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# PUBLIC FINANCE

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# PUBLIC FINANCE

*Public finance is the study of the role of the government in the economy.*

*It is the branch of economics which assesses the government revenue and government expenditure of the public authorities and the adjustment of one or the other to achieve desirable effects and avoid undesirable ones.*



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# Objectives of Public Finance

- To regulate the important sectors of the country (industry, agriculture, foreign trade and transport) and
- To facilitate the economic activities of government and the private sector.
- To provide the basic services to its citizens such as defence, maintenance of law and order, protection of life and property.
- To provide social services for the people, e.g. education, medical care and social security.
- To ensure economic stability and attain a reasonable rate of development. To indicate priorities of investment.



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# Micro Finance

Microfinance is an individual-focused, community-based approach to provide financial services to poor individuals who lack access to the mainstream finances.

Microfinance services include microcredit, micro savings, and micro insurance.

Microfinance aims to make individuals self-sufficient by offering timely funding, helping them learn skills, and establishing a stable means of livelihood.



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# Macro Finance

Macro finance deals with the overall economy at the larger regional or national level.

It involves drafting policies, initiating programs like subsidies, or funding and operating multi-year development plans with an aim to generate employment.

Macro finance aims for overall economic development more broadly.



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# How it works ?

*Microfinance starts by educating borrowers about the basics of how money and credit work, how to budget and manage debt, and how to best utilize cash flows.*

*Macro finance works on a larger scale aimed at widespread benefits involving multiple entities. A state may offer multi-year tax benefits to businesses, which in turn, setup factories employing the local population.*



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# Micro Vs Macro

Microfinance starts with a focus on individuals, while macro finance starts with a focus on the regional or national level.

Microfinance institutions (MFI), self-help groups (SHG), and non-governmental organizations (NGO) are the primary funders in the microfinance sector where as macro finance involves bigger entities such as governments, local authorities, large corporations, banks, and established businesses.

The amount of money involved in macro finance is significantly larger compared to microfinance initiatives

Microfinancing is usually a continuous ongoing activity without any defined end However, macro finance projects have a definitive time period, such as subsidies offered only for three years or a road-building project to be completed in five years.



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# Cont..

Microfinance aims at making individuals self-reliant.

Macro finance aims to improve the overall economy

Microfinancing has the risk of default by individuals, while macro financing faces challenges from non-implementation of efficient policies or failed programs.

Microfinancing offers other social benefits imposed by terms of loan and Macro financing, on the other hand, enables large-scale employment and development of new sectors and businesses, but does not guarantee the betterment of an individual.





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# Agricultural Finance

***Agricultural finance*** refers to ***financial*** services ranging from short-, medium- and long-term loans, to leasing, to crop and livestock insurance, covering the entire ***agricultural*** value chain - input supply, production and distribution, wholesaling, processing and marketing.



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Agricultural finance needs to focus on the following four areas

Segment the smallholder farmers and identify their financial needs

Find ways to de-risk agricultural finance by addressing both idiosyncratic (or individual) risks as well as important systemic risks.

Identify appropriate institutions and delivery channels that would reduce the costs of serve agricultural clients.

Address issues in the enabling environment and specific government policies that limit the flow of financial services to small holders



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# Future Needs

**Longer-term agricultural financing** is needed for longer-term investments such as better storage facilities, food/commodity processing facilities and equipment/mechanization.

**Financing agriculture-related infrastructure**, such as rural roads, port facilities, loading terminals, etc., is needed in most of the poorest countries.

**Climate change** poses the biggest risk for agriculture and food security. We need to invest in agriculture (such as irrigation, drought-resistant technologies, controlling floods, etc.) to be able to adapt to climate change.

Focus on **youth** and **women**. We need to make agriculture more attractive to young people and empower women so they can contribute more

**Advancements in technology** could also lead lowering the cost of financial services to agricultural clients



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**THANK YOU**