Chapter-8

Summery, Findings and Suggestions

Introduction
The lack of access to the credit market including formal, semi-formal banking institutions and share market thought to be one of the primary reasons behind the poverty of the poor countries throughout the world. Therefore, adequate credit, at affordable cost and availability in reasonable time is important for improving their socio-economic condition through the catching economic as well as livelihood opportunity by the individuals’. It has been underlined through several studies that the financial services which are made available to the poor people at easy conditions help sustainability prone helping in the upliftment of the disadvantages individuals or group of people. Further, the availability of finance also helps in reducing income inequality and poverty (World Bank, 2008) and helps in inclusive growth. Therefore, the policy makers over the globe including India gave maximum priority of financial inclusion in all development policies and plans in recent years (i.e., since 2005). To enhance and achieving the financial inclusion at high level the World Bank (WB), International Monetary Fund (IMF), World Trade Organization (WTO), United Nation Organization (UNO) and several World Wide Organizations (WWOs) are also helping through providing the relevant data base, the plans and policies to be adopted, and the type of technology to be used.

It was observed that accountholders in the formal banks in relation to adults surged to 62 per cent in 2015 globally in comparison to only 51 per cent in 2011. Further, according to the recently released FINDEX database, out of the two billion adults globally who did not have bank accounts in 2014 out of these 1 billion were women. But, it was observed through a report (WDR 2011) that the poor people residing in developing countries reach up to the formal means of finance. Hence are depending on the informal sources bearing a very high cost and unreasonable terms and conditions which are to be followed by the poor to satisfy their financial needs.

In developing economics 59 per cent man has an account, while women had only 50 per cent account. Further, in South Asia women access less than 10 per cent of formal credit. When we look across countries the differences are quit prominent. In Bangladesh women access to bank credit is just 20 per cent, although their deposits accounts for a quarter of total bank
deposits. A very low number of women in Africa enjoy the credit facility provided to marginal farmers. Moreover, IFC (2011) also shows that 35 per cent of women MSMEs disproportionately high and differentiated barriers than male entrepreneurs. In case of India, financial exclusion from the credit market is too very high and the regional and gender disparity is access to institutional finance and financial products in general and farmers and low income households in particular are also presence.

Financial Exclusion/Inclusion and Farmers In India
In India, on an average 48.00 per cent of farmers are excluded from the credit market and marginal, small and women farmers are very highly excluded from it. Further, the exclusion is very high in NER and followed by Central Region. Moreover, in case of farmers, the access to institutional credit has been continuously decreased since 1990 and stood to 56 per cent in 2013. Further, the latest NSSO Round Data (2013) shows that the 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 has been marginal increased in take place. In addition, the access of medium and large farmers to institutional credit has been increased more as compare to the marginal and small farmers over the period of 10 years.

Need of Financial Inclusion of Farm Households
The low cost sufficient credit is required for agriculture sector for the sustainable growth and development which can be attained through providing alternative capital for grabbing the extra available opportunities leading towards strengthen the financial position through extra means, and proper regular credit supply with insurance facility may boost the risk bearing capacity of the farmers. Such measures help the farmers in making new instruments and able in adopting the technology. The study made by the RBI indicated towards a positive relationship between agriculture credit and the real GDP which every per cent increase in agriculture credit enhance the real GDP by 0.22 per cent which is also certified by Granger casualty test (based on lag length of 1). The results of the study underline the need of agriculture finance for the growth and development of the nation. Farmers’ exclusion to the formal credit market generates a large consequence to them. Because, high dependence of farmers on informal credit market increase the level of farmers indebtedness or debt burden due to high cost of credit and in case of non-repayment of debt the money lender sell their (farmers) productive assets. Thus, the capacity of income
A generation of farmers reduces and further loss their social status and finally they triggered to commit suicide.

A Brief Profile of the Concept of Financial Inclusion

There is no uniform meaning of financial inclusion in different countries through the globe as the term varies from region to region, country to country and person to person. But, there are certain meaning which are commonly being applied for the same

- **Asian Development Bank (2000)** “the provision of a broad range of financial services such as deposits, loans, payment services, money transfers and insurance to poor and low-income households and their micro-enterprises”.
- **Stephen P. Sinclair (2001)** “financial exclusion means the inability to access necessary financial services in an appropriate form. Exclusion can come about as a result of problems with access, conditions, prices, marketing or self-exclusion in response to negative experiences or perceptions”.
- **Chant Link and Associates, Australia (2004)** “financial exclusion is lack of access by certain consumers to appropriate low cost, fair and safe financial products and services from mainstream providers. Financial exclusion becomes a concern in the community when it applies to lower income consumers and/or those in financial hardship”.
- **Treasury Committee, House of Commons, UK (2004)** “the ability of individuals to access appropriate financial products and services”.
- **The Report of the Committee on Financial Inclusion in India (2008)** “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”.

Therefore, the easy access of sufficient and regular financial services through formal sources at low cost to the poor and vulnerable people is known as financial inclusion.

**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 find out 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 financial inclusion of farmers in the country.

**Hypotheses of the Study**

- There is a positive impact of financial inclusion on economic growth.
- Commercial banks are playing an important role in financial inclusion of the farmers in India.
- There is a high disparity of financial inclusion of the farmers has existed among different States and region of the country.
- There is a positive impact of financial inclusion policy on the status of financial inclusion of the farmers in the country.

**Research Methodology**

The nature of present research is descriptive in nature and based on survey method. Further, all farmers of the country has constituted the universe of the study, while the sample unit of the study is a farmer. At the macro level, the analysis was carried out using secondary data which were taken from the various NSSO Rounds surveys, publications of the Reserve Bank of India (RBI), publication of Central Statistical Organization, and Ministry of Agriculture (GOI) reports. But, some new facts about the status of farmers in context of financial inclusion are not available in the above cited sources; therefore primary data was used to through light on some facts of the farmers’ financial inclusion, which were collected through a field survey with the help of structured questionnaire in the State of Haryana. The study used stratified method of sample selection and four stageS sampling process (i.e., in first stage researcher have selected the districts on the bases of agriculture development index, in second stage researcher have selected blocks from the districts (two block from each district),
in third stage researcher have selected the villages (one village from the blocks of the each districts) and finally selected a sample of three hundred farmers (one hundred from each blocks)). Out of three hundred farmers, one hundred and twenty were marginal, ninety were small, sixty were semi-medium and thirty were large farmers and the proportion of the farmers has 40:30:20:10 of each blocks. Further, the categorizations of farmers were made on the basis of possession of land size. A farmer is assumed to be a marginal if possessing land size of below 1.00 acre; small if land size is between 1.01 to 2.00 acres; semi-medium if land size is between 2.01 to 4.00 acres; and large if land size is more than 4.01 acres. The study used CAGR method for calculating the growth, Regression (Macro Level) and Tobit Models (Micro Level) to study the determinants of financial inclusion of the farmers and a Financial Inclusion Index (FII) has also been constructed to find out the disparity of financial inclusion of farmers among States and Regions of the country. Further, to create the FII for farmers the ‘M-L’ Index methodology was adopted, descriptions of these statistical tools are given below:

**Major Findings of the Study**

The collected data under the study were analyzed with the help of various suitable statistical techniques (described in detail under the chapter of Research Methodology) and the results were obtained. The following are the major finding of the study:

1 **Status of Financial Inclusion of the farmers:** On an average 68.80 per cent farmers having bank accounts in the country, while minimum in Mizoram (36.60 p.c.) and maximum in Himachal Pradesh with 95 p.c., in case of Region-wise bank account has maximum in Northern Region with 84.30 p.c., while minimum in Eastern Region (Only 51.30 p.c.). The share of informal credit has been increased from 29.60 per cent to 33.20 per cent from 2003 to 2013. Farmers (having land size below 0.01 ha) have decreased the access to credit (institutional and non-institutional) from 45.30 to 41.90, while credit access increased among all types of farmers, but it has been marginal increased among farmers having land holding between 0.41 to 2.00 ha ( 48.60 in 2003 to 51.90 in 2003). The CAGR of IOI has more in only 8 States (Out of 20 Major States) as compare to national averages, while Region-wise the CAGR has been high in Northern Region (5.37 p.c.) and minimum in NER (Only 1.52 p.c.) between 2003 to 2013. Farmers (having size of land holding below 0.01 ha) access to institutional credit has been decreased from 22.60 per cent to 14.90 per cent with the CAGR of -
4.08 p.c., while large farmers (having land size more than 10.00 ha) access to institutional credit has been increased from 42.70 per cent to 63.50 per cent with the CAGR of 1.56 per cent and it has been more among all types of farmers in the country between the period of ten years. The Marginal and Small farmers jointly operated more than 72.56 per cent agriculture land and it received only 51.21 per cent institutional credit, while Medium and Large farmers jointly operated Only 6.30 per cent agriculture land and received total 23.81 per cent institutional credit. On an average farmers access to institutional credit was only 69.03 p.c., Sikkim has Topped position with the 92.03 p.c., followed by the Himachal Pradesh with 85.20 p.c., while Manipur has last in the list with the 33 per cent access, Region-wise data shows that maximum access in NER and minimum in Eastern Region (NSSO: 2013). The growth (CAGR) of institutional credit in Rs. per ha has been maximum in Central Region and minimum in NER in between 2003 to 2013.

2 **Determinants of Financial Inclusion and Farmers in India:** To study the determinants of financial inclusion of farmers’ researcher have been used Tobit Technique of Regression Equation Model. The results of the statistics reveals that the bank branches and irrigation facility both are the statistically and significantly predictors of the farmers access to institutional credit. The cropping intensity are the positively and statistically significant predictors of the farmers access to KCC, while in case of farmers access to amount per KCC, irrigation facility, gini index of rural households assets, cropping intensity and average size of land holding are the positive, while the share of marginal farmers is the negative and statistically significant determinants. Further, the share of marginal farmers and average rate of interest are the major determinants of the formation of JLGs. The bank branches and gini index both are the positive, while rural poverty, share of marginal & semi medium farmers and average size of land holding is the negatively but statistically and significantly predictors of the farmers’ access to amount per JLGs. Moreover, bank branches and farmers access to institutional credit are the inversely linked to the average rate of interest, while share of marginal farmers, C-D Ratio and JLGs are found positive association with the average rate of interest in rural India. At Micro level, researcher also found that farmers age, education, income, average size of land holding and financial literacy are positive linked, while poverty and female headed households both are the negatively linked to the farmers access to the institutional
credit. Farmers’ age, education, income and financial literacy are found positive, while BPL farmers and female headed farmers’ households are negatively associated to the farmers’ access to KCC. Further, BPL farmers are found negative relation, while farmers’ income and literacy are the positively related to the farmers’ access to amount per KCC. In addition, researcher also found that farmers age, income, average size of land holding and farmers access to institutional credit are the positive predictors, while farmers poverty, education, female headed households and financial literacy are found negatively relation to the farmers access to agriculture insurance. Researcher are also found that farmers age, education, income, average size of land holding are the positive, while farmers poverty and female headed households are the negative and statistically and significantly linked to the farmers access to any insurance. In last, researcher also found that a positive link among financial literacy of farmers and farmers age, education and Income.

3 Disparity of Financial Inclusion of Farmers: To study the disparity of financial inclusion of farmers among states and regions of the country FFII Index has been constructed and used. The results of the index reveals that Haryana, Himachal Pradesh, Jharkhand, Kerala, Punjab, Rajasthan and Sikkim has on top position and Andhra Pradesh, Gujarat, Madhya Pradesh, Maharashtra, Mizoram, Tamil Nadu and Uttaranchal has in the moderate farmers financial included states, while Arunachal Pradesh, Assam, Bihar, Chhattisgarh, Karnataka, Odisha, Tripura, utter Pradesh and West Bengal are in the Bottom in the list. Moreover, the region-wise results shows that NR has topped position, CR, SR and WR lies in moderate level and ER and NER in bottom among all six regions. In addition, researcher are also found that an only 29.17 per cent state belongs to Topped category, while in case of region only 16.67 per cent have top position in the country.

4 Impacts of Financial Inclusion of Farmers on Agriculture Sector: the study observed a positive impact of financial inclusion of farmers on rural poverty, cropping intensity, irrigation facility as well as size of land holding in the country.

5 Determinants of Farmers Financial Inclusion Index (FFII): It aws established through the study that the Rural Poverty, Marginal Farmers (share), Semi-Medium Farmers, Irrigated areas (as per cent) and Average Size of Land Holding are the major significant determinants of the FFII. But, out of these variables researcher found that
only Irrigated Area are the positive determinants of the FFII, while others are negatively linked to the same.

6 Major Issues and Challenges of Financial Inclusion and Farmers: Small and decreasing size of operational land holdings, discrimination of financial access to female, low income of farmers, inequality of farmers access to institutional credit among States and Regions, decreasing supply of bank credit, farmers little access to financial product (like KCC, JLG, etc.), lack of financial literacy, and people less trust on BCs are the major issues, while low awareness about the available financial products (like APY and PMBY, KCC, etc..) and benefits of the financial products (credit limit of KCC), not availability of suitable insurance product for farmers, not appropriate market channel to reaching the farmers in context of insurance, challenges related to the BCs/BFs (training, commission, trust, fraud, performance, etc.), challenges related to the ICT based financial inclusion (like as security, network, power supply, etc.), rising gap between demand-supply in context of credit, huge level of NPAs in banks, limitations of the Co-operative banking system, banks continuous fail to achieving the priority sector lending target are the major challenges of financial inclusion of the farmers in the country.

7 Policy Responses of Financial Inclusion: The study could not measure the impact of financial inclusion policies and policies instruments on the financial inclusion of the farmers directly due to unavailability of the sufficient data, but indirectly, it can established that on the basis of available data the impact of FIP and PIIs has been positive impavt, because the No. of bank branches has been increased significantly (from 33378 to 51830), the BCs outlets have covered the 534447 villages out of approx. Total 6 lakh villages. Further, 164.0 billion Rs. has been disbursed under BSBDA OD scheme in rural areas. Further, banks has provided to 2217178 people credit counseling facility. Thus, researcher can concluded that there are positive impacts of financial inclusion policies and policy instruments on the level of financial inclusion of the farmers in the country.

Suggestions
On the basis of the findings of the study, the following viable suggestions are made to enhance the level of financial inclusion of farmers in the country:
• All banks should make the provision of training for their business correspondents and business facilitators. It is further suggested that the banks should establish their own training centers in various regions of the country to impart training to their business correspondents and business facilitators to enhance the efficiency and level of operations.

• Since the clients of business correspondents of banks are belonging to very low income group and consequently the amount of transaction is also very low, the monthly income of business correspondents remains around Rs. 1500 to 4500 which is very low. As the business correspondents work on full time basis, therefore, the GOI and RBI should make provisions of increasing their salary which may be around Rs. 10000 per month.

• The Priority Sector Lending (PSL) Target should be increased to 50 per cent instead of 40 per cent. Further, a target of 8 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, has been prescribed for Small and Marginal Farmers within agriculture, to be achieved in a phased manner. It should be increased from 15 per cent because the share of Marginal and Small farmers is more than 84 per cent to Total farming community in the country. Moreover, the RBI should make the different segments in PSLT in context of agriculture credit i.e., Marginal, Small and Women.

• A provision for consumption credit within institutional credit should be made GOI/RBI for all farmers in general and small and marginal farmers including women in particular so as to avoid the hardships/problems from their daily life. The vulnerable farmers are forced to take loan form informal sources, particularly in situations of floods, droughts etc. when their crops are destroyed or lost and no financial support is left with them, and besides that there is no provisions of financial help in such situations under institutional credit, hence this type of provisions may prove to be a great help to the Indian farmers.

• As the study exposed a strong relationship between farmers’ access to institutional credit and irrigation facility, while till date only 60.00 per cent area has irrigated of the country. Therefore, the government should emphasize on the irrigation facility in the country to enhance the level of financial inclusion of the farmers’ indirectly.
• The study also shows the negative relationship between poverty and financial inclusion. Therefore, the GOI should proper implement the MNREGA as a proper providing work to farmers and paid timely wages to farmers.

• The arrangements of releasing and utilizing the funds from Financial Inclusion Technology Fund (FITF) should be made for purchasing and utilizing the latest technology required for financial inclusion in the country as results of the study confirm that the fund sanctioned and disbursement has only 10 per cent to total fund which indicates towards a serious laps in the implementation of the policy.

• The RBI should create a separate data bank in context of financial inclusion to measure the progress of financial inclusion in all segments of the societies i.e., farmers, low income groups, employees, MSMEs etc.

• It is suggested that the government of India and RBI should create separate funds for different regions of the country on the basis of under developing agriculture sector so as to disburse more funds to the farmers who are in need of.

• As the study confirms the fact that farmers spend more than 60 per cent of their loan amounts on marriage and other ceremonies due to social customs, therefore, the GOI should make provisions of constructing community halls in villages so that the expenditure incurred by farmers on social customs be reduced and the proper utilization of loan amount be ensured.

• The study also shows a positive relation between rate of interest on formal loan and informal loan. Therefore, the RBI should reduce the rate of interest on loan.