Role of Microfinance and Financial Inclusion in the Development of Indian Farmers: A Quantitative Investigation

RAJNEESH BHARDWAJ , Assistant Professor, Department of Agriculture, Graphic Era Hill University, Dehradun Uttarakhand India 248002 ,

ABSTRACT

A country's economiSc rural and urban segments equally rely on the agricultural industry since it creates jobs in the former and supplies nourishment and unprocessed goods to the later. In addition to its critical contribution to the course of global growth, money plays a significant role in the constraints faced by peasants in emerging nations. The production of the agriculture land is adversely impacted by the lack of enough financing when it is required. Gross domestic product (GDP) of a nation suffers significantly when people are denied access to fundamental banking services. Authorities are proactive and occasionally launch a number of policy initiatives to ameliorate the position of such growers because marginal and small-scale farmers predominate the agricultural industry in these nations. However, the bulk of these people don't have quick access to the credit facilities they have to complete their output.

Keywords: Microfinancing, Financial Inclusion. Indian Farmers, Growth, Development, Agriculture, Farming

INTRODUCTION

In India, microfinance involvement is regarded as a crucial part of the growth plan to integrate the impoverished rural families with the established financial sector. Yet, there's some proof that indicates that microfinance may significantly boost unofficial lending money if customers must "top up" microloans or loan to return as per the instalment plan. This essay's goal is to investigate, using a specific example from Varanasi, V.P., the connection between both the degree of money owed to money - lenders as well as the kind of microfinance programme. Comparing these two microfinance designs which are widely used in the field of research, the writers come to the conclusion that customers of Microfinance Institutions (MFI) designs have a greater debt burden to money - lenders, and also that MFIs could make a contribution to one‘s customers' financial distress along with performance degradation if they lack complete facts about their customers' ability to repay (Barman, et al., 2009).

Farming is the major wealth creation in several developing nations, especially India. Being denied access to financing by peasants is a significant barrier to the development of successful farming. This issue has been approached in a number of ways. The perspective for agricultural financing has changed recently from the poverty-lending strategy to the financial system approach as a result of the development of microfinance. Microfinance does have the ability to meet the agricultural financing need. The current situation calls for the establishment of the ideal regulatory framework for the development of microfinance so that peasants may benefit from the availability of sufficient and reasonable loans. Newer programmes like PMJDY and PMMY are crucial stages towards accomplishing this goal. It is crucial to support self-sustaining systems like microfinance instead of ones that are grant- and subsidy-oriented. Agriculture will grow into a profitable endeavour with the accessibility to sufficient and inexpensive financing, which will then enable agriculture's GDP increase and boost to India's total GDP growth (Bharti, 2018).

Lakshmi & Visalakshmi, (2013) found that in many nations, fostering an equitable economic system is prioritised as a policy goal. The living standards of underprivileged peasants, remote non-farm businesses, as well as other disadvantaged populations must be improved. Although the value of financial inclusion is universally recognised, the amount of financial inclusion as measured by providing credit to small loans in the Indian economy is not known. India's modern, market-driven, liberalised system has not been able to promote inclusive growth.

Without a doubt, inclusive finance, which includes secure cost saving, carefully crafted lending for limited earning households and micro, tiny, and moderate businesses, as well as suitable protection and payment system, can assist individuals in boosting their earnings, acquiring wealth, managing their danger, and escaping economic inequality. It is acknowledged that having a financial service available lowers transaction fees and makes it easier to send and receive transactions. The average refinancing fee ranges from 8 to 14%, primarily as a result of operational costs, which are 10–14% for microfinance institutions (MFIs) as opposed to 3–4% for bankers serving their typical debtors (Anand, & Chhikara, 2013).

LITERATURE REVIEW

Taylor, (2011) stated that the poor are portrayed as entrepreneurial people in neoliberal developmental agenda who may accumulate wealth with the help of organised banking markets. This study looks at the way the Andhra Pradesh microfinance collapse of 2010 exposes important rifts in this story. It contends that in order to understand the microfinance issue in Andhra Pradesh, one must first understand the significant agricultural misalignments brought on by trade liberalisation, dry seasons, and a change in village social interactions. Rural agricultural disparities and a widespread problem of socialisation amongst land-poor farmers and agrarian workers are the conflicts that are most conspicuously manifested. Many rural groups wanting to boost utilization and rollover over debts in times of severe instability and misery discovered a good demand for microfinance, powered from both government initiatives and private entities leveraged with cross-border cash transactions. Yet, by capitalising on this susceptibility, microfinance institutions socialised the tensions of agricultural Andhra Pradesh and were finally pushed into limbo by the release of political and societal dynamics unanticipated in neoliberal discourses of agricultural development.

Subhani, (2010) pointed out that impoverished people want and thus are willing to shell out for microfinance services, which are financial services. An economic developmental model geared towards assisting limited income communities has developed through microfinance. Financial institutions typically involve loans and saving, as well as some microfinance institutions additionally offer coverage and payments options. Microfinance institutions were created to assist and give loans to the underprivileged in emerging nations, according to analysts. This study, which is premised on the effectiveness of microfinance and evaluated using logistic regression, seeks to investigate how Pakistan's agricultural sector is performing in light of the achievement of microfinance in numerous other nations. However, the results show there isn't a substantial correlation between the two variables. As a result, it suggests that microfinance seems to have no benefit and does not touch the real underprivileged. In addition to offering loan, the microfinance industry works to achieve profitability and control revenue swings.

Meyer, (2007) opined that microfinance has significantly influenced the finance sector by proving that it is possible to provide operating money to the underprivileged. A few of the top techniques which have aided in the development of microfinance are included in the modern financial sector model. There is currently a solid base on which to income and saving organisations and services that are best suited to extending banking services into agricultural and rural communities. Three crucial insights for that job are provided by the microfinance experiences. First one is that it's possible to develop viable banking firms that cater to the underprivileged, but it is difficult and so many MFIs remain a long way from accomplishing this objective. The second learning would be that creativity and experimenting are happening in amazing quantities. Thirdly, preserving and growing interest rates mobility serves both systems' vitally important shared interests.

Demirgüç Kunt, & Singer, (2017) found that financial inclusion can help reduce poverty and inequality by helping people invest in the future, smooth their consumption, and manage financial risks. Adults around the world and in all income, groups use an array of different financial services. However, many low-income adults rely on informal financial services. Access to formal financial services allows people to make financial transactions more efficiently and safely and helps poor people climb out of poverty by making it possible to invest in education and business. By providing ways to manage income shocks like unemployment or the loss of a breadwinner, financial inclusion can also prevent people from falling into poverty in the first place. This is especially relevant for people living in the poorest households.

According to NSSO statistics of 2003, 51.4% of the nation's 45.9 million peasant families do not have entry to finance from either institution or non-institutional means. Generally speaking, 73% of farm producers lack official finance options. Since 64% of all economically vulnerable farm families in the nation are concentrated in these three areas, isolation is at its worst there. In such three locations, legal sources of finance solely account for only 19.66% of total liabilities. 66% of all farm families are vulnerable farm families. Just 45% of these families have loans from formal or informal financial institutions. Almost 80% of non-cultivator families have no recourse to financing of any kind. Just 36% of ST farm families have credit, compared to 51% of SC and OBC families, who are largely in loans to unverified sources (Chandran, 2011).

As a potent means of offering the most basic financial services to women, marginalised and small-scale peasants, and rural poor people, microfinance has gained popularity. With the establishment of the microfinance program, the lending alternatives available to the poor in rural areas were expanded. This plan is meant to be a sword against deprivation and a safeguard against predatory lenders. Lenders from the unregulated informal economy continue to play a significant role in agricultural India's lending market. Farmer and rural poor bank loans from money - lenders as well as other private sources of agricultural finance are still considerable to a certain degree, i.e. 77 percent to 32 percent. In this context, microfinance has evolved as a different credit option for agrarian areas. Microfinance program offer all types of financial services, such as lending, savings accounts, and insurance. It occasionally does more than banking firms (Rao & Priyadarshini, 2013).

DOI: https://doi.org/10.53555/V23I1/400059

Kumar, et al. (2010) said that in order for farming business to be successful in India, farming must be made economical rather than usurping peasants. They should also receive funding for their basic and immediate requirements. By cutting out intermediaries, the Punjab Mandi Board has tested with a farmers' market to give small peasants close to metropolitan regions direct consumer access. Peasants and customers, who support one another, are partners in the "Apni Mandi" project. A total of Rs. 5.2 lakh is invested on this plan to give 1000 peasants plastics boxes. Five boxes are provided to each peasant at a discounted price. They comprise borrowed funds, improved seedlings, and inputs incentives. The Apni Mandi initiative give the business self-employment opportunities and removes social barriers to the selling goods of goods.

Objectives of the study:

1. To find the role of microfinance and financial inclusion in the development of Indian farmers

Research Methodology:

This study is empirical in nature. In this study 216 respondents were contacted to give their viewpoints on role of microfinance and financial inclusion in the development of Indian farmers. The data analysis was done with the help of the frequency distribution and pie charts were used to present the data.

Data Analysis and Interpretation:

Table 1 Agriculture will grow into a profitable endeavour

Particulars	Agree	Disagree	Can’t Say	Total
Respondents	159	36	21	216
% age	73.6	16.7	9.7	100

Table 1 presents that with the statement **agriculture will grow into a profitable endeavour**, it is found that 73.6% of the respondents agree with this statement.

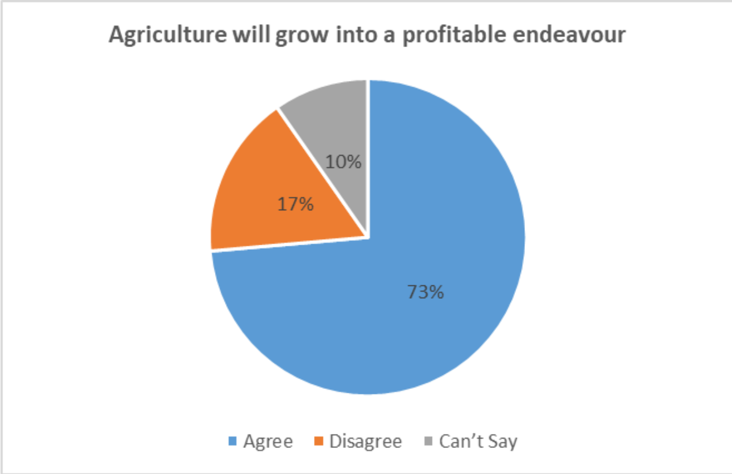

Figure 1 **Agriculture will grow into a profitable endeavour**

Table 2 Enable Agriculture's GDP Increase and Boost to India's Total GDP Growth

Particulars	Agree	Disagree	Can’t Say	Total
Respondents	163	35	18	216
% age	75.5	16.2	8.3	100

Table 2 presents that with the statement **enable agriculture's GDP increase and boost to India's total GDP growth,** it is found that 75.5% of the respondents agree with this statement.

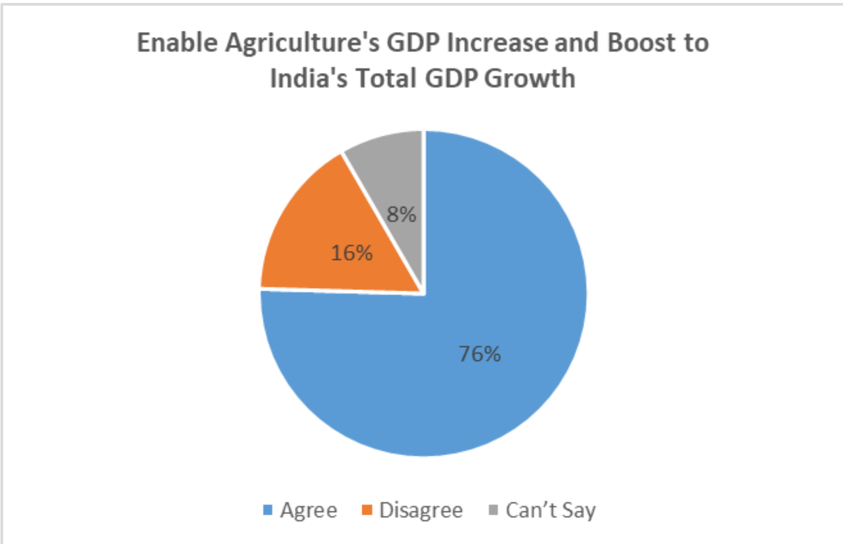

Figure 2 Enable agriculture's GDP increase and boost to India's total GDP growth

Table 3 Living standards of underprivileged peasants will be improved

Particulars	Agree	Disagree	Can't Say	Total
Respondents	171	38	7	216
% age	79.2	17.6	3.2	100

Table 3 presents that with the statement **living standards of underprivileged peasants will be improved,** it is found that 79.2% of the respondents agree with this statement.

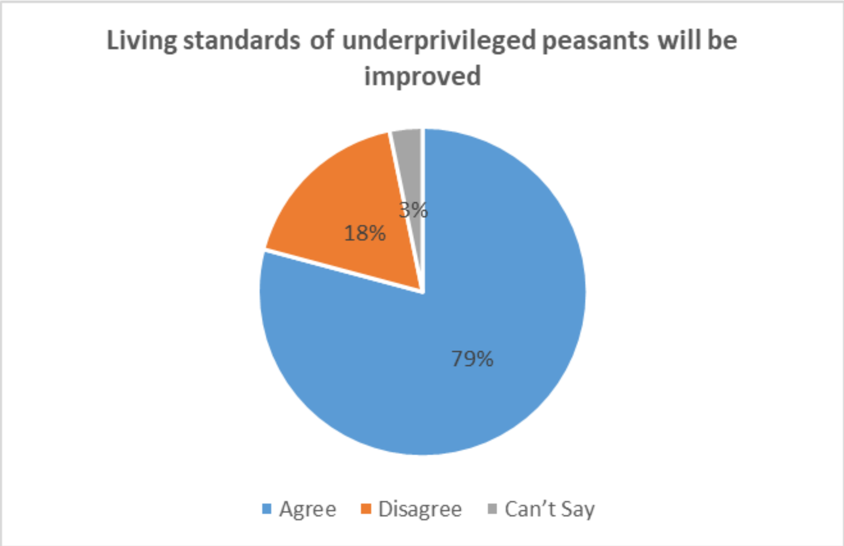

Figure 3 Living standards of underprivileged peasants will be improved

Table 4 Help cut down poverty and injustice by helping people invest

Particulars	Agree	Disagree	Can't Say	Total
Respondents	183	27	6	216
% age	84.7	12.5	2.8	100

Table 4 presents that with the statement **help cut down poverty and injustice by helping people invest,** it is found that 84.7% of the respondents agree with this statement.

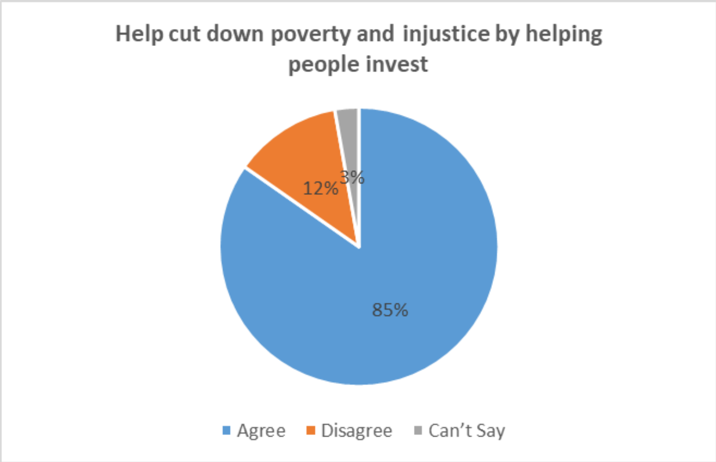

Figure 4 Help cut down poverty and injustice by helping people invest.

Table 5 Approach to financial services allows farmers to make trade more expertly.

Particulars	Agree	Disagree	Can't Say	Total
Respondents	169	37	10	216
% age	78.2	17.1	4.6	100

Table 5 presents that with the statement **approach to financial services allows farmers to make trade more expertly,** it is found that 78.2% of the respondents agree with this statement. Considering all the responses of the statements, it was found that to a good percentage, the respondents have agreed that microfinance and financial inclusion help in development of Indian farmers.

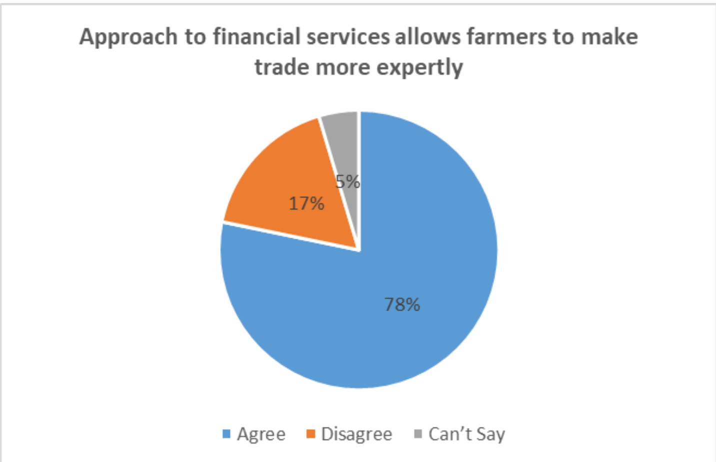

Figure 5 Approach to financial services allows farmers to make trade more expertly

CONCLUSION

An enhanced economic structure that channels money aids in increasing the expansion of a business. This probably applies for both developed and developing nations in all respects. In this sense, the main managed banking middlemen that support a country's economic financial sector are financial institutions. Their dependable and efficient activities help to improve the functioning of the business by transferring money from those who save to those who borrow. This situation is distinct and each of the aforementioned ideas are thrown into doubt if half of the worldwide people lacks access to banking. People are unaware of banking markets and cannot make use of either official or semi-formal financial products for lending or saving the money.

REFERENCES

1. Barman, D., et al. (2009). Role of microfinance interventions in financial inclusion: A comparative study of microfinance models. Vision, Vol.13(3), 51-59.
2. Taylor, M. (2011). Freedom from poverty is not for free’: rural development and the microfinance crisis in Andhra Pradesh, India: Journal of Agrarian Change, Vol. 11(4), Pp 484-504.
3. Bharti, N. (2018). Evolution of agriculture finance in India: a historical perspective: Agricultural Finance Review, Vol.78(3), Pp 376–392.
4. Subhani, M. I. (2010). Impact of Microfinance on the Performance of an Agriculture Industry in Pakistan: South Asian Journal of Management Sciences, Vol. 4 (2), Pp 23-28
5. Meyer, R. (2007). Microfinance services for agriculture: opportunities and challenges: International conference What Can Microfinance Contribute to Agriculture in Developing Countries, Pp 2-12
6. Lakshmi, P., & Visalakshmi, S. (2013). Impact of cooperatives in financial inclusion & comprehensive development. Journal of Finance and Economics, Vol. 1(3), Pp 49-53
7. Demirgüç-Kunt, A., & Singer, D. (2017). Financial inclusion and inclusive growth: A review of recent empirical evidence. World Bank Policy Research Working Paper, (8040), Pp 2-25
8. Chandran, D. (2011). Financial inclusion strategies for inclusive growth in India: Munich Personal RePEc Archive, Pp 1-12

9. Rao, P. S., & Priyadarshini, Y. J. (2013). Credit options to the rural poor: Microfinance as a source of rural credit in India: International Journal of Management and Social Sciences Research, Vol. 2(4), Pp 8-21.
10. Kumar, M., et al. (2010). Micro-finance as an antipoverty vaccine for rural India: International Review of Business and Finance, Vol. 2(1), Pp 29-35.
11. Yadav, P., & Sharma, A. K. (2015). Agriculture credit in developing economies: A review of relevant literature: International Journal of Economics and Finance, Vol. 7(12), Pp 219-244.
12. Anand, S., & Chhikara, K. S. (2013). A theoretical and quantitative analysis of financial inclusion and economic growth: Management and Labour Studies, Vol. 38(1-2), Pp 103-133.
13. Sharma, D. (2016). Nexus between financial inclusion and economic growth: Evidence from the emerging Indian economy: Journal of financial economic policy, Vol. 8(1), Pp 13-36.