

Rural Finance
Worksheet #1

1. What are the roles of finance for growth and development? How does the duty of finance be smoothly operated?
2. What are the identified problems/challenges in rural finance?
3. Contract farming is one method of resource acquisition in agriculture. Identify fixed and shared cropping contract in agriculture and discuss which method is efficient in agriculture and why? be brief
4. Could you explain the features of successful agricultural credit?
5. What are the main Advantages and Disadvantages of Credit use in agriculture?
6. Why is it necessary to conduct the Financial Analysis of a Farm Business?
7. Can you explain why a large group of farmers can achieve perfect insurance if their levels of output are uncorrelated, while a small group of farmers cannot?
8. Discuss the main advantage and limitations of an attempt to extend an informal insurance scheme beyond a single village.
9. What are the main advantages and limitations of mutual insurance between households belonging to the same extended family? Can you relate a part of your answer to the common practice in our country to marry daughters to men from far-away villages?
10. Identify different types of risks in agriculture and how to reduce them?
11. What are the identified strategies to reduce risk and uncertainty in agriculture?
12. What does Insurable and non-insurable risk mean?
13. What does the law of large numbers mean in insurance?
14. A couple has a daughter, who is on the verge of getting married, but she is undecided among two potential grooms, A and B, and she thus asks her parents for advice. Social rules in her country entail a perfect income pooling between the new household that will be formed upon marriage, and one of the bride's parents. The parents of the future bride farm a small plot of land, and the value of their harvest can be either equal to 900 if local weather conditions are good (something that occurs with probability $p = 0.5$) or equal to 400 if weather conditions are bad. The daughter tells her parents that A works as a government servant, with a wage equal to 650, while B is also a farmer, with an income equal to 900 if local weather conditions are good (something that occurs with probability $q = 0.5$) or equal to 400 if weather conditions are bad. Her risk-averse father advises her daughter to marry A, but her mother shakes her head and says "Darling, you have to tell us something more about B before we can give you our advice." Her mother is right. Can you figure out what is the key missing piece of information here?
15. Another couple has a daughter, who is on the verge of getting married, but she is undecided among two potential grooms, A and B, and she thus asks her parents for advice. A social rule in her country entails a perfect income pooling between the new household that will be formed upon marriage, and one of the bride's parents. The parents of the future bride earn a living by selling umbrellas, and their income is equal to 100 in a rainy day and 0 in a sunny day. The daughter tells her parents that A works as a government servant, with a daily wage equal to 50, while B sells ice creams, and his daily income can be either 0 or 100 depending on weather conditions. Knowing that all these individuals are risk-averse, do you think that the parents will advise their daughter to marry A or B?
16. Identify the main problems in rural finance and market development in our country.
17. Write critical arguments on the preconditions for the development of rural finance markets
18. What does credit rationing mean
19. What are different strategies to improve rural finance services
20. What is a financial intermediary?
21. Why and how macroeconomic stability is important for rural finance?
22. Why rural finance is a **more challenging proposition** than urban finance?
23. What are strategies to Improve Rural Financial Services?
24. Please visit the nearest Micro financial or small financial institution and practice how they work? Precisely investigate how they work in financing for the 'missing poor'.
25. Please visit the different insurance company and familiarize with their work?