

RESEARCH PAPER

A comparative study on financially included and financially excluded farmers in Coimbatore district of Tamil Nadu

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ABSTRACT

Financial inclusion was first featured - 2005 in India. 73 per cent of farmer households have no access to formal sources of credit from both formal/ informal sources. Of the total farmer households, only 27 per cent access formal sources of credit. Across regions, financial exclusion is more acute in Central, Eastern and North-Eastern regions. All three regions together accounted for 64 per cent of all financially excluded farmer households in the country.

KEY WORDS : Financial inclusion, Financial exclusion, Financial inclusive index, Kissan credit card, Cropping intensity

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Definition - as the process of ensuring access to financial services, by timely and adequate credit that are needed by vulnerable groups such as weaker sections and low income groups at an affordable cost (The Committee on Financial Inclusion, Chairman: Dr. C. Rangarajan). Financial inclusion was first featured - 2005 in India. Introduced by K.C. Chakraborty, the Chairman of Indian Bank. Mangalam Village in Pondicherry became the first village in India where all households were provided banking facilities. The present study was conducted to calculate the financial Inclusive Index for the top 10 states in India and to compare the income and sources of borrowing of financially included

and financially excluded farmers in Coimbatore district of Tamil Nadu.

METHODOLOGY

Financial inclusive index :

As an inclusive financial system should be judged from several dimensions, a multidimensional approach is followed while constructing the index of financial inclusion (IFI). The approach is similar to that used by UNDP (offer expansion) for computation of some well-known development indexes, such as the HDI, the HPI, the GDI and so on. As in the case of these indexes, proposed IFI is computed by first calculating a dimension index for each dimension of financial inclusion. The dimension index for the i^{th} dimension, d_i , is computed by the following formula. $d_i = \frac{A_i - m_i}{M_i - m_i}$ where A_i = Actual value of dimension I , m_i = minimum value of dimension I , M_i = maximum value of dimension i . The formula ensures that $0 \leq d_i \leq 1$. The higher the value of d_i , the higher the country's achievement in dimension i is. If n

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dimensions of financial inclusion are considered then, a country *i* will be represented by a point $d_i = (d_1, d_2, d_3, \dots, d_n)$ on the *n* dimensional Cartesian space. In the *n*-dimensional space, the point $O = (0,0,0,\dots,0)$ represents the point indicating the worst situation while the point $I = (1,1,1,\dots,1)$ represents the highest achievement in all dimensions. The index of financial inclusion, IFI_i for the *i*th country, then, is measured by the normalized inverse Euclidean distance of the point D_i from the ideal point $I = (1,1,1,\dots,1)$. The exact formula is :

$$IFI_i = \frac{1}{\sqrt{n}} \frac{\sqrt{(1-d_1)^2 + (1-d_2)^2 + \dots + (1-d_n)^2}}{\sqrt{n}}$$

States are categorized into three types on the basis of following values of IFI

- $0.5 \leq IFI \leq 1$ – High financial inclusion
- $0.3 \leq IFI \leq 0.5$ – Medium financial inclusion

- $0 \leq IFI \leq 0.3$ – Low financial inclusion.

Percentage analysis :

Percentage analysis was used to find the income level and details of loan by financially included and financially Excluded farmers.

ANALYSIS AND DISCUSSION

From the Table 1 its clear that Delhi ranks first, Chandigarh ranks second, Maharashtra ranks third, Goa ranks fourth and Tamil Nadu ranks 8th in terms of financial inclusion in India.

Among the respondents, 71 per cent of financially included farms are having the family members of more than four; with respect to financially excluded farms 63.3 per cent of farms are having the population of more than four family members (Table 2).

Table 1: Index of financial inclusion for first 10 states - India

Sr. No.	State	d ₁ (Penetration)	d ₂ (Availability)	d ₃ (Usage)	IFI	IFI Rank
1.	Delhi	0.136	1	0.294	0.556	1
2.	Chandigarh	0.002	0.638	0.455	0.521	2
3.	Maharashtra	0.275	0.485	0.127	0.511	3
4.	Goa	0.019	0.202	1.001	0.27	4
5.	Bihar	0.746	0.092	0.047	0.226	5
6.	Madhya Pradesh	0.568	0.095	0.051	0.203	6
7.	Uttar Pradesh	0.503	0.092	0.086	0.203	6
8.	Karnataka	0.172	0.262	0.168	0.2	8
9.	Tamil Nadu	0.213	0.214	0.174	0.2	8
10.	Pondicherry	0.239	0.112	0.242	0.195	10

Table 2 : Family size of the respondents

Family size	Financial inclusion		Financial exclusion	
	No. of farms	%	No. of farms	%
≤ 4	32	71.1	27	63.3
> 4	13	28.9	11	36.7
Total	45	100	30	100

Table 3 : Farm size of the sample households

Farm size (owned)	Financial inclusion			Financial exclusion		
	No. of farms	Average area (ha)	Per cent	No. of farms	Average area (ha)	Per cent
Marginal (< 1 ha)	15	0.67	33.33	7	0.60	23.33
Small (1 – 2 ha)	22	1.48	48.88	6	1.50	20
Medium (2-4 ha)	7	3	15.55	1	2.50	3.33
Large (> 4 ha)	1	4.5	2.22	0	0	0
Leased-in	-	-	-	16	0.65	53.33
Total	45	0	100	30	0	100

Table 4 : Sources of information for financial inclusion

Sr. No.	Sources of information	Numbers	Percentage
1.	Family members	2	4.44
2.	Advertisements/news	1	2.22
3.	Insurance agent	7	15.56
4.	Government officials	6	13.33
5.	NGO worker	3	6.67
6.	SHG	2	4.44
7.	Business correspondent	24	53.33
8.	Total	45	100

Table 5 : Access and availability of financial services

Sr.No.		Financially included farmers		Financially excluded farmers	
		Numbers	Percentage	Numbers	Percentage
1.	Savings accounts	45	100	-	-
2.	Kissan credit card	45	100	-	-
3.	Debit/credit card	20	44.44	-	-
4.	Money transfer	30	66.66	-	-
5.	Health insurance	5	11.11	-	-
6.	Crop insurance	45	100	-	-
7.	No access to any of the financial sources	-	-	30	100
8.	Net banking	2	4.44	-	-

Table 6 : Sources of borrowings

Sr. No.	Source of borrowing	Financially included farmers		Financially excluded farmers	
		Numbers	Percentage	Numbers	Percentage
1.	Co-operative bank/Society	-	-	-	-
2.	RRB	-	-	-	-
3.	Commercial bank	45	100	-	-
4.	Local moneylenders	-	-	14	46.67
5.	Friends	-	-	7	23.33
6.	Family members	-	-	3	10.00
7.	Other relatives	-	-	6	20.00
8.	No need to borrow	-	-	-	-
9.	Total	45	100	30	100

Table 7 : Loan details for financially excluded farms

Sr. No.	Loan amount	Average loan amount (Rs.)	Source of purchase	Interest rate	Numbers	Per cent
1.	Less than 15000	13,333	Money lenders	60%	14	46.66
2.	15001 - 20000	15,533	Friends	-	9	30
3.	20001 - 30000	22,333	Relatives	-	7	23.33
4.	Total				30	100

Table 8 : Credit gap for financially included farms

Sr. No.	Scale of finance (Rs. /ha)	Actual loan amount (Rs. /ha)	Working capital (Rs./ha)	Credit gap I (%)	Credit gap II (%)
1.	54866	51955	85325	64.30	60.89

In the financially included farms 48.88 per cent of the farms belong to small farmers, followed by 33.33 per cent marginal o farmers. And in the financially included farms, 53.33 per cent of the farmers belong to leased in, followed by 23.33 per cent marginal farmers. These are the reason for the financially exclusion (Table 3).

From the Table 4 it's clear that 53.33 per cent of financially included farms got the source of information from the business correspondent, 15.56 per cent of the farms got information from the insurance agency, followed by 13.33 per cent from the government officials.

From the Table 5 it's clear that 100 per cent of financially included farms have access to the financial services like Savings Accounts, Kissan Credit Card, and crop insurance. Whereas in case of financially excluded farms 100 per cent they are not using any of the financial services like Savings Accounts, money transfer, health insurance, debit card, net banking, Kissan Credit Card, and crop insurance.

From the Table 6 it's clear that 100 per cent of the financially included farms are getting loan only form the commercial banks where as in case of the financially excluded farms, 46.6 per cent of the farms are getting loan from the money lenders.

From the Table 7 it's clear that the 46.66 per cent of the financially included population they are getting loans only from the money lenders by paying the interest rate of 60 per cent per year, and their average loan amount is 13,333 Rs. Remaining per cent of financially excluded farms are getting loan from their friends and relatives.

The credit gap I of financially included farm is 64.30 percent and the credit gap II is 60.89 per cent and the farmers are managing these two gaps, by their own money (Table 8).

Conclusion :

The financial inclusion has helped the farmers to

increase their gross income. Tamil Nadu ranks 8th in terms of financial inclusion in India. 46.66 per cent of the financially included population they are getting loans only from the money lenders. 100 per cent of financially included farms have access to the financial services like Savings Accounts, Kissan Credit Card, and crop insurance. The credit gap I of financially included farm is 64.30 per cent and the credit gap II is 60.89 per cent. Therefore, to reduce the number of farmers under financially excluded category banks should come forward to provide loans to tenant farmers under Joint Liability Group (JLG) scheme to enhance financial inclusion. The commercial banks can expand their bank branch net work in the remote areas, so as to reduce the financially excluded population.

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