

Assessing Medium and Small Farmers' perception and awareness over Banking services and Financial Products in Puducherry.

Baig Mansur Ibrahim
Research Scholar,
Bharathiyar University,

Dr.K. TAMIZH JYOTHI
Associate Professor,
Department of Business Administration,
Annamalai University
Annamalai nagar - 608 002
Tamilnadu, INDIA

Abstract

Indian agriculture accounts for 17 to 18% to its GDP and 50% of work force of population (farmers) are employed in it yet struggles to survive and earn their livelihood. Despite of tremendous efforts of the Government to improve financial literacy among the farmers, still lack in basic awareness of financial services offered to them. Puducherry state was first to achieve complete financial inclusion in the year 2012 but yet to utilize the financial services and products offered to them effectively and efficiently. Medium and small farmers of Puducherry are yet to have complete awareness of formal financial system. The study focusses on kind of perception and level of awareness that the respondents carry over the banking services and financial products namely No Frill Accounts and Kisan Credit Card offered to them. The paper tries to clarify that positive perception and higher level of awareness of financial services and products would ultimately result in improved accessibility and usage and in turn would improve inclusive growth. The study has adopted stratified random sampling where 382 farmers from the extreme rural areas of Puducherry have been selected for the assessment.

Key Words: lack of awareness, banking services, No Frill Accounts, Kisan card, Inclusive growth.

Introduction

Status of Medium and Small Farmers in India

India, despite of being an agricultural country, 45.9 million of the total 89.3 million farmers household do not have access to the credit either from the formal or the informal sector. Only 27 % of the total farm households use formal sources of credit. The most vulnerable group at the bottom of the pyramid of the farming population in the country are small and marginal farmers. The small and marginal are poor in the country. They do not have access to institutional credit for agriculture purpose. Banks also feel that these two categories of farmers are not credit worthy due to their small size of land holding which posses high credit risk. Due to inadequate access of financial services, these groups borrows funds from non-institutional sources at high rate of interest.

With a focus of this thesis on Marginal and Small Farmers, it is accounted that 86.2% of the India farmers come under this category (Marginal Farmers) and own just 47.3% of the crop area. The semi-medium farmers number 13.2% with 43.6% of crop area. Although, the survey depicts the downfall in the rate of farmers, the marginal farmers seem to aggravate to 86.2% from 84.9%. This increase in the number to 126 million small and marginal farmers indicates that the Government's assistance with regards to assisting such category of farmers is still challenging with respect to farm support schemes and new technology. Further, when calculated the area of land which is 74.4 million hectares with respect to the these farmers i.e., 126 million, then the single farmer holds an average of mere 0.6 hectares which can in no means assist the surplus production to have a financially stabilize their families, which is in other term a rising challenge in the domain of Indian Agriculture. During the period of 2010-2015, the rise in the small and marginal farmers aggravated to 9 million and the holding of land declined on a average to 1.08 hectares from 1.15 hectares. This indicates that India needs to wait for another two decades for resolving the issues on the increase of farmers with a consecutive decline in land or holding for farming, with the introduction of advanced technologies and market. The chair professor of agriculture, Ashok Gulati, at New-Delhi based Indian council for Research in International Economics Relation, states that the small farmers can indeed develop only when they diversify their cultivation towards the crops that are of high-value and also when they invite or attract huge capital investment in the same.

According to the survey "State of Indian Farmers" 2013 undertaken by the Centre for the Study of Development Societies it is reported that 76% of the Indian Farmers wish to give away the farming. It also exclaims that the framed Government policies and schemes are with the focus on big farmers who hold more than 10 hectares of land or above, however when sighted on the small and poor farmers, only 10% of them are witnessed with the benefits from the same. With such a limited small farmers being positively impacted, it is visible that the Government has imparted initiative with reference to the development of farmers but the impact isn't up to mark due to the lack of knowledge on such schemes and its operations. Hence it is now equally important for the Government to emphasize on the parameter that hinders these farmers from enjoying such policies and that indeed starts from farmer's literacy.

Regardless to various development in the Indian agriculture, there are challenges that is witnessed such as

- Majority of the agricultural outputs depend on monsoon for its cultivation
- Lack of government initiative with regards to the price balance on the purchase and sales of inputs and outputs respectively. This has also been a major cause of farmer suicides in India
- Prevailing illiteracy both in terms of technological advancement assisting the farming and also the banking service to facilitate with the same regards

Apart from the above, various challenges can be witnessed by farmers either based on the farming methods used by them or the type of farming that is followed. With respect to the types of farmers, it has various categories; however the main category is based on the land holdings i.e.

- Landless Famers - No land in his or her name
- Marginal Farmers -Less that 1 hectare land
- Small Famers - 1 or 2 hectare land
- Semi-medium Famers - 2 to 4 hectare land
- Medium Farmers - 4 to 6 hectare land
- Large Farmers - above 6 hectare land

Based on the 10th agriculture census 2015-2016, there is a downfall in the rate of farmers, when compared to the period of 2010-2011. However, the holdings still continue to be distributed unequally. This also led to the down fall in the total area of farming in India to 157.14 million (2015-2016) from 159.6 million (2010-2011)

Size of land holdings of various categories of Farmers

Classification	Range (Hectares)	2010-2011	2015-2016	% Change
Small	<1	117.25	125.86	7.34%
Medium	1-4	19.72	19.3	-2.13%
Large	4-10	0.98	0.83	-15.31%

(The above is the table indicating the increase in the holdings of small farmer which is subsequently increased when compared to the large farmers, which has decreased)

Problem definition with reference to Puducherry Medium and Small Farmers

The study specifically aims at assessing the awareness, accessibility and affordability of financial of financial services among the farmers at Puducherry state. Puducherry has attained 100 percent financial inclusion in the year 2012. But the real impact of financial inclusion can only be seen when the lives of poor gets economically uplifted with the maximum usage of Financial Services The farmers categorized in Large, Medium, Marginal and Small posses bank account but all the do not use financial services effectively. The farmer who fall under large category use financial services sufficiently at a fullest extent (ie) apart from deposits and savings this category utilizes their allotted financial products such as Kisan Credit card, crop loans etc., But, unfortunately the others categories of farmers who are categorized into Medium, Marginal and Small use banking services only getting government subsidies. Due to unawareness of the financial products and lengthy procedures of banking documents they still find availing financial assistance from money lender easy and comfortable. Due to this, the lives of such farmers are yet to be improved

Objective of the Study: To determine the perception and awareness level of the Medium and Small Farmers of Puducherry towards Banking services and Financial Products

Review of literature

Isaac Azikiwe Agholor (2020), has carried a research investigating awareness of service quality and satisfaction of smallholder farmers with commercial banking sector in Amathole district. The stresses that bank paly a very important role in promoting awareness of financial services and providing quality services to the rural sector. The rural people have rare opportunities in knowing and learning about formal financial system. Hence banks need to play an important role in promoting the awareness of services. The research identifies a significant relationship between the variables such as Tangibility and reliability. It is found that small farmers are more satisfied and reliable to the services when they are completely tangible. The banks in Amathole district had played a significant role towards of tangibility of financial services which in turn has resulted in enhanced awareness among small farmers.

Mangalam, I. Nagarajan (2019), has attempted to study the awareness and utility pattern of Kisan Credit Cards by way of the farmers of Primary Agriculture Credit Cooperative society in Madurai District in Tamilnadu. It is based totally commonly on major facts gathered from the 520 Kisan Credit holders issued with the aid of Primary Agriculture Cooperative society of Madurai District through convenient sampling method. The end result suggests that owing to excessive price of activity for medium- term, long-term, consumption and contingency loans, majority of the sample farmers decide upon KCC to avail activity free crop loan or Jewel crop loan. The farmers who are having both dry and moist land ought to plant double crop ought to avail revolving deposit facility at some point of the year. The small and marginal farmers having top report and being a member of JLG can achieve collateral-free savings from the Cooperative society. It is discovered from the study that that majority of the pattern farmers in the study region did now not avail crop insurance. It is pointing out that majority farmers are conscious and successfully use the debit slip and cheque for borrowing. Lacks of computer system, internet facility in the cooperative society as properly as time constraint, illiteracy of the farmers are the motives for the minimal use of ATM card and mobile-based transfer. The stage of recognition is positively correlated to the utilization sample of KCC loan. The impartial variables such as knowledge, operation and benefits have wonderful effect on utilization of loan.

D. Shanmugavadivel (2015), attempted to determine the awareness among the farmers about the financial services provided by the public sector banks in Coimbatore district. It is found that many loan based schemes have been offered by the banks for agriculture but small farmers are completely unaware about it which have opened the doors of unorganized sectors. Hence the researcher have stressed the requirement of high level of promotion of financial services and products by the banking sectors.

Sumaiya M, and Gandhimathi S. (2015), The KCC instrument would enable farmers to purchase agriculture inputs such as seeds, fertilizers, pesticides and additionally allow them to withdraw some cash for meeting their other crop manufacturing associated requirements. (Expert Committee, NABARD, 2010). Since the important goal of Kisan Credit Card scheme is to enhance the credit accessibility of the farmers, en effort was once made to analyse the affect of Kisan Credit card scheme on farmers of India. The findings of the study showed the introduction of Kisan Credit Card scheme contributed only 14.17% in determining the financial inclusion and borrowings of commercial banks contributed only 3.15%.

Michael Lalrinmwia and Hripom Gupta (2015) in their study defined the concept of Financial Inclusion stating it as a step of providing access of financial services and products to the poor at an affordable cost. But they raised many queries in the concept of financial inclusion with its base definition. The study stressed in determining financial literacy along with financial accessibility. 320 farmers were surveyed who had sufficient financial accessibility. It was found that financial 86.56% of farmers had poor to very poor knowledge of financial systems in terms of its products, services and its usages. The study concluded that financial accessibility cannot sufficiently serve the purpose of financial inclusion rather it must accompany with enhanced financial literacy to cover the poor and unreached under the umbrella of formal financial system.

Navdeep Agarwal et al. (2014) in his study measured the existing financial awareness among farmers in Punjab. It was found that only 37% of the farmers in the state were financially literate and had sound financial knowledge and 47 % of the farmers had fair level of financial awareness. In addition to this, the farmers who financial literate had fair knowledge about the interest rate, compounding principles and inflation but were weak in opting formal financial system and also found weaker in basic financial principles. Thus, the study concluded that fair and adequate level of financial literacy must not be ended with knowledge alone but must put in to practice with strong financial principles.

Radhakumari (2014), in his study highlighted that minimum education among the respondents (X th standard) are able understand and use no frill accounts effectively. They are fully aware of the purpose for which the accounts are opened and hence never let account to run out of money. Literates and educated face are successfully able to authenticate their transactions with their signatures with the understanding ability which results in increased the literacy levels and education. Even the customers are able to solve any problems encountered during the process of opening the no-frill accounts.

Kumar and Mishra (2011) in their study measured the financial inclusion by looking at the supply of banking outreach indicators such as no. of deposit and credit accounts, no. of bank branches, average deposit and credit amount per count and credit utilized. And demand side for indicators of household level access such as t4he proportion of households having savings, credit and insurance facilities and developed a separate Financial Inclusion Indices for all States /UTs of India.

Mahendra, A. (2011), The study was carried out at Shimoga taluk to assess the awareness of households towards financial services offered by the financial institutions. The findings depicted that 65% of the respondents are mainly from agricultural background among whom only 52% were educated and rest 42% found illiterate. It was also determined that 35% of the respondents did not have bank accounts. Similarly only 35% of the respondents have account with RRBs followed by commercial banks 21.67% and Cooperative Banks 8.33%. The study revealed that 46.67% of the respondents avail credit form friends and relatives and money lenders. Low income level, low savings, long distance, poor advice, lack of financial literacy are the major hurdles to respondents in utilizing financial services.

Research Methodology

The present study has adopted descriptive research design. The descriptive methodology has been focused on review in the literary evidences that are available through external and internal sources. Since the study is based on assessing perception and awareness level of financial services to the farmers with respect to Puducherry state, the parameters such as awareness of banking facilities, No frill or zero balance accounts and Kisan Credit Card have been taken in to account.

Simple random sampling method has been applied in the study. Puducherry district consists of 71 villages panchayats, five communes and two blocks. The blocks named as Arriyankuppam and Villianur. Ariyankuppam block has three communes namely Ariyankuppam, Bahour and Nettapakam and Villianur block has two communes namely Villianur and Mannadipet. Ariyankuppam block has been selected as a source of research as it is coupled with 37 village panchayats. The respondents of the study were from agricultural background differed with possession of land size and activities related to agriculture. Through pilot study has been found that inhabitants of farmers are more in Arriyankupappam block than Villianure. The later has probably turned in to semi urban at a fast pace. Hence, the researcher found Arriyankupam block as an appropriate area to assess the impact of financial Inclusion among farmers category. Therefore, finally 383 respondents found to be fit for further analysis.

Categories of Farmers for the study based on Possession of Land in Total Hectares

Sl. No	Factors	Frequency	Percentage
1	Less than 1	37	9.7
2	1 to 2	123	32.1
3	2 to 4	168	43.9
4	4 to 10	52	13.6
5	Above 10	3	.8
	Total	383	100.0

The study has selected majority of respondents from Medium Farmers possessing (1-4 hectares of land and Small Farmers possessing (<1 hectares of Land)

Data Analysis and Discussion

In order to assess the awareness level, Mean and standard deviation has been performed. Means of various sub factors clarifies the perception and the level of awareness among the respondents.

Table 1

Mean Score and Standard Deviation of respondents' awareness towards Banking Facilities

Sl. No	Factors	Mean	Standard Deviation
1	Depositing and Withdrawing Cash	2.55	.755
2	Agricultural and Jewel Loan	2.54	.730
3	Kiosk Facilities	1.89	.809
4	Mobile banking / online banking	1.87	.699
5	Kissan Credit Card	1.83	.837
6	Knowledge in operating ATM	1.81	.733

Discussion: Table 1 clarifies that the sub factors “Depositing and Withdrawing Cash” and “Agricultural and Jewel Loan” have the highest mean value of 2.55 and 2.54 indicating a more positive response and the highest among all the Banking facilities awareness. This indicates that the farmers of Puducherry perceive banking service as just opening of saving accounts utilize it for the purpose of depositing and withdrawing cash. They are less aware about the rest of mentioned sub factors.

Table 2

Mean Score and Stand Deviation of respondents' perception and awareness towards No Frill Accounts

Sl. No	Factors	Mean	Standard Deviation
1	Receiving Government Subsidies	4.24	.899
2	Availability of Loan Facility	3.84	.786
3	Awareness of less Interest rate per annum on balance amount	3.79	.776
4	Purpose of using account	3.75	.957
5	Availability of Rupay Debit Card, Cheque Book and Online Transfer	3.74	.991
6	Unlimited deposits	3.72	.908
7	Free life cover of Rs. 30.000	3.38	1.048

Discussion: Table 2 clarifies the sub factor “Receiving Government Subsidies” in No frill account has the highest mean value of 4.24 indicating a more positive response and the highest among all the No frill accounts

facilities awareness. This indicates that farmers perceive No Frill Accounts as an account only to receive free subsidies from the Government and lack awareness about rest of the mentioned sub factors.

Table 3
Mean and Stand Deviation of Respondents' opinion towards rating Kisan Card

Sl. No	Factors	Mean	Standard Deviation
1	Reduced interest towards accessing credit	4.14	.962
2	Documentation Procedure	1.98	.125
3	Flexibility of using the card	1.98	.492
4	Hassle free Repayment Procedures	1.72	.676
5	Period for sanctioning credit limit	1.71	.455
6	Actual Credit Limit	1.46	.499
7	Period for Drawing limit	1.04	.269

Discussion: Table 3 clarifies the sub factor “the opinion of rating Kisan card service as cost reduction (interest) while availing loan or credit” has the highest mean value of 4.14 indicating a more positive response and the highest among all the opinion of rating Kisan card facilities. This indicates that farmers perceive Kisan Card as the source of obtaining agriculture seasonal credit at lower interest rate and lacks sufficient awareness about the rest of mentioned sub factors.

Suggestions and Recommendation

The awareness of banking facilities can only be created when banks are at reasonable reach. Travelling long distances to reach the banks will rather create distance from the functioning of the bank than stimulating its awareness. Though government has taken steps install banks in the villages for the betterment of the poor, it do not turned to be sufficient one. Each village could have minimum of two banks at their nearest reach. Having maximum banks at the reach of the poor could improve their savings habit thereby economic upliftment can clearly be seen. ATMs are found sufficient at the reach but frequent accessibility is the matter of concern. Here again lack of literacy of operating the ATMs is the major issue. Hence, if the sufficient number of banks are at reach then understanding the operation of ATM will become handset.

The awareness and utility of No frill accounts must be inculcated among the farmers. They must be made to aware of facilities offered in No frill Accounts. Farmers again open no frill accounts or zero balance account just for saving and deposits or for other common purpose. But most of them are unaware of the facilities offered through it. The loan offers and its interest rates, life cover, unlimited deposits etc must be

brought in to light in to the knowledge of farmers. The low income category of farmers must also be aware that it require no collateral securities to open such account. Stimulation from the government or bank must be such that all the categories of farmers must be dragged towards utilizing financial services. The bank must aim at giving awareness of the schemes that are beyond saving, deposits and government subsidies.

It has been found that the possession of Kisan Credit Card for the longer duration has minimum utilization numbered to twice or thrice during its holding period and the purpose of utilizing the card is limited to mostly non-farm purposes. Hence it is the responsibility of the banks to elaborate about its facilities during every visit it sanctioned credit limits, facility of crop loan, accidental insurance coverage and its lower interest rates. Frequent reminders for the offers and the loan under the scheme must be communicated on a regular basis through messages.. Frequent reminder will stimulate a portion of farmers to at least visit and gather information about the schemes. The lower interest rates towards the crop loan must highlighted through posters or digital messages during their every visit to the bank. Since all the categories in terms of gender, income and family size carry similar and limited awareness about the benefits of Kisan Credit card, hence common addressing elaborating the services of Kisan Credit card can be planned by the banks in their area. The collaborative effort with the agricultural institution involving the faculty members can lessen the burden of bankers during their busy schedule.

Conclusion

Majority of farmers in Puducherry are small and marginal and the count of large categories of farmers are comparative lower than the small and the marginal one. Therefore, the awareness of financial services and products offered for this category are lower. It has been found the most members' family possess Bank Accounts but it has been utilized mostly for receiving Government subsidies. Very few have awareness about Kisan Credit Card and No frill accounts. Some has possessed for few year but the purpose of possession are yet to be understood.\

The most common laggard that has been determined among the famers is lack of financial literacy. The efforts taken by the government towards financial education are not sufficiently recognized among the group. Low number of Banks in the surrounding and the distance to reach to the bank is another minor constraints for the farmers to avail financial services in the full-fledged manner. The overall outlook of research depicts that 100 percent financial inclusion in Puducherry has just been attained in term of opening bank accounts but its effective utilization are yet to be justified. The impact of financial inclusion has definitely improved the life style and the socio- economic status of the farmers but still they are found with availing financial assistance from the money lenders. The research throws a deep light on the fact that financial inclusion can only be attained at its fullest only when the products and services offered are utilized at its fullest. The totally curb of money lenders who charge high rate of interest can only release when these categories are financially well educated. Steps towards achieving financial literacy is t tough but not unattainable, the efforts of government along with banks persists but lack in effectiveness.

References

- Agholor, A. I. (2020).** “*Smallholder farmers' awareness of service quality in commercial banking: a case of Amathole Distric*”t, South Africa. *Ponte*.
- Mangalam, I. Nagarajan. (2019).**” *Awareness and Utilisation of Kisan Credit Card Scheme – A Study with reference to Primary Agriculture Credit Cooperative Societies in Madurai District*”, *International Journal Of Management And Social Sciences*, Vol.8.No.2
- Sumaiya M, and Gandhimathi S. (2015). “*Kisan Credit Card Scheme on Financial Inclusion in Agricultural Sector*,” *Asian Journal of Research in Banking and Finance*, Vol.5 (2), pp.175-182.
- Shanmugavadivel, D. (2015).** “*A study on awareness of farmers on agricultural finance in public sector banks with special reference to Coimbatore district*”, *International Journal of Science and Research (IJSR)*, ISSN, 2319-7064
- Lalrinmawia, M., & Gupta, H. (2015).** “*Literacy and Knowledge: Farmers' financial inclusion feasibility*”. *SCMS Journal of Indian Management*, 12(3), 17.
- Aggarwal, N., Gupta, M., & Singh, S. (2014).** “*Financial Literacy among farmers: Empirical evidence from Punjab*”. *Pacific business review international*, 6(7), 36-42.
- Radhakumari.C. (2014).** “*Illiterates – Yet Increase In the Awareness Levels Among Villagers - In Rural India - Impact Of No-Frill Accounts – Part Of Financial Inclusion*”, *International Journal of Business Management & Research (IJBMR)* ISSN(P): 2249-6920; ISSN(E): 2249-8036 Vol. 4, Issue 2, Apr 2014, 27-50
- Kumar, C., & Mishra, S. (2011, February).** “*Banking outreach and household level access: Analysing financial inclusion in India*”. In *13th Annual Conference on Money and Finance in the Indian Economy* (pp. 1-33).
- Mahendra, A. (2011).** “*Impact of No-Frills Bank Account on Farmers as A Means of Financial Inclusion-A Study in Shimoga District*”, (Doctoral dissertation, University of Agricultural Sciences GKVK, Bangalore)