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A Study on the Role of Financial Services in the Financial Inclusion of Farmers

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Abstract

Financial inclusion is an effort to give access and make sure that the usage of financial services by underserved population. Formers financial inclusion is very important for increasing the standard of living and it's an important tool for empowerment of farmers. There are many financial services which are available exclusively to farmers Like KCC, PMFBY, Crop Loan etc. but the usage of those services is not satisfactory among the farmers. In this paper, we are analyzing whether the financial services to farmers are influencing the financial inclusion of famers. The primary data is collected from 160 farmers and data is analyzed by using various statistical techniques like correlation, parametric test by using statistical software called SPSS and MS Excel. The study reveals that the digital financial services are increasing the financial inclusion among farmers and there is lack of awareness about most of the financial services available to the farmers.

Keyword: Financial inclusion, empowerment of farmers, standard of living, digital financial services.

I. INTRODUCTION

Farmers are called as backbone of Indian economy because 70% of Indian population are engaged in agriculture sector, The major problem the farmers are facing is regarding finance. The financial inclusion initiatives help the farmers to get access and usage of financial services.

Financial inclusion is the process of ensuring the access and usage of financial products and services like savings, remittance, credit, insurance to the underserved and unserved people. Financial inclusion is defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low-income groups at an affordable cost (Rangarajan). Financial inclusion depends on three major parameter they are access, usage and quality (RBI Report). Financial inclusion is a key factor for improving the standard of living of poor farmers, rural and other vulnerable groups.

Digital financial services are the financial services like savings, remittance, payment, credit, insurance is delivered and obtained through digital platforms with the help of digital devices and internet. Digital financial services are playing a major role in overcoming the problem of financial inclusion through the adoption of cost saving digital means to the financially underserved population.

Financial services schemes available to Farmers:

1. Pradhan Mantri Jan Dhan Yojana: This is introduced in the year 2014. The main objective of this scheme is financial inclusion of people by opening bank account with zero balance and insurance is provided. This account can be opened in any bank branch by the person who is not having account in any other bank.
2. Kisan Credit Card (KCC): This is introduced in 1998. The objective of this scheme is providing adequate and timely credit support to the farmers with simple and flexible

procedures. Farmers can use the credit card for purchasing seeds, fertilizers and pesticides etc.

3. PM Kisan Summan Nidhi: This is launched in the Year 2018 to provide financial assistance too small and marginal famers who needs support. Farmers get 6000 per year in three installments with this scheme.
4. Pradhan Mantri Fasal Bima Yojana: This Crop insurance scheme introduced by Government of India in the year 2016 it provides insurance against failure of crop to maintain the stability of Income.

II. REVIEW OF LITERATURE

Shabir, S., & Ali, J. (2022).in his paper titled determinants of farmers financial inclusion in Ogba local government area of rivers state Nigeria, used primary data which is collected through a structured questionnaire from 120 farmers. The study taken into consideration socio-economic factors like Gender, Marital status, Age, Education status, business experience, farming status, internet access, Owning a mobile as independent variables, and financial inclusion as the dependent variable. The study revealed that the most used financial products and services by respondents were SMS alerts, ATMs, and Saving bank accounts. The major constraints for accessing financial services are long queues at ATM, High-interest rates on loans, and Poor banking services. The author suggested that the central bank of Nigeria should monitor the rate of interest on the loan in collaboration with the government and also regulate the bank to Provide satisfactory services to Customers.

Datta, R. K., Mohammad, H., & Science, D. (2021) in his paper named Farmer's financial inclusion in Bangladesh: A survey on Dinajpur District. Used primary data, collected through a structured questionnaire from 100 respondents, and descriptive statistics used for analysis to study the nature of farmers' financial inclusion. The author said that the financial inclusion is poor due to a lack of bank accounts, and only a few have taken bank loans; He also found that the farmers are outside the formal financial network due to complex loan approval procedures unfriendly behavior of bankers. Farmers are not satisfied with the timing and amount of loans granted.

Kumar, A., & Gupta, D. H. (2019) the paper titled financial inclusion and farmers: Association between status and demographic variables was conducted with the help of primary data collected through a structured questionnaire and analyzed through descriptive statistics. The author found that the gender is not associated with the degree of financial inclusion among farmers, but other demographic factors like education qualification, family income, age group, and size of land holding is closely associated with the degree of financial inclusion among farmers, he suggested that the economic progress and the advancement of society depend on financial inclusion and also the gap between rich and poor can be eliminated.

Adegbite, O. O., Machethe, C. L., & Anderson, C. L. (2020) revisiting the measurement of financial inclusion of rural smallholder farmers in Nigeria was conducted to determine the level of financial inclusion of rural smallholders by developing the Multidimensional measure of financial inclusion. The secondary data from the survey conducted by Consultative Group to Assist the poor from 2300 rural respondents, the author adopted the Alkire-Faster method to develop the MFII. The result of the study shows that 78% of the smallholder farmer in Nigeria are financially excluded. A person having an account is not from being financially adequate. Consumer protection, financial literacy, high transaction cost, and financial planning indicators contribute the least to FI relative to formal access.

Priyadarshini, S., Singh, P. K., Singh, O. P., & Gautam, Y. (2020) Financial Inclusion of Farmers: A Case Study of Dhenkanal District of Odisha, India is done with the aim of analyzing the extent of the financial inclusion among the farmers. The primary data is collected through structured questionnaire from 100 farmers and descriptive statistics is used to the analyze the data. The study revealed that income and land ownership are positively correlated and significantly affecting the financial inclusion of respondents and the major constraints for financial inclusion is insufficient income, repayment schedule and security issues. He suggested that the literacy program should be organized in the area because the literacy is progressively linked with financial inclusion.

III. OBJECTIVES OF THE STUDY

1. To know the awareness of the financial services available to the farmers
2. To study the relationship between awareness of financial services and receiving the financial resources from the bank by farmers.
3. To examine association between taking loan from bank by farmers and education.

IV. SCOPE OF THE STUDY:

The sample of the study is collected from 160 farmers of Bengaluru rural district of Karnataka India and data is collected for the month of June and July 2022.

V. RESEARCH METHODOLOGY

This paper is empirical in nature. The data has been collected in both the forms of primary and secondary sources. The primary data was collected through the structured questionnaire which was prepared both in Kannada and English. Data was also collected with the help of schedule. Before filling the questionnaire, the required information about the financial inclusion and financial services was provided. The secondary data was collected from Journal articles, Newspaper and Websites for further research. The data is analyzed by using the statistical software like SPSS and MS -Excel by using the statistical techniques like descriptive statistics, correlation, chi-square test, T test, etc.

VI. HYPOTHESIS FRAMED:

Hypothesis-1

H1: There is a significant difference in the awareness of financial services with respect to the Gender

H0: There is no statistically significant difference in the perception of the target audience on awareness of financial services available to the farmers as per Gender

Hypothesis-2

H1: Digital financial services are increasing the financial inclusion of Farmers.

H0: Digital Financial services are not increasing the financial inclusion of farmers.

Hypothesis-3

H1: There is a statistically significant relationship between awareness of financial services and receiving the financial resources from the bank by farmers.

H0: There is no Significant relationship between awareness of financial services and receiving the financial services from the bank by famers.

Hypothesis-4

H1: There is a statistically significant association between taking loan from the bank and education qualification.

H0: There is no significant association between taking loan from bank and education.

VII. ANALYSIS:

Hypothesis-1:

H0: There is no statistically significant difference in the perception of the target audience on awareness of financial services available to the farmers as per Gender.

H1: There is a significant difference in the awareness of financial services with respect to the Gender.

Table-1: Table showing Awareness of financial services with respect to gender

Independent Samples Test										
		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Awaren	Equal variances assumed	2.662	.105	-.840	158	.402	-.214	.255	-.718	.290
	Equal variances not assumed			-1.012	28.768	.320	-.214	.212	-.648	.219

Source: Author

From the above Table-I we can see that the P value is 0.105, which is more than 0.005. So that we can accept the null hypothesis that there is no significant difference in the awareness of financial services with respect to the Gender.

Hypothesis-2

H0: Digital Financial services are not increasing the financial inclusion of farmers.

H1: Digital financial services are increasing the financial inclusion of Farmers.

Table-II

	Test Value = 2					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
DFS	3.811	159	.000	.288	.14	.44

Source: Author

From the above Table-II we can analyse that the significance value is less than 0.005 that is 0.000, we are going to reject the null hypothesis by accepting the alternate hypothesis as Digital financial services are increasing the financial inclusion of Farmers.

Hypothesis-3

H0: There is no Significant relationship between awareness of financial services and receiving the financial services from the bank by famers.

H1: There is a statistically significant relationship between awareness of financial services and receiving the financial resources from the bank by farmers.

Table-III Table showing relationship between Awareness of financial services and Receipt of financial services from bank by farmers

		Financialresources	Awareness
Financialresources	Pearson Correlation	1	.487**
	Sig. (2-tailed)		.000
	N	160	160
Awareness	Pearson Correlation	.487**	1
	Sig. (2-tailed)	.000	
	N	160	160

Source: Author

From the above Table-III we can analyze that there is a relationship between the awareness of financial services and receiving the financial services from the bank by famers. The direction of relationship is positive and there is a moderate correlation r=0.487 that means these variables tend to increase together.

Hypothesis-4

H0: There is no significant association between taking loan from bank and education.

H1: There is a statistically significant association between taking loan from the bank and education qualification.

Table-IV Table showing the association between Taking loan from bank and education

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.183[a]	5	.070
Likelihood Ratio	10.418	5	.064
Linear-by-Linear Association	2.421	1	.120
N of Valid Cases	160		

Source: Author

From the above table-IV we can analyze that Pearson chi-square s more than 0.005, that is 0.070, so we are going to accept the null hypothesis. Which states that there is no significant association between taking loan from bank and education, that means the person educational background doesn't affect on taking loan from the bank.

VIII. FINDINGS AND SUGGESTIONS:

The level of education will not have any association with respect to taking loan from the bank, 75% of respondents said that they are not aware of all the financial services available to farmers and half of the respondents mentioned that financial services are too expensive. There is lack of awareness and usage of Kisan credit card, Pradhan Mantri Fasal Bima Yojana, the study also shows that Digital financial services are increasing the financial inclusion of farmers. Awareness about financial services is not affected by the gender, both men and women are aware of financial services. The awareness of financial services will have positive moderate relationship on receipt of financial resources. Government has to take measures to create awareness on existing financial services which are available to farmers and they should come up with new financial services to farmers as there are only few services are available. Government should identify non beneficiary farmers who are not using KCC, PMFBY etc. and encourage them to make use of those services.

IX. CONCLUSION

Financial inclusion of farmers is very much essential to improve the overall growth of the economy. Farmers are underserved population in terms of the financial services so it is important for the government to take policy measures to give access to financial services and also encourage the farmers to use the financial services by providing the required infrastructure. The major problem the farmers facing is relating to lack of awareness so it is suggested to the policy makers to create awareness regarding the financial services available to the farmers.

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