

Debre Markos University

College of Agriculture & Natural Resources

Department of Agricultural Economics

Course Title: Rural Finance

Module Name: Accounting and Finance [AgEc-M2091]

Course code: AgEc 2092

Academic year: Semester: II2020

Credit hour: 3 = 5ECTS, Lecture 48 Hr, Tutor 30 Hr, Home study 57 HrTotal: 135Hr

Instructor: Esubalew Tadele (Masters in DevEco)

Beneficiaries: Regular Agricultural Economics Year II students

Pre-requisites: None

Status of the Course Compulsory

Course Description

The course Rural Finance is intended to familiarize students with the concept of financial scenario in the rural area. This course is composed of different disciplines such as statistics, farm management, microeconomics, and accounting, for that the course gives a huge amount of knowledge for students. The discipline tries to give a pure glance at what finance is, what rural finance is, and even what agricultural finance is. The course is also meant to provide information that is relevant to the smoothening of farm activities. It includes indicating sources and advantages of credit, defining the goal, managing risk, and use of insurance and defining farm standing point concerning the financial position. The course will also try to discuss in depth the very problems of rural finance in the country (Ethiopia) specifically. It will discuss the limited availabilities of financial sectors in the rural area with its reason; it will also discuss the awareness problem within the rural dwellers and the agrarians and also it will discuss the limitation that is viewed from the government side. Finally, the course attempts to make a comment and suggestions which are meant for the betterment of rural finance service.

Course objectives

At the end of the course, students are expected to develop an understanding of:

- ✧ Define and differentiate words like Finance, Rural finance, agricultural finance, and microfinance
- ✧ Identify the role of the financial system and rural finance
- ✧ Sort out the source of capital (resource) in Agriculture
- ✧ Identify the role and classification of credit
- ✧ Defining economic activities of a farm business
- ✧ Analyze the link between Diversification and risk minimization
- ✧ Analyze Financial structure and analysis in farm business
- ✧ Discuss Risk management and the use of insurance in agribusiness
- ✧ Identify available credit instruments and their use
- ✧ Comment on problems of rural finance
- ✧ Suggest recommendation for rural finance improvement

Course Outline

Chapter 1. Concept and Dimensions of Rural Finance

- 1.1. Meaning and scope
- 1.2. Role of rural finance and financial system
 - 1.2.1 Functions of Financial systems
- 1.3. Challenges in rural finance

Chapter 2. Resource Acquisition and Use of Credit in Agriculture

- 2.1. Resource acquisition in agriculture
 - 2.1.1 Savings and retained earnings
 - 2.1.2 Gifts and Inheritances
 - 2.1.3 Pooling of equity capital
 - 2.1.4 Leasing
 - 2.1.5 Contract farming
 - 2.1.6 Borrowing

- 2.2. Role and classification of credit
 - 2.2.1 Role of credit
 - 2.2.2 Classification of credit
- 2.3. Bases of credit
- 2.4 Features of successful agricultural credit
- 2.5 Advantages and disadvantages of credit
 - Advantage of credit
 - Disadvantage of credit
- 2.6 Important consideration in credit

Chapter 3. Financial Analysis of a Farm Business.

- 3.1. Financial statement structures
 - 3.1.1 Balance sheet
 - 3.1.2 Balance sheet ration
- 3.2 Return analysis
 - 3.2.1 The income statement
 - 3.2.2 Financial Analysis of income statements
- 3.3. Repayment Analysis

Chapter 4. Risk Management Strategy and Insurance in Agriculture

- 4.1 Source of risk and uncertainty in agriculture
- 4.2 Evaluation and reducing risk and uncertainty
 - Analysis of risks situations
 - Strategies to reduce risk and uncertainty
- 4.3 Insurance in agriculture
 - 4.3.1 pooling of risks
 - 4.3.2 Insurable and non-insurable risks

Chapter 5. Credit Instrument and Financial Markets

- 5.1 Credit instruments and contracts
- 5.2 Financial market and intermediation
- 5.3 Problems in rural finance and market development
- 5.4 Preconditions for development of rural finance markets
- 5.5 Strategies to improve rural finance services
 - 5.5.1 Credit services strategies
 - 5.5.2 Deposit service strategies
 - 5.5.3 Insurance service strategies

Mode of delivery: The course will be delivered through lectures, class discussions, brainstorming, reading assignments, group discussions, exercises and Students taking this course will be assessed through quizzes, assignments, group discussions, and final examinations.

Evaluation

Continuous assessment 50% [Tests (2) = 30%, Quizzes (2) =10%, Assignment (1) =10%] and Final Exam 50%

References

1. Alexander Hamilton Institute, Inc, 1998. Financial Management Handbook. USA.
2. Brigham, E.F., L.C. Gapenski, and M.C. Ehrhardt, 1999. Financial Management: Theory and Practice. The Dryden Press, Texas.
3. Elton, E. and M.J. Gruber 2001. Modern Portfolio and Investment Analysis. John and Sons, Singapore.
4. Lee, W.F., M.D. Boehlje, A.G. Nelson, and W.G. Murray (1988). Agricultural Finance, 5th edition, Iowa State University Press, Ames, Iowa.
5. Khubchandani, B.S., 2000. Practice and Law of Banking. The Indian Institute of Bankers. New Delhi.