promoting inclusive and sustainable socio-economic development.

The conceptual framework illustrates the determinants of Small and Medium-sized Enterprises' (SMEs') access to finance.

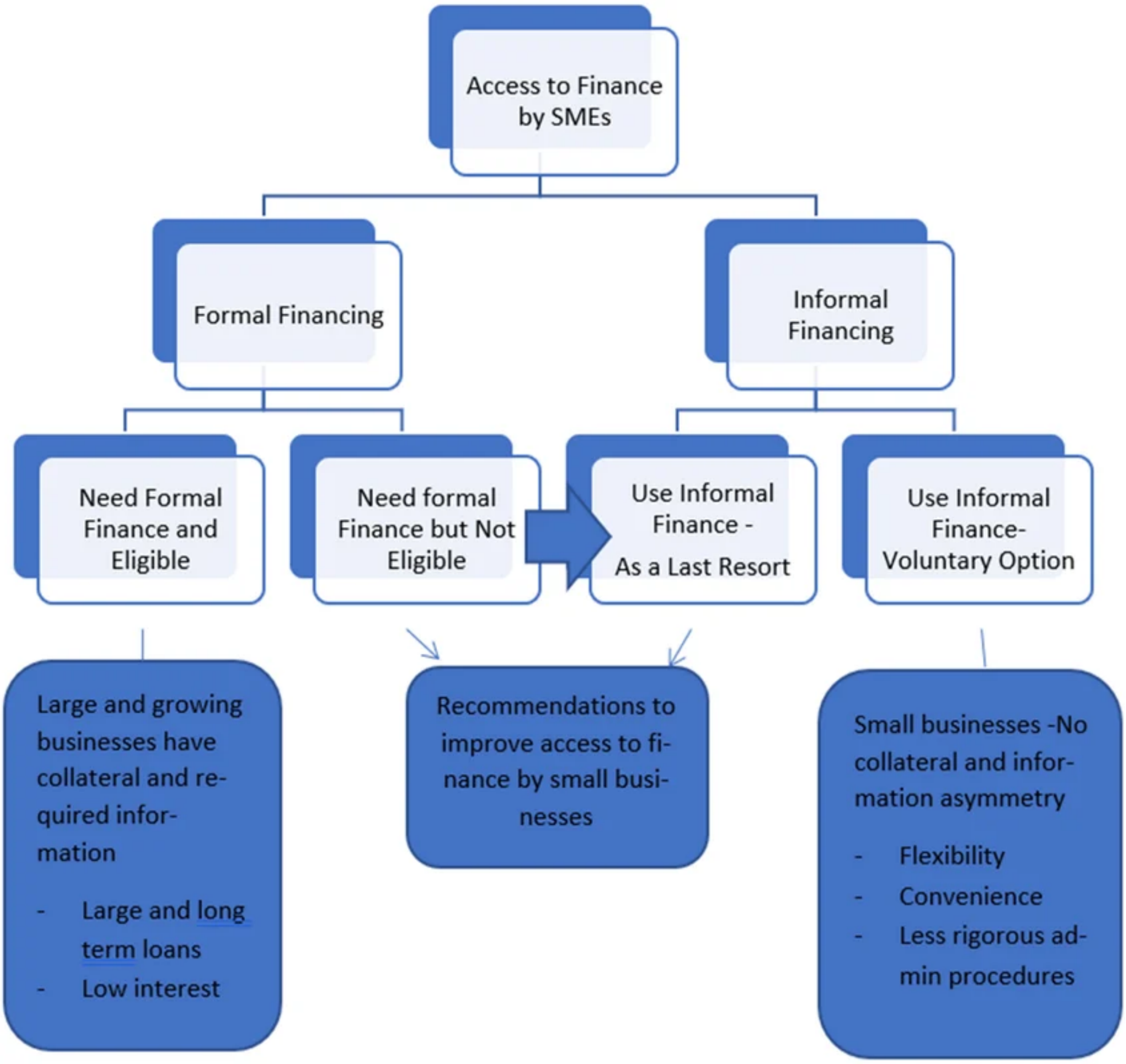

FIGURE.2 Conceptual Framework illustrates the determinants of Small and Medium-sized Enterprises' (SMEs') access to finance

The conceptual framework illustrates the determinants of Small and Medium-sized Enterprises' (SMEs') access to finance by distinguishing between formal financing and informal financing. Access to finance is widely recognised as one of the most significant factors influencing the establishment, growth, and sustainability of SMEs. According to Beck and Demirgüç-Kunt (2006), limited access to finance remains one of the major constraints on SME development, particularly in developing countries, where financial markets are less developed and information asymmetry is high. Similarly, Ayyagari, Beck, and Demirgüç-Kunt (2007) found that financing constraints reduce firms' investment, productivity, and employment generation, thereby limiting economic growth.

The first pathway in the framework represents SMEs that need formal finance and are eligible to obtain it. These firms are generally larger, more established, possess sufficient collateral, maintain proper financial records, and have reliable credit histories. As a result, they benefit from formal financing through larger loan amounts, lower borrowing costs, and longer repayment periods, which facilitate business expansion and investment. Beck, Demirgüç-Kunt, and Maksimovic (2005) found that larger and more transparent firms experience fewer financing obstacles than smaller firms because they satisfy lenders' screening requirements. Similarly, the World Bank (2020) reported that well-established SMEs with formal documentation are significantly more likely to obtain bank credit than informal or newly established enterprises.

Literature Review

Rahman and Hossain (1995) critically examined the concept of rural poverty in developing countries and argued that poverty should not be measured solely by income. Their study was based on socio-economic surveys, demographic information, and secondary statistical data collected from rural households. The researchers employed descriptive statistics, poverty profiling, and socio-economic analysis. The study identified multiple dimensions of poverty, including inadequate education, poor health services, unemployment, landlessness, lack of productive assets, social exclusion, and limited access to formal financial institutions. The authors emphasised that poverty is a multidimensional phenomenon requiring integrated policy interventions rather than isolated income support programmes.

Khandker and Chowdbury (1996), in their World Bank Discussion Paper No. 336, evaluated the effectiveness of targeted rural credit programmes in reducing poverty. The study utilised large-scale household survey data collected from rural beneficiaries participating in institutional credit programmes. Econometric techniques, regression analysis, impact evaluation methods, and comparative statistical analysis were employed to estimate programme effectiveness. The study examined various outcome variables, including household income, employment generation, agricultural productivity, asset accumulation, consumption expenditure, and poverty status. The results demonstrated that targeted credit programmes significantly improved household income, increased self-employment opportunities, encouraged productive investments, and reduced poverty among participating households.

Onumah (2003) investigated vendor financing and warehouse receipt systems as innovative financing mechanisms for improving agricultural credit access in Africa. The study adopted a case study methodology supported by qualitative analysis of warehouse receipt systems operating in several African countries. Information was collected from agricultural institutions, financial organisations, traders, warehouse operators, and farmers. The research focused on regulated warehouse receipt systems, where farmers deposit agricultural commodities in certified warehouses and receive warehouse receipts that can be used as collateral for obtaining loans from financial institutions. The analytical approach included institutional analysis, comparative evaluation, and descriptive assessment.

Tenaw (2007) examined the broader role of cooperatives in promoting peace, social cohesion, and sustainable economic development. The study adopted a conceptual and qualitative research approach by reviewing cooperative experiences from different countries. Documentary analysis and comparative institutional evaluation were used as the principal analytical techniques. The author argued that cooperatives are not merely economic organisations but also social institutions that encourage democratic participation, community ownership, mutual trust, and collective decision-making. Through cooperative membership, individuals gain access to financial services, employment opportunities, skill development programmes, and social support networks. The study found that cooperatives strengthen community resilience by reducing economic inequality, improving livelihoods, promoting inclusive development, and encouraging peaceful conflict resolution within rural communities. Tenaw concluded that cooperative institutions contribute simultaneously to economic empowerment and social stability, making them important instruments for sustainable rural development.

Ana (2008) examined policy initiatives designed to improve financial service provision in rural Chhattisgarh. The research adopted a policy evaluation framework using secondary data collected from government publications, central bank reports, institutional documents, and development agency reports. The study utilised descriptive analysis, policy analysis, and institutional assessment techniques to evaluate the effectiveness of rural financial policies. Commercial banks mainly concentrated on urban markets, leaving rural communities dependent on informal lenders who charged high interest rates. The study emphasised the importance of strengthening rural financial institutions, improving legal frameworks, encouraging competition among financial institutions, and expanding microfinance services. Ana concluded that effective government policies combined with institutional reforms could substantially improve access to credit, increase agricultural productivity, stimulate rural entrepreneurship, and reduce poverty.

World **Bank (2022)**, through the *Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19*, presented one of the most comprehensive global assessments of financial inclusion. The study was based on nationally representative household surveys conducted across more than 120 countries. Data were collected through structured questionnaires administered to adults aged 15 years and above. The study primarily employed descriptive statistics, comparative analysis, percentage analysis, and cross-country comparisons to evaluate patterns of financial inclusion. The report examined various indicators, including account ownership, digital payment usage, savings behaviour, borrowing patterns, mobile money adoption, and financial resilience during the COVID-19 pandemic. The findings revealed that approximately 76 per cent of adults worldwide owned an account with a formal financial institution or mobile money provider, representing significant progress in global financial inclusion. Digital financial services emerged as a critical tool for delivering government assistance, wages, and business payments during the pandemic. The report also identified persistent inequalities based on gender, income level, education, and rural-urban location.

Impact of Microfinance on Poverty Alleviation:

Poverty and Poverty Alleviation

To explore the impact of microfinance on poverty alleviation, let us first know what constitutes 'poverty'. At the UN's World Summit on Social Development, the ' Copenhagen Declaration' described poverty as ' A condition characterised by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information'. The Scottish Poverty Information Unit defines poverty as ' People live in poverty when they are denied an income sufficient for their material needs and when these circumstances exclude them from taking part in activities which are an accepted part of daily life in that society. On the other hand, according to the World Bank, the most commonly used way to measure poverty is based on income. A person is considered poor if his/ her income level falls below some minimum level necessary to meet basic needs. The minimum level is usually called the 'poverty line'. What is necessary to satisfy basic needs varies across time and place, and each country uses lines that are appropriate to its level of development, societal norms and values. The most commonly used measure of poverty is the so-called head-count index, which measures the percentage of people living below the poverty line. Two other measures, the poverty gap index (Proportionate Poverty Gap), and the Squared Poverty Gap Index (Weighted Poverty GAP) measure respectively the distance of the income of the poor from the poverty line, and the poverty gap weighted by changes in the distribution of income among the poor.

For India, the poverty line is measured with reference to the cost of basic needs. This method uses a normative consumption bundle of food items recommended for the average Indian population, yielding a per capita daily energy intake of 2400 rural and 2100 urban kcal, and protein intake of 58 g. The required minimum expenditure of food items is estimated by valuing them at prices prevailing in the reference year. An additional 40% allowance is then made for income needed to satisfy non-food basic needs.

Linkage between microfinance and poverty alleviation

The foremost objective of MFIs is to alleviate poverty. It is widely believed that microfinance programmes will raise incomes and broaden financial markets by providing credit, among other services, to small-scale entrepreneurs (Aghion and Morduch, 2000). In view of the above, many countries in Africa, Asia, and Latin America have included microfinance as a policy variable to eradicate poverty (Hossain and Rahman, 2001). So, microfinance is a tool used to improve the quality of life of people with limited access to permanent financing. There is an almost global consensus now that microfinance to the poor should be viewed to achieve equitable and sustainable gains for economic and social development in the twenty-first century (Mayoux, 1999).

Impact on Income and Consumption

There are different ways to measure the impact of microcredit on income and consumption. First, there is the borrowers' recall of the "before-after" situation. Using this method in the early1980s, Hossain concluded that both per capita income and household income were positively associated with the amount of credit obtained from Grameen Bank (Hossain, M., 1984). The impact can also be viewed through member perception. Based on a survey of 1986 measuring borrower perception, Hossain found that 91 per cent of Grameen Bank members improved their economic conditions after joining Grameen Bank (Hossain, M., 1998). More recent research uses income and consumption as dependent variables for the measurement of microcredit programs' impact. Using this technique, most authors conclude that microcredit institutions can have a positive impact on combating poverty. Khandker takes the lead in this positive evaluation.

Impact on Employment and Productivity

Besides income and consumption, the employment generated by microcredit programs can indicate a reduction of the poverty rate. Rahman and Khandker show that Grameen Bank and BRAC have been successful in expanding the opportunities of self-employment for their members (A. Rahman and S. R. Khandker, 1994). Self-employment generates a higher return than wages (Hossain et al., 2000). Still, the average returns are higher in non-agricultural activities compared with those in livestock and agriculture. This finding is strongly correlated with "the fallacy of composition" in the sense that the more people who specialise in the same activities, the lower the return will be. Further, Rahman and Khandaker's paper shows that labour-force participation rates among women have increased compared with those of non-members living in control villages. The latter often do not have the necessary credits and other inputs to start up their own enterprises. Finally, Hossain states that the members' careful choice of projects, cooperation with the staff, and peer pressure also contribute to the two microcredit institutions' successful fight against poverty. Not everyone shares the optimism described above. The research of Hulme and Mosley shows that the impact of credit on BRAC members' monthly incomes has been limited. Particularly when inflation is taken into account, the income increases of members are negligible. Hulme and Mosley, however, nuance their statement by acknowledging some success among the wealthier poor. Zaman recognises that microcredits can contribute to poverty reduction, but only if the poor have achieved a certain economic level. Morduch is even more 13 radical in his conclusions. He explicitly attacks Khandker's impact study (1998).

Impact of Microfinance on Agricultural Productivity

Access to finance is a crucial issue for the productivity of agriculture in India. If the farmers in India are categorised based on land ownership, then we will find that most of the farmers are either marginal farmers or landless farmers producing crops by taking land on lease from the affluent people. So, sometimes it is extremely difficult for the marginal farmers to get access to credit as the credit is not collateral-free. The lack of deposit facilities forces households to rely on inefficient and costly alternatives. The lack of access to medium- and long-term finance inhibits investment by a majority of small and marginal agricultural households in India. This inadequate funding for marginal farmers hurts the agricultural productivity of the whole country. In addition capitalists groups are reluctant to invest in agriculture as the return from investing is double/triple in other sectors compared to agriculture. Microcredit has been successful in reaching the rural poor with credit for self-employment, supporting women's empowerment and significantly contributing to poverty alleviation. Nevertheless, microcredit has only had a marginal impact in the agriculture sector as microfinance institutions (MFIs), to a great extent, limit their lending to those possessing less than half an acre of land (the functionally landless). Poor farmers' access to agricultural credit remains very limited. They are usually missed by regular credit facilities. As a result, marginal and small farmers are frequently termed “missing middle." (Raman and Husain, 1995). Alam (1988) conducted a study to measure the productivity growth of the Grameen Bank members. His study was confined to comparing the agricultural productivity alone. His findings suggest that the small and marginal farmers, as a result of participating in the Grameen Bank programs, can allocate a higher percentage of their land for the cultivation of high-yielding varieties (HYV) and have improved their agricultural productivity. His studies showed that the users of microfinance can bring 81.5% of their cultivable land under HYV Boro production compared to 76% of the non-users. Yield of the users of microfinance for HYV Boro was 47.6 maund per hectare, while it was 38.2 for the non-users. Cultivation of HYV requires costly inputs like irrigated water, relatively large doses of fertilisers, and pesticides

The role of cooperatives in rural financial services

By way of introduction, formally, a cooperative is defined as an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. The definition emphasises the very fact that cooperatives are independent of Government and not owned by anyone other than the members (MacPherson, 1996). On the contrary, informal cooperatives are formed at the local level to serve various purposes in rural and urban areas, which are found in plenty in several sub-Saharan African countries. A typical example is Chhattisgarh, where such organisations exist immensely to-date due to their achievements. In general, cooperative formation aims to offer an opportunity for local people to take development into their own hands and make it a meaningful concept at the local level.

Cooperatives have arisen, too, where the cost of adjustment to economic change has threatened to destroy communities, where local people needed power to control the pace and direction of change to preserve what they valued (Kangara,1995). The cooperative enterprise is the only form of organisation meeting so fully all dimensions of avoiding poverty among the rural people in developing countries. For example, cooperatives give opportunity farmers unable to market their products and enjoy economies of scale. Acting through their own cooperative organisations, small-scale producers, workers and the poor, especially in rural areas, gain access to goods, markets and government services more efficiently, aimed at improving their livelihoods and undertake other self-help actions to improve their communities.

Policy Recommendations

This paper discusses broadly issues concerning the importance and problems of rural financial services from the point of view of agricultural productivity and poverty prevalent mainly in Chhattisgarh. Chhattisgarh is a state within the country of India in north-west Chhattisgarh is a focal point of discussion due to its special position as a region where the Finnish development cooperation activity is being implemented currently. On presenting the previous dialogue undergone through the intervention of aid donor and recipient countries in sub-Saharan Africa, the aim was to reveal the fact that continued assistance in the rural financial sector to the rural population in sub-Saharan African countries is absolutely vital.

The following suggestions/recommendations have been drawn up with respect to improving the situation of rural financial services generally in developing countries:

- **Financial Sector**: Reform. In order to make the provision of agricultural marketing adequate for the small-scale farmers, it is essential to restructure the financial sector, aiming at eliminating financial market distortions and restoring the health of the existing financial institutions.
- **Rural Finance**: To improve the efficiency of rural financial intermediaries, special assistance programmes should be set up to design better operational procedures, improve staff and management performance, and install adequate management information systems for use by the local people.

- **Formal Financial Sector:** National private and commercial banks are the main sources of finance for agricultural marketing. Apart from providing short-term credit for domestic agricultural marketing, normally these institutions are well specialised in financing export and import marketing activities.
- **Informal Financial Intermediaries**: The role of informal trade finance is significant, and governments in developing countries should recognise and support the role of informal financial intermediaries. In general, banks can promote trade finance by providing sufficient overdraft facilities to large traders who then, in turn, will provide finance to smaller traders.
- **Cooperatives Grassroots:** marketing cooperatives which have an active member involvement and present economies of scale in their operations, may be in a position to compete with private traders, provided they have mobilised sufficient own capital and savings and are well managed.
- **Role of government:** Government have essential role to play in agricultural marketing and financial policy formulation, coordination of marketing and financial operations of the different actors, establishing information systems (production information and market intelligence), required legislation (business laws, bank regulation and supervision, loan collateral requirements, safeguarding of savings, warehouse acts,.), training (in storage and grading techniques, cooperative business operations etc..

Recommendations to the Ministry of Foreign Affairs, Department of Development Cooperation

In a development cooperation scheme, it should be borne in mind that the basic principle of donor support is partnership. The substance of this partnership should be established through continued dialogue, which preferably should be initiated by the recipient country. The following recommendations are made to the Finnish development cooperation authority to support the development of rural financial services, mainly in Chhattisgarh:

- Involvement in rural financial services development: Rural financial services are a long-term process. A long-term and substantial commitment to developing rural financial services in Chhattisgarh. The principal objective of this partnership is to formulate and implement effective and efficient national policies in agricultural marketing and rural finance within the context of the Structural Adjustment Programme (SAP).
- Establishing multi-sectoral dialogue To establish a multi-sectoral and multi-agency policy dialogue with the Chhattisgarh government, domestic actors and relevant donor/international organisations.
- Provision of donor programme To provide in the Finnish development cooperation aid programmes sufficient resources for the implementation of research, training activities, advisory services and pilot projects.

Concluding Remarks

The research study indicates the vital role of financial services and microfinance in maintaining and improving the livelihoods of rural people in India and Chhattisgarh. Locally based financial systems created by the local people in rural and urban areas are useful vehicles in promoting self-help and independence since the management and administration policy and rules are in the hands of the initiators. The agricultural sectors in India and Chhattisgarh are characterised by the adoption of poor technology, dependence on unreliable climate, poor infrastructure, a small and fragile market, and precarious income flows that deny access to many rural households. So, efforts can be made to develop the rural financial systems of these countries to ensure their smooth operations and thereby contribute to agricultural productivity and tackle poverty. The transmission of knowledge and experience gained from the operations of an institution like Grameen Bank in India can be replicated in several developing countries, including Chhattisgarh.

References

1. Arner, D. W., Barberis, J., & Buckley, R. P. (2016). *The evolution of FinTech: A new post-crisis paradigm?* Georgetown Journal of International Law, 47(4), 1271–1319.
2. Beck, T., Demirgüç-Kunt, A., & Levine, R. (2007). *Finance, inequality and the poor.* Journal of Economic Growth, 12(1), 27–49.
3. Gabor, D., & Brooks, S. (2017). *The digital revolution in financial inclusion: International development in the FinTech era.* New Political Economy, 22(4), 423–436.
4. Klapper, L., El-Zoghbi, M., & Hess, J. (2016). *Achieving the Sustainable Development Goals: The role of financial inclusion.* CGAP.
5. Ozili, P. K. (2018). *Impact of digital finance on financial inclusion and stability.* Borsa Istanbul Review, 18(4), 329–340.
6. Park, C. Y., & Mercado, R. (2018). *Financial inclusion, poverty, and income inequality in developing Asia.* Asian Development Bank Economics Working Paper.
7. Sarma, M. (2008). *Index of Financial Inclusion.* Indian Council for Research on International Economic Relations (ICRIER) Working Paper.
8. United Nations. (2015). *Transforming our world: The 2030 Agenda for Sustainable Development.*
9. World Bank. (2022). *The Global Findex Database 2021.*
10. Allen, F., Qian, J., & Qian, M. (2005). *Law, finance, and economic growth in China*. Journal of Financial Economics, 77(1), 57–116.
11. Degryse, H., Lu, L., & Ongena, S. (2016). *Informal or Formal Financing? Evidence on the Co-funding of Chinese Firms*. Journal of Financial Intermediation.
12. International Finance Corporation. (2017). *MSME Finance Gap: Assessment of the Shortfalls and Opportunities in Financing Micro, Small and Medium Enterprises in Emerging Markets*.
13. OECD. (2019). *Financing SMEs and Entrepreneurs: An OECD Scoreboard*.
14. OECD. (2023). *Financing SMEs and Entrepreneurs 2023: An OECD Scoreboard*.
15. Stiglitz, J. E., & Weiss, A. (1981). *Credit Rationing in Markets with Imperfect Information*. American Economic Review, 71(3), 393–410.
16. World Bank. (2020). *World Development Report 2020: Trading for Development in the Age of Global Value Chains*.
17. World Bank. (2022). *Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19*
18. Ana, G. (2008). *Policy initiatives for improved financial service provision in the rural areas: The case of Chhattisgarh*. National Bank of Chhattisgarh.
19. Onumah, G. E. (2003). *Agribusiness: Vendor financing in input markets: Improving access to rural finance through regulated warehouse receipt systems in Africa*.
20. Rahman, H. Z., & Hossain, M. (1995). *Rethinking rural poverty*. University Press Limited.
21. Khandker, S. R., & Chowdbury, O. H. (1996). *Targeted credit programme and rural poverty in India* (World Bank Discussion Paper No. 336). World Bank.
22. Sumelius, J., & Tenaw, S. (2008, November 5–6). *Cooperatives as a tool for poverty alleviation and food production in Sub-Saharan Africa*. Paper presented at the NJF Seminar 410, Helsinki, Finland.
23. Tenaw, S. (2007). Co-operatives and the pursuit of peace. In J. Emmanuel & I. MacPherson (Eds.), *Co-operatives and the pursuit of peace* (Vol. 1, pp. 243–248). University of Victoria.