

Empowering Agriculture Growth Through Financial Inclusion with Reference to Madhya Pradesh

Anil Mishra, Rudrasen Singh and Meenakshi Rathi¹

Assistant Professor, JNKVV, College of Agriculture, Tikamgarh M.P.

I. Research Scholar, CRIM BU Bhopal

Abstract

The study intend to examine the influence of access to credit on agricultural productivity in Madhya Pradesh, based on the secondary data compiled from several sources it has been revealed that the formal credit to agriculture in real terms has increased in 2008-2018. The findings of the study shows the evidence of long run relationship between production and agricultural credits provided to small and marginal farmers. The results revealed that total credit to agriculture has a positive and significant impact on the level of agriculture production in the region. One of the major findings was related to inadequacy of credit to small and marginal farmers. Therefore more innovative models are required to be formulated using Econometric Financial Models for making the credit availability and accessibility more convenient. Thus it can be concluded that formal agriculture credit is required for the inclusive growth of the economy of the state.

Key Words: *Financial Inclusion, Econometric Financial model, State GDP, Inclusive Growth, Econometric*

Introduction

Financial Inclusion is a Flagship Program of RBI which aims at bringing the people under the ambit of formal financial environment. In order to have an inclusive growth of rural economy there should be ease access to finance at affordable cost that will ultimately create employment opportunities in rural areas^[1]. RBI has defined Financial Inclusion as the “process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular, at an affordable cost in a fair and transparent manner by regulated, mainstream institutional players”. Madhya Pradesh as primarily an agrarian state with 55 percent of its population engaged in agricultural which is 8percent more than the country’s average of 47 percent. The Primary Sector

accounts for 42.89 percent of the state’s GVA as of 2017-18. The drastic progress of Madhya Pradesh in terms of Crop Productivity is a lesson worth learning for many states of India who are struggling enough to get their agriculture growth. This paper examines the sources and drivers of agricultural growth in Madhya Pradesh and also to identify the factors that have contributed to vigorous agricultural growth in the state. The study explores the measures taken by the state government to make it Krishi Sampanna State. The three main factors contributed to the rapid stride in agriculture based on past studied are expanded irrigation along with strong procurement system and all-weather best connected roads to markets. In particular, irrigation coverage through tube-wells was expanded through the state government’s strategy of initially focusing on providing

good quality power supply to farmers during the wheat irrigation season. Therefore, the government planned to improve the supply chain of wheat by restructuring of the procurement system through digitization and also initiated 'e-Uparajan'scheme. Past studies also mentions about the increased storage capacity of the state. In the light of these findings, the study makes three principal recommendations to stimulate agricultural

Material and Methods

This study deals with an empirical analysis on primary as well as secondary data to find the causal relationship between agriculture credit and Gross State Domestic Product. Both Primary & Secondary data was used in the research. The study has followed both qualitative and quantitative methods for understanding the impact of agricultural credits on the agricultural productivity in the state. A close ended structured questionnaire was developed to collect data from the respondents and Multi-staged Purposive Sampling Technique is adopted to collect the Primary data from the control and target groups. Household from the selected districts is treated as a unit of analysis rather than individuals.

Results and Discussion

The result of the study intent to extract the information about the variables accountable for accessing the affordable and timely agricultural credits to farmers in selected districts of Madhya Pradesh, the research reveals that the factors like education of farmers, farming experience and years of association with bank account facilitates in the delivery of formal credits to farmers. As per the statistical analysis done on data gathered from primary sources it can be concluded that the value of probability is less than 5% the null

growth in other states with somewhat similar characteristics, viz., improve the quality and quantity of rural power supply by strengthening transmission and distribution and by separation of feeders for irrigation and household use, increase the density of surfaced roads in rural areas, and improve procurement and marketing infrastructure to reduce market risk of farmers^[3,4].

However, secondary data was collected from various sources like journals, books, manuals, and reports of the state and center concerned for literature part. Data collected both from primary and secondary sources have been interpreted with the help of inferential statistical tools like correlation, regression, chi-square test to check the association. The primary data was collected from farmers through schedules and personal interview method from the 5 districts of Bhopal Division(Bhopal, Raisen, Vidisha, Rajgarh and Sehore), Sample of 20 respondents from each districts have been collected for the study, which makes a total sample size of 100 respondents.

hypothesis is rejected thereby establishing a significant relationship in these factors. There is also a significant association of formal agricultural credits on GSDP which can be established from the secondary data sources such as economic survey, economic review, RBI annual Report, NABARD annual publications etc. The observations during the research reveal that the agricultural credit is inadequate especially to small and marginal farmers. Overdue and mis-utilization of credit is a major problem for bankers in rural areas.

Majority of the respondents believed that low productivity in some areas^[2, 5]. inadequate credit is the main reason for

Table 1 : Relation between respondents and financial facilities

1.Educaztion of farmers	No of Respondents	Finance / Credit Aailed	Finance / Credit not Aailed
High School	34	2	32
Higher Secondary	42	26	16
Graduation	18	15	3
Post Graduation	6	6	0
Total	100	49	51
	Correlation	: 0.928994	
2.Farming Experience(in Yrs)	No of Respondents	Finance /Credit Aailed	Finance /Credit not Aailed
0 to 5	6	0	6
05 to 10	8	3	5
10 to 15	29	21	8
15 to 20	14	12	2
20yrs above	43	40	3
Total	100	76	24
	Correlation	: 0.828951	
3.Age of bank account	No of Respondents	Finance /Credit Aailed	Finance /Credit not Aailed
0 to 5	21	7	14
05 to 10	17	9	8
10 to 15	34	27	7
15 years above	28	22	6
Total	100	65	35
	Correlation	: 0.73759	

Conclusion

Several studies have been conducted in this area but Madhya Pradesh is almost untouched in respect of availability and adequacy of formal agricultural credit to farmers. The findings of the research suggest that there is a strong relationship exists between the access to agricultural credit and the variables like education level, farm experience, and age of bank account status of farmers. The amount of agricultural credit that can be borrowed by the farmers

is significantly affected by these socio-economic characteristics. Financial inclusion not merely means opening of accounts rather it means involving eligible individuals into the financial system by eliminating exploitation. It can therefore be concluded that easy and accessible agricultural Credit can leads to agricultural growth and agriculture has tremendous power to grow all sectors of the economy inclusively.

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