Chapter 2

Review of Literature, Objectives, Hypotheses and Limitations of the Study

Introduction
The Chapter deals with the review of the studies conducted by the different researchers to investigate the problem of financial inclusion across the globe including India. This review helps in identifying the research gap, underlying the need of present study and specific objectives and hypothesis. The reviews of concern major studies are given below:

- **The National Sample Survey Organization (2013)** in its ‘Some Characteristics of Agricultural Households in India’ shows that only 51.90 per cent farmers were indebted from one or more agency, while the ratio was 48.60 per cent in 2002. Thus, it is marginal increased in take place. In addition, the access of medium and large farmers to institutional credit has been increased more as compare to marginal and small farmers over the period of 10 years. The State-wise data shows that the access has very low in Manipur with 7.80 per cent, while Maximum in Meghalaya with 84.50 per cent in 2013. In last we also found that the access in Maximum in NER with 72.49, while Minimum in ER with 47.08 during the same period in the country. Thus, the situation of farmers in context of credit is as it’s as compare to previous NSSO Round (2003) in the country.

- **The National Sample Survey Organization (2003)** exposed the fact that around 52 per cent farm households were not covered by both formal and informal sources of finance; only 27 per cent of the total peasants had an access to the formal source; approximately 33 per cent borrowed funds from Desi moneylenders; and a majority of the farmers (73 per cent) were found having no access to the formal source of finance. The problem of financial exclusion was found to be very serious in Central, Eastern and North-Eastern Region of India (64 per cent); the formal source of finance in these areas was just around 20 per cent; around 45 per cent of marginal farm households were having debt on their heads who contribute around 66 per cent of the total farmers in the country; and around 80 per cent of non-cultivator households were
having no access to any source of finance. The farm households belonging to ST, SC, and OBC categories were having a debt of to the tone of 36 and 51 per cent each respectively from informal sources; and it was further exposed through the survey that a majority (70 per cent) of marginal or landless farmers were having no bank accounts and even a greater number (87 per cent) were having no access to the formal source of finance.

- **Singla, Surinder Kumar and Kumar Kush (2010)** in their study ‘Various Facts of Loan Among Small and Marginal Farmers in Punjab’, found that (1) the amount of loan per acre was high in marginal farmers as compared to small farmers, (2) the amount of loan per acre was equal to 1.94 per cent of the average price of land. The corresponding ratio for both marginal and small farmers were 2.17 and 1.79 per cent respectively, (3) the study also showed that the share of non-institutional sources was higher (74.53 per cent) for marginal farmers than for small farmers (66.19 per cent), (4) the range of rate of interest charged by non-institutional sources was 21 to 30 per cent, while in case of formal financial institutions it was 1 to 10 per cent, (5) moreover, the study also revealed that overall sampled farmer 49.34 per cent of their total loan taken at a rate of interest between 21 to 30 per cent p.a., the share of the rest was as follow: 28.96 per cent of loan between 1 to 10 per cent rate of interest, 11.31 per cent of loan between 11 to 20 per cent rate of interest, 8.76 per cent of loan between 31 to 40 per cent rate of interest and 1.60 per cent of loan at zero rate of interest, and (6) in addition, 56 per cent loan was taken for purchasing costly agriculture inputs, while 17 per cent loan were taken for unproductive purposes in the State by marginal and small farmer household. In addition, (7) authors also found that the share of commercial banks, cooperative societies in total institutional finance was 15.25 and 13.71 per cent respectively, while in case of non-institutional sources of credit the major contributions was commission agent with 39.54 per cent share.

- **Reddy, A. Amarender (2012)** studied the ‘Structure of Indebtedness of Households in Semi-Arid Tropic of India’. In his study the author tried to find out the following questions: (1) who gets cheaper and who gets costly loan? (2) How different borrower and lender are matched to each other? (3) For what purpose households borrow (production, consumption, investment and social)? and (4) Are formal sources exploitative? In this study the scholar did used Village Dynamic Studies in South Asia data for 18 Semi-Arid Tropic Villages in India comprise 857 households for the year 2009. After analyzing the data the scholar found that (1) informal borrowing from
relatives, friends, traders and commission agents continue to form a major source of total borrowing in the rural India. (2) The majority of formal borrowings were skewed towards large landholders and upper caste households. (3) The borrowings from informal sources were found uniformly distributed across all class and caste groups. (4) About half of the borrowings from friends and traders carry no interest rate, but for very small amounts and for a shorter duration. (5) On an average the rate of interest of informal sources were found more than three times to institutional sources in these areas and (6) the author also found that the market distance (Km), cultivating perennial crops and cultivating cereal mixed cropping systems are negative, while education (No. of years of schooling), cotton-based cropping systems, value of assets, cultivation annual crops, cultivation Rubi crops are positively influenced the probability of borrowing from formal sources of finance. In addition, the scholar also used same regression model to find out the probability of borrowing from the informal sources and found that market distance, education and land ownership were negatively, while cotton-based cropping systems, cultivating commercial crops and cultivating pulse-based cropping systems were found positive association with the informal borrowing.

- **Pal, Kavita and Srivastava, S K (2011)** in their study ‘Current Scenario and Constraints of Crop Financing- A Case Study of Regional Rural Banks in Utter Pradesh’ examined the adequacy, timeless, cost of borrowing, repayment pattern and overdue on small and marginal farmers in Moradabad district of Uttar Pradesh. The Prathama bank engaged in financing agriculture was selected purposively for the study being the first RRB of India. Moradabad district was selected purposively to carry out this study as there are maximum numbers of this banks branches operating in the districts. Out of 13 blocks in the district, Thakurdwara block was selected randomly for the study. Four villages, where branches of Parthama bank were operating had been selected randomly. Finally 20 small and 20 marginal farmers in probability proportion to their number in the four sample villages were selected randomly to carry out this study. The data pertained to the agriculture year 2007-08. The results of the study revealed that there was adequacy of the loan for all the borrower farmers across both size groups. Almost 50 per cent farmers and majority of small (95 per cent) farmers received loan within the prescribed time. Delay in loan disbursement was also observed in the case of about 50 per cent of marginal farmer borrowers mainly on account of non-furnishing the required documents within the
prescribed time period. The average amount of borrowing under crop financing was Rs. 16600 on marginal farms whereas the same was Rs. 44200 on small farms. The total cost of borrowing incurred in proportionate terms was almost similar (11 per cent) by the farmers’ borrowers of both the categories. On an average the non-interest cost incurred was Rs. 370 by marginal farmers against about Rs. 90 incurred by small farmers to obtain the loan from the same branch of Prathama bank implied that amount of non-interest cost is directly associated with the amount of borrowing. The recovery of loan amount was higher in case of marginal farmers (79.51 per cent) compared to the small farmers (77.38 per cent). On the basis of their study the authors suggests that technological, institutional and infrastructural interventions will have to be geared up to enhance the credit absorption capacity of the farmers through hassle-free lending process. At the same time the bank will have to make their credit delivery system more accessible to farmers. Efforts are also required to provide low cost financing not only pricing the loan at below interest rate but also through reduction in the unit transaction cost by simplifying the loan delivery system.

- **Ramakrishna and Aiyanna, K V (2009)** found that marginal farmers have borrowed for crop loan and livestock while small farmers’ borrowers preferred to borrow for irrigation structure and livestock. The medium and large farmers have taken more loan for equipment and machineries as compared to marginal and small farmers i.e., 60.00 and 40.00 per cent respectively. Further, the loan taken for crop loan and tractor were fully utilized, the loan taken for livestock may utilized as 82.21 per cent and for irrigational purpose it was 92.24 per cent, 81.77 per cent of credit need for crop loan was stapled by the financing institutions, 88.24 per cent for livestock, for mean irrigation and 100 per cent credit need for purpose of tractor was much available by the financing institutions during study period. Moreover, cost of borrowing Rs. 100 from the financing institutions was observed higher in RRB (Rs. 3.23), followed by Canara bank (Rs. 2.63), State Bank of Mysore (2.59). The study also shows that the small and marginal farmers have repaid their loan amount by 37.35 per cent and 39.13 per cent respectively, while medium and large farmers repaid only 32.22 and 24.46 per cent respectively.

- **Rao, Hanumantha K and Jayasree, K (2006)** examined the broad trend of agriculture credit by Commercial Banks after banking sectors reforms in India and found that total bank credit had fallen from 18 per cent in 1980s to 15 per cent in 1990s and further about 10 per cent in 2001. But, the trend was showing the recovery
in three year of current decade (2004 to 2006) after successful efforts in doubling of the agriculture credit. But, banks continuous has been failed to achieve the target of agriculture credit. Further, the study also indicates that the C-D ratio has been increased. Moreover, the study also point out that the SCBs has been show more interest in lending for non-farm activities within the priority sector category. So, indirect finance has been increased significantly during the current decades. The authors also found that after deregulation of interest rate bankers more inclined to finance for the medium and large farmers.

- **Gaur, Arti, Khathar, Shilpa (2011)** in their study ‘Institutional Credit to Agriculture Sector across Different Regions of India’ examined the potential for growth of institutional credit for agriculture sector across different regions of India. The study indicates that a wide variation has present in the flow of agriculture credit across the State and regions of the country. The agriculturally well-developed states and regions are dominating of institutional finance, while lesser developed states are having low access to institutional credit. Further, the per capita agriculture net domestic product was found to be the major determinants influencing the flow of agriculture credit in all regions of the country.

- **Golait, Ramesh (2007)** in his study ‘Current Issues in Agriculture Credit in India: An Assessment’ examined the current issues in agriculture credit and found that the inadequate flow of financial resources to agriculture and limited flow of credit to small farmers are the major impediment in this regard. Further, found that factors contributing to this trend are high transaction costs, structural deficiencies in the rural credit delivery system, issues relating to creditworthiness and lack of collaterals.

- **Reyes Alvaro and Lensink Robert (2011)** in their study ‘The Credit Constraints of Market-Oriented Farmers in Chile’, analyzed the market oriented farmers in central Chile are credit constrained and also identified the main factors that influencing the formal credit provision through using data from two surveys were conducted in 2006 and 2008 with 177 farmers. After analyzing the survey data the authors founds that most market-oriented farmers were unconstrained. Further, the study also supports the importance of relationship variables for improving access to financial capital.

- **A, Annuadural (2008)** in his study ‘Rural Credit Structure in Tamil Nadu’ found that the majority of the respondents were opined that prefer for non-institutional credit even though they pay more interest. They point out that the sources of credit from
non-institutional have several advantages and they are easy, quick availability as well as fewer formalities for getting their credit.

- **Kaur Kulwinder (2012)** concluded that size of households (in numbers), SC, ST, sex (male), size of land holding (in hectare), irrigated land (as per cent), agriculture machineries (tractor and pump set), worker (farmer additionally working along with farming), education (secondary and higher secondary, higher education), rate of interest, availability of institutional credit, consumption expenditure (in Rs.), status of agriculture development and the degree in risk increase the probability of indebtedness of a farm households in India.

- **Kumar Anjani, Singh, K M and Sinha Shradhajali (2010)** were conducted a study under the heading of ‘Institutional Credit to Agriculture Sector in India: Performance and Determinants’ and it was based on secondary data. The study highlighted that (1) the institutional credit to agriculture in real terms has increased tremendously during the past four decades. (2) The structure of credit outlets has witnessed a significant change and commercial banks have emerged as the major source of institutional credit recent years. But, the declining share of investment credit in total credit may constrain the sustainable agriculture growth. (3) Moreover, these scholars also found that age, male, household size, operated land size education, cast, agriculture labour household, self-employed in agriculture and other occupation were significant, while other labour was not significant associated to agriculture credit. Furthermore, age of household, male, size of household, operated land-size, SC, education level; self-employment in agriculture and other occupation were positively, while ST, OBC, and agriculture labour were negatively linked to the institutional credit. On the basis of these finding authors suggests that the institutions should simplification of the procedure for a better access to agriculture credit of smallholders and less-educated/illiterate farmers.

- **Vani, B P., Rajeev Meenakshi and Bhattacharjee (2009)** through their study ‘Asymmetry in Information and Varying Rates of Interest: A Study of the Informal Credit Market in West Bengal’, examined the nature and extent of households indebtedness in West Bengal focusing on households access to credit and factors influencing interest rate determination in informal credit markets as far as accessibility was concerned. The scholars found that the urban poor face greater problems than their rural counterparts in accessing formal and informal source of credit. Further, after applying the ordered logit model the authors also found that
information and monitoring opportunities plays a critical role in arriving at a rate of interest for the lender.

- **Basavaraja H, Mahajanshetty S., B Kulkarni, Vikas and Sajane, A. M. (2011)** found that the interest paid on borrowing was much less for the KCC holders. The credit gap was less for card holders as compared to their counterparts. Therefore, it is clear that there is a scope for reducing the non-interest cost component of borrowing through this scheme. Hence a wider coverage of the scheme would go a long way in reducing the cost of credit.

- **Kumar Anjani, Yadav Chitara, Jee Shiva, Kumar Sant and Chauhan Sonia (2011)** in his article ‘Financial Innovation in Indian Agriculture Credit Market: Progress and Performance of Kisan Credit Card (KCC)’ observed that the KCC as a financial product is become very popular and successful. All types of banks in India participate in the KCC scheme and the cumulative number of KCCs issued by these banks since the inspection of the scheme in 1998-99 stands 94 million. However, the inter-state variation s in the coverage of operating holding under KCC scheme is glaring. Further, the study also identified that the socio-economic factors that affected the farmers access to KCC scheme. In this study size of land holding, education in years, main occupation and cast are found significant and positive factors that ensure the participation of a farmers in KCC scheme, while No. of livestock, and family size in numbers are also found positive but not significant. On the basis of these findings authors suggests that there is anargent need to expand the coverage of KCC to all eligible households including landless households, and dairy and poultry farmers.

- **Bista, Diwas Raj, Kumar, Parmod and Mathur, V.C. (2011)** through the study ‘Inclusive Finance through KCC Scheme in Bihar: Performance and Prospects’ analyzed the impact of KCC scheme on farm economy and also discussed factor influencing the adaptation of scheme and major constraints faced by farmers. For the purpose of study data were collected from 120 farmers by personal interview method from Samastipur district of Bihar State. Further, cost and return concept was used to study the impact of KCC scheme on farm economy. The Cob-Douglas Production function was also used to assess the resource use efficiency. The model and constraints faced by the farmers were ranked using Garrett’s ranking technique. After analyzing the data authors were found that (1) the cost of borrowing credit was higher for non-beneficiary farmers compared to beneficiaries of KCC scheme. (2)
The cost and return analysis showed that the cost of cultivation and gross return per hectare for major crops (i.e., paddy, maize, wheat and potato were higher for the beneficiary farmers. (3) Lengthy paper work, insufficient credit limit, high interest rate and non-availability of loan on time were some of the most important constraints. Moreover, (4) the decision of adaptation of the scheme, land size of farmers, farming experience and education were found to influencing positively. On the basis of these findings the authors suggest that following remedies (1) To attract more farmers towards the scheme farmers should be made aware of the benefited of the scheme and (2) The existing cost of borrowing also needs to be brought down.

- **Kumar, Vinod (2011)** examined the impact of KCCS in terms of increasing participation of rural financial institutions, access of formal credit to small and marginal farmers, transaction cost of institutional credit, awareness about bank credit amongst farmers and its efficiency in terms of sanction and operation in Alwar district of Rajasthan State. A total of 165 including 135 KCC holders and 30 farmers who were neither issued KCC nor have taken any loan from institutional sources were also selected and used a ‘control’ sample farmers in Alwar district of Rajasthan during 2009-10. The study reveals that the efficiency of the KCC scheme as per the feedback given by sample KCC farmers that KCC limit were not fixed on the basis of total operational holding and only two or third major crops were considered while sanctioning the limit. There was a wide credit gap between scales of finance accepted for crop loan limit and actual cost of cultivation. As regards mode of operation of KCC holder only 23 per cent were repeatedly using the limit as credit while others have made a onetime repeatedly using the limit as cash credit while other have made a onetime withdrawal and repayment only. On the basis of findings of the study the authors suggests that there is a need to educate the farmers about the proper use of limit as cash credit to get the benefit of quantum of interest. Further, suggests that banker should also extend other loan like term loan and consumption loan and evolve KCC into a truly multipurpose card.

- **Sharma, A K, Parkash, Brahm and Singh, Rakesh K (2011)** examined the impact of Kisan Credit Card (KCC) Scheme on sugar cane crop in Utter Pradesh. Through this study the authors was found that most of the large cane farmers have benefited with the KCC Scheme. The authors have also observed significant impact of KCCS in terms of easy access of medium and large cane growers who are now diversifying their activities in the non-farm sector. The study also highlights some malpractices in
the use of KCCS and points out that the higher extent of KCC coverage in branches need not be an indicator of good performance; rather, it may be an indicator of strong nexus of ‘not-a-true-farmers’, agent, bank staff and the administrative staff at Teshil headquarter providing shelters to defaulter. The study suggests that for bringing the marginal farmers in the KCCS ambit which have been left outside so far, the cane development councils may be encourage to constitute a corpus fund out of the commissions these societies get from sugar mills so that this fund may act as a security a guarantee the repayment of loan of tiny growers and also help in providing strength to the banks in extending the KCC’s coverage. The sugar mills which have the responsibility for carrying out the development of the cane command area may also roped in to contribute for the welfare of small sized cane growers.

- **Swain Mamta (2015)** conducted a study under the entitled ‘Performance of Crop Yield and Rainfall Insurance Schemes in Odessa: Some Empirical Findings’ in the study the author makes a comparative assessment of the performance of the National Agricultural Insurance Scheme (NAIS) (an area-based crop yield insurance) and the pilot Weather Based Crop Insurance Scheme (WBCIS) (an area-based rainfall insurance) under implementation in the state of Odisha in terms of their coverage financial performance and operational efficiency in providing a safety net to the farmers when they experience crop loss. The study has used time series secondary data and also primary data collected from the 100 sample WBCIS users from the Bolangir district and 100 NAIS users from the contiguous Kalahandi district in the drought-prone western Odisha. The study has revealed that WBCIS performs better than NAIS because of its higher adoption rate higher percentage of farmers benefited lower premium faster claim payment and frequent indemnity payment. Though, the findings show WBCIS to be a more popular scheme than NAIS in a frequently disaster-affected state like Odisha the study sees a need for a multi-peril crop yield insurance scheme like NAIS.

- **Adhikary and Hoque (2015)** examined the impact of crop insurance on irrigation and fertilizers in the district of Hooghly, West Bengal. They found that, which purchase crop insurance policies tend to use chemical fertilizer relatively more than the uninsured farmers. In this analysis they also observed that the average consumption and growth rate of Total and per acre intake of fertilizer have been significantly increased in crop insurance regime 2000-01 to 2009-10 for all crop under our study district.
Hill, Ruth Vargas, Robles, Miguel and Ceballos, Francisco (2016) analyzed the demand for a simple rainfall-based weather insurance product among farmers in rural India. They explored the predictions of a standard expected utility theory framework on the nature of demand in term of price, the basis of the hedge and risk aversion using data from a randomize control trial and found that demand behaves predicted: it falls with price and basis risk and is hump-shaped in risk aversion, with price sensitivity decreasing at higher levels of basis risk and estimated a negative price elasticity of 0.58 and find that doubling the distance to a reference weather station decreased demand by 18 per cent. These results indicate that improving pricing and quality of insurance products can directly increase demand.

Cai, Jing (2016) studied the impact of an agriculture insurance program on household production, borrowing and saving behavior. He found that insurance provision increases the insured crop production by 16 per cent and raises borrowing by 29 per cent. Interestingly, it does not affect Total household saving; however, it does affect the relative proportion of flexible-term saving. Furthermore, effects on production and savings persist in the long run, while effects on borrowing are significant in only the medium run. Finally, calibration results suggest that the policy is both welfare improving and cost-effective.

Reserve Bank of India (2012) a quick assessment was made by RBI to find out the relationship between institutional credit to agriculture (from commercial banks, cooperative and RRBs) evidences positive and statistically significant elasticity-every 1 per cent increase in real agriculture credit results in an increase in real agriculture GDP by 0.22 per cent with one year lag. Further, the Granger casualty test (based on lag length of 1) also indicates that the casualty was unidirectional from agriculture credit to agriculture GDP.

Abate et al. (2013) examined the effects that institutional financial service have on farmers’ adaptation of agriculture technology in Ethiopia. The researchers found that access to institutional finance has a significant positive impact on both the adaptation and extent of technology use. However, when impacts are disaggregated by type of financial institution and farm size, heterogeneities are also observed. In particular, financial cooperatives have a greater impact on technology adoption than microfinance institutions and the results appear to vary depending on farm size and types of inputs.
Barman, R N and Das, R (2011) in their study ‘Linkage Credit with Agriculture Production: A Comparative Study of Beneficiary and Non-Beneficiary Farmers of North Bank Plains Zone of Assam’, analyzed the impact of institutional credit on technology adoption and uplifting the farm net return of small, medium and large farmers and also discussed the various constraints in linking credit with production of important crops and livestock in the North Bank Plains (NBP) Zone of Assam along with exploring the scope for innovation of harnessing the increasing credit demand potential. The finding of the study showed that in all the selected crops adoption gaps in terms of various technology components were higher with maximum in terms of irrigation application in case of non-beneficiary farmers as compared to beneficiary farmers. Further the authors used deterministic linear programming model to develop optimum feasible plans for both beneficiary and non-beneficiary farmers. After development of optimum feasible plans for both beneficiary and non-beneficiary farmers the authors were found that hiking the capital availability by 20 per cent lead to 22.50 per cent increase in the return in case of small beneficiary, 24.30 per cent in case of medium and 23.42 per cent increase in net return in the case of large farmers. The study also indicates that in case of beneficiary farmers’ the net return generated per rupee of working capital is higher as compared to the non-beneficiary farmers. Moreover, 85 per cent beneficiary farmers were in favor of providing credit for infrastructure build up. In addition, the study shows that 60 per cent beneficiary farmers said the insufficient credit delivery system and insufficient amount of credit are the major constraints.

Sharma Paul Vijay (1997) in his study ‘Factors Affecting Adaptation of Alkali Land Reclamation Technology: An Application of Multivariate Logistic Analysis’ found that tenure status, social status, extension contract, access to credit, education and age of the farmer were significant determinants of adaptation of reclamation technology. Increasing extension visits and more liberal access to credit are likely to increase the adaptation of alkali land reclamation technology. Therefore, the author suggested that more liberal credit policy and increasing the extension contract between farmers and extension personal are critical policy designed to increase agriculture production through adaptation of land reclamation technology.

Reserve Bank of India (RBI: 2013), In order to assess the efficacy of the activities conducted by FLCs, a quick study was conducted in October 2013 on the impact of their awareness programmes. The study was spread across 46 districts in 23 states;
26F

730 participants who had attended financial literacy camps during the last year were interviewed. The findings of the study revealed that almost all the participants (99 per cent) had got linked to the formal banking system with a saving account (89 per cent) being the most used banking product and 44 per cent of the participants had availed of credit products. Remittances and direct benefit transfer (DBT) were the least used (20 per cent) products.

- **Sayinzoga, Aussi et al. (2016)** organized a field experiment with smallholder farmers in Rwanda to measure the impact of financial literacy training on financial knowledge and behavior. The training increased financial literacy of participant, changed their saving and borrowing behavior and had a positive effect on the new business start-up. However, it failed to have a significant (short term) impact on income. Using a two-stage regression framework, they indentified enhanced financial literacy as one of the important factors explaining behavioral changes. They also test whether financial knowledge spillovers from trained farmers to their peers in local village banks but find no evidence for that.

- **Burgess, Robin and Pande, Rohini (2004)** in their study ‘Can Rural Banks Reduce Poverty? Evidence from the Indian Social Banking Experiment’, analyzed whether State-led rural branch expansion was associated with poverty reduction in India. The study found that the reductions in rural poverty were linked to increased savings mobilization and better credit provision in rural areas. Further, taken together, these findings suggest that the central bank licensing policy enabled the development of an extensive rural branch network, and that this, in turn, allowed rural households to better accumulate capital and to obtain loans for longer term productive investments. The rural bank branch expansion and savings mobilization and credit disbursement increased total per capita output. Moreover, non-agricultural output and, in particular, small scale manufacturing and services were most affected by rural branch expansion. These are important sources of employment in rural areas. In addition, the authors found that rural branch expansion can explain 14 to 17 per cent drop in rural headcount-roughly half the overall fall across the period.

- **Levine, Ross (1999)** in his study ‘Financial Development and Growth: Where Do We Stand?’ Reviewed some recent findings on the relationship between financial development and economic growth and found that following findings: 1. Considerable evidence suggests that bank and stock market influence economic growth. This conclusion emphasizes the importance of uncovering the law,
regulations and policies that foster financial sector development. 2. The legal system is critical for promoting well functioning intermediaries and market. Legal systems that (a) include codes protecting the rights of creditors and minority shareholders and (b) enforce those rights encourage the development of banks and securities markets.

3. The accounting rules that foster the dissemination of high quality, comparable information about corporations positively influence the functioning of both securities markets and financial intermediaries. Also banks regulations that impede the ability of commercial banks to engage in securities market activities or to invest in nonfinancial firms tend to reduce efficiency and boost financial fragility with no compensating positive ramifications. Finally, new evidence suggests that we should avoid the country-old debate regarding the comparative merits of bank-based versus market-based financial system. Rather, researcher should focus on identifying additional legal, regulatory and policy characteristics associated with growth-enhancing financial development.

- **Rajan and Zingales (1998)** found that financial development mitigates financing constraints for industries that rely most heavily on external finance. They concluded that such industries grow faster in countries with more developed financial systems.

- **Rouseau and Sylla (1999)** found evidence that supported the hypothesis that early industrial growth in the US was finance-led. These studies concluded that by providing debt and equity finance to the corporate and government sectors, the financial system was critical to the modernization process, which it predated.

- **Rungrusirivorn Ornsiri and Mehkhoff Lukas (2011)** in their study ‘Do Village Funds Improves Access to Finance? Evidence from Thailand’ examines whether recently introduced ‘Village Fund’, one of the largest microfinance programs ever implemented, improves access to finance. Village fund was analyzed in a cross-sectional approach in comparison financial institutions. The authors found that (1) they reached the target group of lower income households better than formal financial institutions. (2) Village fund provided loans to those kinds of borrowers who tend to be customers of informal financial institutions. (3) Village funds also help to reduce credit constraints. Thus, village funds provided services in the intended direction, albeit to a seemingly limited degree.

- **Asli Demirguc-Kunt , Leora Klapper , Atisha Kumar and Douglas Randall (2013)** in their study entitled ‘Financial Inclusion of Youth’ found that 44 percent of youth (ages 18–25) have an account at a formal financial institution, compared with
55 percent of older adults (ages 26–64). Just 18 percent of youth report having saved formally in the past year, and 6 percent having borrowed formally. The age gap in account penetration persists across regions and across income, gender, and education groups within economies.

- **Rao, N D S V Nageswara (2010)** in his study ‘Financial Inclusion: Banker’s Perspective’ found that the majority of the bankers (73 per cent) were clear in the concept of financial inclusion, 61 per cent of the bankers opined that financial inclusion is profitable, 88 per cent bankers suggested that bank should go financial inclusion in a big way and 65 per cent bankers felt that banks should take up financial inclusion a social obligation.

- **Francesc and Argandona Antonio (2009)** through their study ‘Credit Accessibility and Corporate Social Responsibility in Financial Institutions: The Case of Micro Finance’ suggested that formal financial institutions should developed (1) low-cost financial product, (2) creation of low-cost intermediary network, (3) use of alternative risk analysis methodology, (4) optimization of the impact of emigrants remittances, and (5) development of a networked nodal structure.

- **Khan, Harun R (2012)** through his speech ‘Issues and Challenges in Financial Inclusion: Policies, Partnerships, Processes and Products’, said that I am sanguine about rapid progress of financial inclusion efforts in India as the stakeholders have come to realize the need for viable and sustainable business models which focus on accessible and affordable financial services, products and processes, synergistic partnerships with non-bank entities including the technology service providers for efficient handling of low value, large volume transactions, particularly in remote, banking shadow areas and appropriate regulatory and risk management policies that ensure financial inclusion and financial stability move in tandem.

- **Pandey Auiral and Raman Rakesh (2012)** in their study ‘Financial Inclusion in Uttar Pradesh and Bihar’, analysis the status of financial inclusion in Uttar Pradesh and Bihar, while Saraigopal Bhadri village of UP and Rampur village of Bihar were taken as a sample unit in 2011. The authors found that more than sixty two Per cent people were aware to the bank branches, saving facility, loan facility in both the States, while the researchers observed that the awareness about money transfer facility, insurance facility, mutual-fund scheme, other banking facility and post office banking were very low. Further, the authors were also found that the access of people to saving account, loan, KCC, debit/credit card, money transfer, health
insurance, life insurance and general insurance was 57.61, 65.22, 38.04, 16.30, 33.70, 2.17, 41.30, and 10.87 per cent people in UP and 77.94, 43.59, 23.47, 9.47, 41.66, 0.00, 53.65 and 5.88 per cent people in Bihar. Moreover, the authors also analysis the source of borrowing pattern of these villages of same States and found that 32.05, 51.28, 19.23, 24.36, 5.12, 15.38, 7.69, 21.79 per cent people in Saraigopal Bhadri village of UP and 0.00, 12.28, 49.12, 7.01, 19.30, 8.77, 5.26 and 17.54 per cent people Rampur village of Bihar were borrowed from the cooperatives, gramin banks, commercial banks, local money lenders, friends, family members, retailers and others respectively. In additionally, only 10.87 and 7.35 per cent people were financial excluded in Saraigopal Bhadri village of UP and Rampur village of Bihar respectively. Furthermore, 28.57, 7.14, 0.00, 14.29, 7.14, 21.43, 21.43, 0.00 and 0.00 per cent in Saraigopal Bhadri village of UP and 9.09, 0.00, 18.18, 18.18, 90.09, 0.00, 36.36, 9.09 and 0.00 per cent people Rampur village of Bihar to total financial excluded respondents were financial excluded due to not need, not aware of bank, bank is too far away, cannot maintain account, fear about profit, no identity & address proof, no security to get loan, bad behavior of bank employee and other sources are more comfortable than banks respectively. Through the study the author also highlighted that literacy, annual income, size of land holding and awareness are the major determinants of financial inclusion.

- **Bill and Melinda Gates Foundation Survey (2012)** found that seventy per cent of those who saved money did so in a bank and 35 per cent saved at home. For loans, most borrowers relied on those within their personal networks, including relatives, neighbors and friends (67 per cent), 11 per cent of borrowers borrowed from a bank, 12 per cent borrowed from a private money lender and 4 per cent borrowed within their savings group. Based on the state-wise analysis, Tamil Nadu topped the chart with 52 per cent of the respondents depending on money lenders for a loan and Bihar occupying the second place with 46 per cent of the borrowers opting for loans from money lenders. Madhya Pradesh (39 per cent), Assam (37 per cent) and Jharkhand (30 per cent) were the other states that also had a high number of borrowers dependent on money lenders.

- **InterMedia India FII Tracker Survey (2014)** 48 per cent of respondents had accessed a bank account, 47 per cent of the respondents held a bank account, and 25 per cent of respondents actively used a bank account. Only 0.3 per cent of respondents, however, had accessed Mobile Money, 0.2 per cent of respondents were
Mobile Money account holders and only 0.1 per cent had actively used their Mobile Money accounts. 0.07 per cent of the respondents held both active bank accounts and an active mobile money account, whereas rest of the respondents (nearly 75 per cent) neither held active bank nor mobile money accounts. Although 47 per cent have their own bank account, only 54 per cent of these bank account holders have used their bank accounts actively (in the past 90 days). 77 per cent of active bank account holders (base = 10,570) said that their bank branch was within 5 km (base = 10,570) and 84 per cent of active bank account holders said that their ATM was within 5 km (base = 3,323). Majority of the respondents (71 per cent) accessed the bank at the bank branch followed by 28 per cent who use the ATM. The remaining either opted for a bank website or BC agent or over the counter at a retail store to access banking services. Most states had about equal proportions of active and inactive bank account users though there were disparities in access and especially active use of bank accounts across gender and location within states. 12 per cent of survey respondents said that they received payments from the government, 13 per cent of government payment recipients reported having to pay bribes to receive their payments. 25 per cent of adults surveyed had active digital accounts while only 20 per cent of the adults below poverty line and 18 per cent of females had active digital accounts. However, with respect to usage of digital services, only 5 per cent of adults used at least one digital financial service beyond basic wallet, person-to-person (P2P) and bill pay payments. Further, Goa tops the list of states in digital financial inclusion with 45 per cent of adults with active digital accounts and 44 per cent of adults below the poverty line with active digital accounts. Delhi reports the highest percentage of males with active digital accounts 46 per cent.

- **FII India Tracker Survey (2014)** found that 48 per cent respondent do not know about the BC, 18 respondent do not trust on BC, 14 per cent respondent neither trust nor distrust, 9 per cent respondent rather trust and only 3 per cent respondent do fully trust on BC in India.

**Research Gap and Statement of the problem**

The farmers access to credit in India is low specifically in case of small and marginal ones, lower casts and female face more challenged as compare to their counterpart, the process of getting loan from the formal source is long, while non-institutional sources is not time consuming, large farmers low credit constraints as compared to their counterparts, market
oriented farmers less formal credit constraints, over the period the flow of agriculture credit by the commercial banks as per cent to total bank credit and flow of investment credit to agriculture sector has decreased; inequality in flow of agriculture credit by the banks among regions do exists; and the size of land holding, commercialization of farm activities, households wealth and farm income are the major determinants. It was exposed through the earlier studies that the interest burden on farmers is low on KCC holder in comparison to non-KCC holders, return on farm of KCC holder is more as compared to their counterparts. The KCC are also helpful in diversification of economic activities of the farmers and the size of land holding, commercialization of farm activity, household’s wealth and farm income are the major determinants of inequality among farmers. Access to KCC among different states and regions has also exists and farmers are not aware about the facilities of the KCC are not also use to the full credit limits under the scheme. Farmers having crop insurance use more fertilizers, credit and technology as compared to noninsured farmers, WBIS is better as compare to NAIS, because the premium is low and faster claim payment process and improving quality, better settlement process and pricing policy can directly increase the demand of agriculture insurance. Further, every one per cent increase in real agriculture credit results in an increase in real GDP by 0.22 per cent and it is also important for the adaptation of technology in farm sector. Credit is also useful to create self-employment, it is also useful to poverty reduction (Burgess et al., 2011 and Jeanneney et al., 2011) and Levine (1999) found a positive and strong link between financial development and economic growth. Further, fifty-six percent of adults in the world do not have access to formal financial services. The situation is even worse in the developing world with 64 percent of adults unbanked. Nevertheless, high-income countries also have to worry because approximately one in every five adults is unbanked. In India, almost half the country is unbanked, only 55 per cent of the population has deposit accounts, 9 per cent have credit accounts with banks, only a little less than 20 per cent of the population has any kind of life insurance and 9.6 per cent of the population has non-life insurance coverage and just 18 per cent had debit cards and less than 2 per cent had credit cards. Finally, growing evidences shows that certain types of financial literacy programs can improve financial knowledge and affect behavior. It is evident from the related literature that through attempts have been made to study and address the problems of farmers in India by several researchers, but no comprehensive systematic study have been made so far for understanding the real concept of financial inclusion among farm communities of India, the causes of non-inclusion, its impacts on their living, attempts made by GOI and its authorities, problem faced by them in understanding and implementing
various schemes drafted or initiated for bringing about the relation of the dream of financial inclusion among peasants of India, etc. therefore, the present study was planned to access the above said dimension of the problem of rural India in general and the farmers in particulars with the following objectives made the statement of financial inclusion and farmers in India, status, issues, challenges and policy response.

Objectives of the Study
1. To examine the status of the financial inclusion of the farmers in India.
2. To find out the determinants/disparity of the financial inclusion of the farmers.
3. To find out the major issues and challenges in path of financial inclusion of the farmers, and
4. To examine the impact of financial inclusion policy on the status of financial inclusion of farmers in the country.

Hypotheses of the Study
$H_01$: There is a positive impact of financial inclusion on the economic growth.
$H_02$: Commercial banks are playing an important role in financial inclusion of the farmers.
$H_03$: There is a high disparity of financial inclusion of the farmers has existed among different States and Region of the country.
$H_04$: There is a positive impact of financial inclusion policies and instruments on the status of financial inclusion of the farmers in the country.

Limitations of the Study
1. In this study researcher have been taken only 300 farm households and three district and only single state i.e., Haryana.
2. All limitation of secondary data is also applicable on the findings of the study.