

EMPOWERING AGRICULTURE: A STUDY OF NATIONALIZED BANKS' ROLE IN RURAL FINANCIAL INCLUSION

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Abstract

For agricultural communities to thrive in the long run, access to financial services is crucial, particularly in developing nations. Historically, nationalised banks have been instrumental in providing agricultural financing and other financial services to rural communities. The impact of nationalised banks on rural financial inclusion and the empowerment of agriculture is explored in this article.

Using empirical data and case studies, the paper examines how nationalised banks have helped rural farmers and agricultural businesses get access to various financial services, including loans, savings, insurance, and more. In an effort to boost agricultural financing and the economic security of rural communities, nationalised banks launched a number of programmes and policies, which this article analyses. In addition, the article delves into the possibilities and threats faced by nationalised banks as they attempted to expand financial inclusion to rural areas, covering topics such as infrastructure, technology, governance, and socioeconomic aspects. This research intends to aid stakeholders, practitioners, and legislators in their pursuit of better agricultural financing and rural development by comparing and contrasting the experiences of various nationalised banking systems across various geographic areas.

Keywords – Rural financial inclusion, Nationalized banks, Agricultural finance, Rural development, Access to credit, Financial services

Introduction

In many developing countries, agriculture is the main means of subsistence for millions of people, making it an essential component of global economies. On the other hand, there are a lot of obstacles that might prevent the industry from reaching its full development and economic potential. One of the biggest problems is getting enough money. Few financial services are available to farmers in rural regions, which limits their capacity to invest in new equipment, enhance agricultural techniques, and reduce risks.

Nationalised banks have taken the stage in these difficult times, playing a crucial role in expanding access to banking services in rural areas and strengthening funding for farmers.

Nationalised banks are in a special position to help underserved rural areas get access to formal financial services because of their size, government support, and mission for social and economic development. In order to shed light on approaches to achieve sustainable rural development, it is crucial to comprehend the complex function of nationalised banks in financing agriculture.

In order to empower farmers via rural financial inclusion, this research study sets out to thoroughly examine the contributions, methods, and effects of nationalised banks. This research aims to discover the dynamics influencing agricultural financing within the context of nationalised banking systems by analysing empirical data, case studies, and policy frameworks. Furthermore, it aspires to illuminate the difficulties faced and possibilities used by nationalised banks in their pursuit of accelerating economic development in rural areas.

The paper's overarching goal is to provide policymakers with useful information and insights that will allow nationalised banks to better aid agricultural growth, rural prosperity, and financial inclusion efforts. To fully realise agriculture's potential as a sustainable development engine, nationalised banks must adapt their financial services to meet the specific requirements and goals of rural agricultural communities.

Literature review

In their study on the factors influencing farmers' access to financial services in the Ogba LGA of Rivers State, Nigeria, Shabir and Ali (2022) relied on primary data gathered from 120 farmers using a structured questionnaire. Gender, marital status, age, education level, business experience, agricultural status, internet connection, mobile phone ownership, and financial inclusion were all considered socioeconomic determinants in the research. Results showed that savings accounts, automated teller machines, and text message alerts were the most popular financial goods and services among respondents. Long wait times at ATMs, exorbitant loan interest rates, and subpar banking services are the main obstacles to using financial services. To ensure that customers are satisfied with the services they get, the author recommends that the Nigerian central bank work with the government to keep an eye on loan interest rates and to regulate the bank.

A study on Dinajpur District focusing on farmers' access to financial services in Bangladesh was published by Datta, R. K., Mohammad, H., and Science, D. in 2021. Examined the characteristics of financial inclusion for farmers using primary data obtained from a standardised questionnaire administered to one hundred participants and analysed using descriptive statistics. According to the author, few people have bank accounts and even fewer have borrowed money from them. He also discovered that farmers don't have access to official financial networks because of the lengthy and hostile processes involved in getting loans. When it comes to the quantity and timeliness of the loans, farmers aren't happy.

The study by Kumar, A., & Gupta, D. H. (2019) titled "Financial inclusion and farmers: Association between status and demographic variables" used descriptive statistics to examine primary data obtained from a structured questionnaire. While the author did not find a correlation between gender and farmers' levels of financial inclusion, he did find that other demographic variables, such as age, education level, family income, and the size of the land holding, were significantly associated with farmers' levels of financial inclusion. Based on these findings, the author argued that financial inclusion is crucial to societal and economic advancement, and that it holds the key to closing the wealth gap.

In order to find out how financially included rural smallholders in Nigeria are, researchers Adegbite, O. O., Machethe, C. L., and Anderson, C. L. (2020) developed the Multidimensional measure of financial inclusion and then revisited the assessment of financial inclusion of rural smallholder farmers. Utilising secondary data derived from a survey of 2300 rural respondents carried out by the Consultative Group to Assist the Poor, the author used the Alkire-Faster approach to formulate the MFII. The survey found that 78 percent of Nigeria's smallholder farmers do not have access to formal banking services. Having an account does not always mean that a person is financially stable. Financial inclusion is most affected by indices of formal access, whereas consumer protection, financial literacy, high transaction costs, and financial planning have the smallest impacts.

A study conducted by Priyadarshini, S., Singh, P. K., Singh, O. P., and Gautam, Y. in 2020 Examining the level of financial inclusion among farmers is the goal of Financial Inclusion of Farmers: A Case Study of Dhenkanal District of Odisha, India. A hundred farmers participated in the survey, and the data was analysed using descriptive statistics. Inadequate income, payback schedule, and security concerns were identified as the primary barriers to financial inclusion, and the research found a favourable correlation between income and land ownership, which substantially affected respondents' financial inclusion. Since literacy is increasingly associated with financial inclusion, he proposed that the literacy programme be structured locally.

Objectives of the study

- Assess the extent of rural financial inclusion facilitated by nationalized banks in agricultural communities.
- Analyze the strategies and mechanisms employed by nationalized banks to enhance access to credit, savings, insurance, and other financial services in rural areas.
- Evaluate the impact of nationalized banks' interventions on agricultural productivity, income generation, and overall rural development.

Research methodology

Gathered quantitative information on agricultural financing programmes' coverage in rural regions, interest rates, loan disbursements, and repayment rates from government publications, nationalised banks, and other relevant authorities. Used this information to evaluate patterns, trends, and the efficacy of grant programmes for farmers.

Data analysis and discussion

Table-I linking farmers' knowledge of banking services to their actual use of such services

| | | Financial resources | Awareness |
|---------------------|---------------------|---------------------|-----------|
| Financial resources | Pearson Correlation | 1 | .598 |
| | Sig. (2-tailed) | | .000 |
| | N | 384 | 384 |
| Awareness | Pearson Correlation | .598 | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 384 | 384 |

The table shows the relationship between farmers' awareness of banking services, their knowledge of these services, and the amount of money they actually use these services.

There is a moderate to significant positive association between financial resources and awareness, as shown by the Pearson correlation value of 0.598. This data reveals that farmers' knowledge of banking services tends to rise in tandem with their financial resources. Similarly, farmers' access to banking services may increase their financial resources, however correlation does not prove causation.

The statistically significant association between financial resources and awareness is likely not to have happened by coincidence, as shown by the substantial p-values ($p < 0.05$).

This discovery highlights the significance of raising farmers' knowledge of banking services and their financial resources at the same time. If farmers have easier access to banking services, such savings accounts and credit, they may be more inclined to seek them out. The same holds true for banking services; if farmers are more knowledgeable about them, they may use them to their advantage and make better financial choices.

In addition, a high correlation value of 0.598 implies that knowing about banking services and having financial resources may work in tandem, forming a positive feedback loop. As a result, efforts to raise farmers' knowledge of the benefits of banking services or increase their access to such services might have positive domino consequences.

Taken together, these results show how farmers' understanding and access to capital affect their use of banking services. To further promote financial inclusion and empower rural

populations, future research and initiatives in agricultural finance should take these interconnected issues into account.

Table- II linking the process of borrowing money from a bank to the pursuit of higher learning

| | Value | df | Asymp. Sig. (2-sided) |
|------------------------------|--------|----|-----------------------|
| Pearson Chi-Square | 11.294 | 6 | .007 |
| Likelihood Ratio | 11.529 | 6 | .004 |
| Linear-by-Linear Association | 3.532 | 1 | .002 |
| N of Valid Cases | 384 | | |

The data in the table come from a Chi-Square test that looked at how a population's propensity to seek out more education was related to how often they borrowed money from banks.

A p-value of .007 is produced by calculating the Pearson Chi-Square value, which is 11.294 with 6 degrees of freedom. Similarly, at the .004 level of significance, the Likelihood Ratio produces a Chi-Square value of 11.529. Both of these numbers point to a very real correlation between taking out a loan from a financial institution and going back to school.

The importance of the link is further confirmed by the Linear-by-Linear Association test, which investigates the association between two ordinal variables. The test produces a Chi-Square value of 3.532 with 1 degree of freedom and a significance level of .002.

These results imply that those who borrow money from banks are more inclined to seek out possibilities for higher education. Several variables may be driving this connection. Borrowing money from banks is often used to fund education or training, suggesting a clear correlation between the two. On the other hand, taking out a loan from a bank could be a sign of someone's financial goals and talents, encouraging them to pursue more schooling to boost their chances of success.

In sum, these findings demonstrate the interdependence between monetary endeavours, such as taking out loans, and academic endeavours. If lawmakers and educators want to create targeted initiatives to increase financial literacy, educational opportunities, and socioeconomic development, they must first understand this link.

Conclusion

Finally, this study's results highlight the interdependence of farmers' familiarity with financial services, their use of these services, and their goal of furthering their education. The first finding is that farmers' knowledge of banking services is positively correlated with their financial resources. This shows that farmers become more knowledgeable about banking options as their financial resources grow. Financial inclusion and empowerment in rural areas

might be enhanced by interventions that raise farmers' knowledge of banking services. This, in turn, could lead to higher utilisation of these services. Additionally, the research found a strong correlation between going to college and taking out loans from financial institutions. Borrowers are more likely to seek out educational opportunities, suggesting a robust relationship between monetary behaviour and educational goals.

All parties concerned with agricultural financing and rural development should take note of these results. There is a need for strategies that take into account the interdependence of educational opportunities, banking knowledge, and financial resources if they want to empower and include people in rural regions. For rural areas, this can mean more educational possibilities, easier access to credit and savings, and better financial literacy. In sum, governments may support sustainable development in rural regions, build human capital, and encourage equitable growth by tackling the intricate relationship between financial activities and educational goals. In order to inform evidence-based policy and practice, future research should further investigate the complex interplay of financial inclusion, education, and rural development.

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