



Agriculture and Rural Development in India

Challenges and Opportunities

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CHALLENGES AND OPPORTUNITIES

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Microfinance: A Mode of Rural Development

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Introduction

The history of microfinance can be traced back to the middle of the 1800s. During the 1800s, the benefits of small credit to entrepreneurs and farmers were written by Lysander Spooner, the theorist, as a way to get people out of poverty. Later, the first cooperative lending bank was founded independently by Friedrich Wilhelm Raiffeisen to support the farmers in rural Germany.

The term "**microfinancing**" was first used in the 1970s during the development of the Grameen Bank of Bangladesh in 1983 (Chavan and Birajdar 2009), which was founded by the microfinance pioneer, Muhammad Yunus. In 1976, Yunus institutionalized the approaches of microfinance, along with the foundation of Grameen Bank in Bangladesh.

Even Microfinance in India can map out its origins back to the early 1970s when the Self-Employed Women's Association ("SEWA") of the state of Gujarat formed an urban cooperative bank, called the Shri Mahilato provide active of providing banking services to poor women employed in the unorganized sector in Ahmadabad City, Gujarat. The microfinance sector went on to evolve in the 1980s around the concept of SHGs, informal bodies that would provide