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Financial inclusion and training effectiveness: Farmers' trammels in the Aspirational districts of Karnataka

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Abstract

'Transformation of Aspirational districts' a flagship program of Govt. of India to uplift the poor performing districts aims five thematic areas -among which *financial inclusion and skill development* are the major areas need more attention to improve the living standards of people in rural areas in general and farmers in particular. The study was conducted during 2021 to delineate the major constraints of financial inclusion and effective skill based training programs. Two aspiration districts of Karnataka (Raichur and Yadgiri) were selected purposefully and 60 trained farmers selected from each districts for data collection. Structured interview schedule with list of constraints and suggestions was administered to the respondents and were ranked based on weighted mean scores. Cumbersome banking procedures and ease of availability of credit from non-institutional sources were the major constraints of financial inclusion. Lack of adequate hands-on training and lack of access to government benefits were the major reason for the reduced effectiveness of training programs. Simplifying the banking procedures with increased number of financial institutes in the rural areas to improve the extent of financial inclusion was suggested. To enhance training effectiveness, provision of financial supports after the trainings and mini kit facilities were major suggestions.

Keywords: Financial inclusion, training effectiveness, skill development, Aspirational districts

Introduction

The Government of India identified 115 most backward districts and launched the "Transformation of Aspirational Districts" Programme in January 2018. The Aspirational district programme (ADP) mainly focus on measuring and improving the human development outcomes in these districts across five broad pillars- health and nutrition, education, agriculture and water resources, financial inclusion and skill development and basic infrastructure. The initiative aimed at bringing wide range of changes in all the sectors which will improve the living standards of the people living in these districts. Among the five thematic areas financial inclusion and skill development plays a major role in improving the income and living standards the people in the rural areas. According to Rangarajan (2008) ^[21] Financial inclusion is a process of guaranteeing access to financial services, timely and adequate credit needed by vulnerable groups at an affordable cost". The purpose is to provide a wide range of financial products and services across different distribution channels to the low-income earning individuals. Around 10 crore households in India lacked access to basic financial products and financial services (Khuntia, 2014) ^[10]. In India, 85.01% of operating land holding belongs to small and marginal farmers. The major barriers faced to serve the small and marginal farmers are lack of regular income, poverty and illiteracy (Kobba *et al.*, 2020) ^[11]. In India, institutional sources accounts for

only 21% of outstanding loan to marginal, small and medium farmer, whereas 79% of outstanding loan belong to the highest size (more than 10 ha.) land holders (NSSO, 2014) ^[16]. As a result, major percentage of marginal, small and medium farmers are still depending on the local or informal source for finance.

A skilled workforce is always necessary to continue fast-paced growth and pull millions out of poverty. There was a need of 129.79 million skilled work force by 2022 in 24 key sectors like agriculture, food processing, handloom etc. But only 4.69% were undergoing formal skill training. Agriculture sector alone required the 24.8 million in 2022 (National Policy on Skill Development and Entrepreneurship, 2015) ^[17]. In agriculture sector only 18.5% of workforce is skilled, of which 0.5% have formal technical education (IAMR, 2013) ^[8]. Since, the inception of Aspirational Districts Program lot of efforts were taken by the government organizations, NGOs, ICAR institutes and state departments to improves the extent of financial inclusion and to organise effective training programs (Arun kumar *et al.*, 2021) ^[1]. But the assessment report on aspirational district programme reported that financial inclusion and skill development requires a greater attention in the aspirational districts. Hence, the study was conducted to understand the major constraints of financial inclusion and effective training programs and also to seek suitable suggestions for the improvement of the farming communities in the aspirational districts.

Methodology

Two aspirational districts of Karnataka viz., Raichur and Yadgiri were selected purposively. Three training institutes which were actively providing skill-based trainings in agriculture sector were purposively selected from each district. Concerned head of all the six training institutes were contacted for the list of trainees who attended skill trainings from the inception of Aspirational Districts Programme. From the list of trainees, 60 farmers were selected from each district (total sample size is 120) through proportionate stratified random sampling method (for analysis of information related to financial inclusion).

To ascertaining the constraints faced by the farmers related to financial inclusion and effectiveness of training programs a list of socio-personal, economical and technical constraints of financial inclusion, during and after training programs constraints were identified through literature review and consultation with subject matter specialities. Similar procedure was also followed to identify the perceived suggestions. The schedule with list of constraints and suggestions was administered to the farmers and asked to give their response on three point continuums viz., most important, important and least important with the weightage 3, 2 and 1 respectively. Weighted mean score was calculated to rank the constraints and suggestions. The frequencies associated with each rating for each item were calculated, and the frequencies associated with each category were multiplied by the allotted scores and summed. The total for each factor was then divided by the total number of respondents. The weighted mean score for each aspect was determined in this manner.

Results and Discussion

1. Constraints related to financial inclusion

It is evident from the data presented in Table 1 that among

the social-personal constraints listed 'lack of literacy on financial products and services' was considered as the most important constraint by most of the respondents with a weighted mean score of 2.366. 'Submission of witness' with a weighted mean score of 2.141. 'Lack of required documents' with a weighted mean score of 2.066 and the 'previous bad history' with weighted mean score of 1.650 and followed in respective order. Gwalani and Parkhi (2014) [6] also reported financial illiteracy was a main reason for lack of financial inclusion.

Among the economic constraints 'low income and asset' was considered as the major constraint by most of the respondents with a weighted mean score of 2.258. 'High bank's charges' was considered as the second major constraint with a weighted mean score of 2.008 and 'Opening balance requirement and maintains of minimum balance' with a score of 1.866 followed in the respective order. Priyadarshini (2020) [18] reported insufficient income and lack of security were the major constraints among the respondents for financial inclusion. Rajasekar (2019) [22] and Nirmala and Muthuraman (2009) [15] reported that main constraints for financial exclusion in Madurai district were low income, no identity proof and previous bad history.

Among the technical constraints 'banking procedures are cumbersome' was considered as the major constraint by most of the respondents with a weighted mean score of 2.491. 'Ease of availability of credit from non-institutional source' with a weighted mean score of 2.383. 'Delay in the loan approval' with a weighted mean score of 2.333. 'Non-availability of financial institution in the village' had a score of 2.208 and 'unfriendly staffs in financial institutes' with a score of 2.150 followed in respective order. Gwalani and Parkhi (2014) [6] found unavailability of banking services and complex procedures were major reason for financial exclusion.

Table 1: Socio-personal, Economical and technical constraints of financial inclusion ranking.

Sl. No	Items	WMS	Rank	Overall rank
A	Socio-personal constraints			
01	Lack of literacy on financial products and services.	2.366	I	III
02	Submission of witness.	2.141	II	VIII
03	Lack of required documents.	2.066	III	IX
04	Previous bad history	1.650	IV	XII
B	Economic constrains			
01	Low income and assets	2.258	I	V
02	High bank's charges.	2.008	II	X
03	Opening balance requirement and maintaining of minimum balance.	1.866	III	XI
C	Technical constraints ranking.			
01	Banking procedures are cumbersome	2.491	I	I
02	Ease of availability of credit from non-institutional sources.	2.383	II	II
03	Delayed loan approval.	2.333	III	IV
04	Non availability of financial institution in the village.	2.208	IV	VI
05	Unfriendly staffs in financial institutes.	2.150	V	VII

2. Constraints of training effectiveness.

Evidently from Table 2, during the training program 'Lack of adequate hands-on training' was considered as major constraint by the most of the trainees with WMS of 2.458. 'Lack of adequate facilities for practical demonstration' was considered second major constraint with WMS of 2.341, 'lack of emphasis on the practical skill training' with a WMS of 2.216, 'lack of proper infrastructure at the training institute' with WMS of 2.141, 'difficulty in understanding

the terms and words' used by trainer had a WMS of 2.008 with and 'lack of adequate study materials' with a score of 1.591. Meena (2018) [13] reported that lack of exposure visits and lack of practical demonstration were the major constraints of training programmes. Sahoo *et al.*, (2023) [24] reported inadequate training as a major constraint. Purnima and Bhagyalakshmi (2022) [19] reported Inadequate practical learning and Lack of adequate scope for hands on learning as major training constraints. Kumari *et al.*, (2005) [12], Hill,

and Coolbear, (2005)^[7], Das *et al.*, (2014)^[2] and Das (2019)^[3] also found the similar results.

After the training programme 'lack of access to government benefits related to training areas' was considered as major constraint by the most of the trainees with WMS of 2.433 among the constraints faced after the training programme, 'lack of proper marketing facilities' with WMS of 2.333,

'lack of financial assistance from bank' with a WMS of 2.241, 'engagement in other family work' with WMS of 2.175 and 'lack of inputs at an affordable price' with a WMS of 2.066 and 'lack of easy availability of raw materials' with a score of 1.741 followed in the respective order. Randhave *et al* (2022)^[20], Gupta *et al* (2013)^[5], and Das (2019)^[3] were also identified similar constraints.

Table 2: Ranking of constraints encountered by trainees during and after the training.

Sl. No	Items	WMS	Rank	Overall rank
A				
During training programmes				
01	Lack of adequate hands-on training.	2.458	I	I
02	Lack of adequate facilities for practical demonstration.	2.341	II	III
03	Less emphasis of practical skill training.	2.216	III	IV
04	Lack of proper infrastructure at the training institute.	2.141	IV	VIII
05	Difficulty in understanding the terms and words used by trainer.	2.008	V	X
06	Lack of adequate study materials.	1.591	VI	XII
B				
After training programs				
01	Lack of access to government benefits related to training areas.	2.433	I	II
02	Lack of proper marketing facilities.	2.333	II	IV
03	Lack of financial assistance from banks.	2.241	III	V
04	Engagement in other family works.	2.175	IV	VII
05	Lack of inputs at an affordable price.	2.066	V	IX
06	Lack of easy availability of raw materials.	1.741	VI	XI

3. Suggestions for increased effectiveness of financial inclusion and skill development training.

Out of all the suggestion from the table 3, 'financial institutes should simplify the banking procedures and processes' was considered as important suggestion by the most of the respondents with WMS of 2.40, 'establishing financial institutes in every village/locality' with WMS of 2.366, 'provision for awareness regarding usage of financial

products and services' with a WMS of 2.183, 'Need of various financial literacy programmes by the financial institutes and government' with WMS of 2.141, 'Interest rate on loan should be reduced' with WMS of 2.041, 'Reducing the loan processing cost' and 'relaxation in loan security norms' with a score of 1.866 and 1.591 followed respectively.

Table 3: Suggestions for increased effectiveness of financial inclusion

Sl. No	Items	WMS	Rank
01	Financial institutes should simplify the banking procedures and processes.	2.400	I
02	Establishing financial institutes in every village/locality.	2.366	II
03	Provisions for awareness regarding usage of financial products and services.	2.183	III
04	Need of various financial literacy programmes by the financial institutes and government	2.141	IV
05	Interest rate on loan should be reduced	2.041	V
06	Reducing the loan processing cost.	1.866	VI
07	Relaxation in loan security norms.	1.591	VII

From the table 4 out of all the suggestions for the increased effectiveness of training, 'There should be provision of loans by the government to start a venture through the acquired skills' was considered as important suggestion by the most of the respondents with WMS of 2.366, 'Supply of minikit at the end of training' with WMS of 2.325, 'Training should include more of field visits and study tour' with a WMS of 2.208, 'Follow up action by the training institution/trainers' with WMS of 2.183, 'Facilities like boarding, lodging and logistic for training should be adequate' with WMS of 2.175, 'Duration of training course should be limited to 4 to 8 days to make it more effective and meaningful' with WMS of 2.158. 'The training method should be interactive and participatory.' had a WMS of

2.016, 'Practical demonstration should be a part of every training classes' with WMS of 2.008, 'Compulsory use of local language with lesser use of scientific terms during training period', 'Availability of transport facilities to training institute' and 'Trainers must use audio-visual aids' with WMS of 2.000, 1.866 and 1.700 followed respective order. Singh *et al* (2022)^[25] and Jangid, *et al* (2012)^[9] also suggested adequate funding to the trainees can help in creating basic infrastructure for starting enterprises or a venture. Rokonzaman, (2016)^[23] and Dubey (2008)^[4] suggested that the on-campus trainees have more favourable attitude than the off-campus trainees and increases the effectiveness of training programs.

Table 4: Suggestions for increased effectiveness of training programs.

Sl. No	Items	WMS	Rank
01	There should be provision of loans by the government to start a venture through the acquired skills.	2.366	I
02	Supply of mini kit at the end of training.	2.325	II
03	Training should include more of practical and hands on training.	2.208	III
04	Follow up action by the training institution/trainers.	2.183	IV
05	Enhanced quality and quantity of boarding lodging and logistics at the training institutes.	2.175	V
06	Duration of training course should be limited to 4 to 8 days to make it more effective and meaningful.	2.158	VI
07	The training method should be interactive and participatory.	2.016	VII
08	Practical demonstration should be a part of every training classes.	2.008	VIII
09	Compulsory use of local language with lesser use of scientific terms during training period.	2.000	IX
10	Availability of transport facilities to training institute	1.866	X
11	Trainers must use audio-visual aids.	1.700	XI

Conclusion

Nowadays, financial inclusion of farming community is very critical to improve the saving habits, income and to take the advantage of different flagship programmes of GOI and an effective training programs were always a need of the hour to upscale the skills of individuals involved in agriculture sector of the aspirational districts. The study revealed that cumbersome procedures, ease of availability of credit from non-institutional sources and lack of financial literacy were the major constraints of financial inclusion. Lack of adequate hands-on training, lack of access to government benefits related to training areas and lack of adequate facilities for practical demonstration were the major reason for the reduced effectiveness of training programs. Hence simplifying the banking procedures and increase the number of financial institutes in the rural areas will improve the extent of financial inclusion. In case of training effectiveness proving financial supports after the training and mini kit facilities are necessary to make more effective utilization of the skills gained through trainings.

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