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Role of Banks in Promoting Financial Literacy among Agripreneurs in Assam, India.

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Abstract

This paper examined financial literacy services provided by banks to agripreneurs and the associated problems. Participants were 500 agripreneurs and 250 bank managers, selected using a multi-stage sampling design in Assam, a north-eastern state of India. The result showed that out of 19 identified variables of financial literacy services, the degree of awareness of agripreneurs by banks is marked very low in 17 variables. In 7-point rating scale, average score of lack of manpower, difficulty in reaching the target group and poor coverage of topics was more than 3.5 which categorised them as major hindrances in conducting Financial Literacy Programme (FLP), particularly for agripreneurs. However, consideration of both organisational and operational approaches is suggested for better implementation of FLP for agripreneurs.

Keywords: Agripreneurs and financial literacy, banks and financial literacy, problems, financial literacy programme.

Introduction

Agripreneurs are individuals or a group of different stakeholders engaged in the value chain of agribusiness activities related to agriculture and its allied sectors. They are creative farmers who see their farm as a business and apply the technologies or practices developed by them or by someone else in their agri-venture activities. However, like other entrepreneurs, agripreneurs require capital, raw materials, skill and different resources to start and run their businesses. But it



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has been noted that out of the various hindrances that an entrepreneur generally encounters in his business, one of the major barriers is financial constraint (Bischoff, 2020). A study led over 177 countries on the financial gap by Bruhn et al. (2017) concluded that the enterprises from South Asian countries (Afghanistan, Bangladesh, Bhutan, India, Nepal, Pakistan and Sri Lanka) recorded the highest percentage of financial constraints in accessing finance from the formal financial institutions. They also found that 54% of micro-enterprises from the South Asian Region faced both fully and partially financial constraints that make the largest proportion of financially constrained micro-enterprises across the different regions of the world. Newar & Bhuyan (2022) found that inadequate saving, lack of awareness on accessing finance, cumbersome process in applying for institutional finance are some of the significant variables of financial problems of agripreneurs and concluded that the agripreneurs with more agricultural financing awareness have a diminishing effect on their financial constraints. Imarhiagbe et al. (2017) found that financial education has a significant positive correlation with the financial self-confidence of entrepreneurs. Using a randomized control trial on micro-entrepreneurs (Martinez and Puentes, 2017) found that financial literacy program affects the formal debt behaviour of the respondents by decreasing the debt level.

It is a well-known fact that entrepreneurship has marked a significant place in today's economic world. Therefore, it becomes crucial to solving the problems of entrepreneurs for their smooth functioning. Several studies have found that financial literacy helps to combat the financial adversities faced by entrepreneurs in running their businesses (Wulandari et al., 2017; Lycons et al., 2019; Purnomo, 2019; Eniola & Entebang, 2017). Consequently, the importance of financial literacy is being recognized by the policymakers of both developed and developing countries as a tool for inclusive growth (Twumasi et al., 2022). As a result, a wide range of initiatives and programs have been introduced to enhance financial literacy. For instance, International Network on Financial Education (INFE) by the Organization for Economic Co-operation and Development (OECD) supports the policymakers of 130 countries which includes their central bank, ministries of finance and ministries of education in making national strategies for enhancing financial literacy (Organization for Economic Co-operation and Development, 2022). In India, the Reserve Bank of India (RBI), Securities Exchange Board of India, Insurance Regulatory and Development Authority and Pension Fund Regulatory and Development Authority develop and promote sector-specific financial literacy programmes.

In India, the National Strategy for Financial Education was launched in 2013 by the National Institute of Financial Education, an institutional arrangement for better implementation of financial literacy programmes in the country. The key findings on National Strategy for Financial Education progress from 2013 -2018 suggested target-specific modules for enhancing financial literacy. It mainly highlighted that there would be sub-optimal outcomes if one size fit for all approach for delivering financial literacy was adopted justifying that different target groups need different financial education (Reserve Bank of India, 2021). Reserve Bank of India also



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emphasized conducting sector-specific financial literacy programmes through different banks in India. On the contrary, implementation of such a programme seemed limited to the overall individuals rather than sector-specific, particularly at the grass root level. In the survey conducted by RBI on the impact of Financial Literacy and Counselling Centres in 16 states in India, it was found that the centres had failed to achieve their particular objectives and did not reach the target people. Concerning this, RBI encouraged the establishment of Financial Literacy Centres at block and taluka levels and recommended undertaking financial literacy activities by all the rural branches of Scheduled Commercial Banks including Regional Rural Banks (Micro-Credit Ratings International Limited, 2012). In India, Regional Rural Banks play an imperative role in conducting financial literacy programmes. It was reported by The Sentinel (2017) that in Assam (a north-eastern state of India), a financial literacy awareness programme was organised on the benefits of insurance policy by Assam Gramin Vikash Bank (a Regional Rural Bank) with the participation of 200 people. Such programmes were also organised by the State Bank of India, United Bank of India and United Commercial Bank in Assam but few such official reports on sector-based financial literacy awareness programmes have been found.

The aforementioned explanation leads to certain questions that are needed to be answered as: What are the financial literacy services provided by banks to agripreneurs? How active are the financial literacy services provided to and received by agripreneurs through banks? Do banks conduct financial literacy programmes for agripreneurs? What are the problems faced by banks in conducting financial literacy programmes? Answering these questions will help us to understand the role of banks in promoting financial literacy among agripreneurs and related issues with it which can pave a way for further study on appropriate approaches for intensifying financial literacy among agripreneurs.

Based on the above explanation and research questions, the following objectives were framed for this research paper.

Objectives of the study were to:

- I) identify the financial literacy services provided by banks to agripreneurs
- II) compare the intensity of financial literacy services provided to and received by agripreneurs through banks
- III) identify the problems faced by banks in conducting financial literacy programmes for agripreneurs.

Methodology

The empirical study was conducted in Assam, a north-eastern state of India. Geographically, it lies from 89° 42' to 96° 30' East Longitude 22° 19' to 28° 16' North Latitude. The state shares its border with eight other states of India and an international border with Bhutan, Bangladesh and Myanmar. It has 35 districts and 6 agro-climatic zones. To fulfil the objectives of the study, responses were taken from bank managers and agripreneurs. The sample size of the study was 750 which was comprised of 250 banks and 500 agripreneurs (250 registered and 250 unregistered



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agripreneurs). The sample size was decided by taking the average of the samples taken in similar studies. For the selection of samples, a multi-stage sampling design was adopted. In the first stage, 4 agro-climatic zones were selected randomly out of 6 agro-climatic zones. The selected agro-climatic zones were Upper Brahmaputra Valley Zone, North Bank Plain Zone, Central Brahmaputra Valley Zone and Lower Brahmaputra Valley Zones. In the second stage, two districts were selected randomly from each agro-climatic zone. This led to the selection of Sonitpur and Lakhimpur districts from the North Bank Plain Zone, Nagaon and Hojai districts were selected from the Central Brahmaputra Valley Zone, Kamrup Metro and Kamrup Rural from the Lower Brahmaputra Valley Zone and from Upper Brahmaputra Valley Zone, Jorhat and Majuli districts were selected. Since the agricultural administration of Majuli district was operating jointly with Jorhat district, an undivided Jorhat district was considered while selecting the samples. Therefore, 7 districts were selected for the study. In the third stage, the responses were taken from the samples of each selected district.

To take the samples of banks, both private and nationalised banks operating in the selected districts were considered and chosen using random sampling. From the report "Analysis of priority sector advances under agriculture in the FY 2019-20 as of 31.03.2020" by the State Level Bankers' Committee, the names of the banks were listed and the number of branches of those banks in the selected districts was affirmed through the website of Reserve Bank of India. The list of registered agripreneurs of the selected districts was obtained from the Assam Agribusiness and Rural Transformation Project (APART), monitored by the Assam Rural Infrastructure and Agricultural Service (ARIAS) society, an autonomous body under the Government of Assam, India. Then the respondents of registered agripreneurs were chosen using random sampling. In the case of unregistered agripreneurs, as there was no such list, the total numbers of sample were first divided across the selected districts in proportion to the number of Agriculture Development Officers' circles and then the respondents of the unregistered agricultural entrepreneurs were chosen purposively with the help of Agriculture Extension Assistants who are considered experts in locating the present status of agricultural activities in their assigned area.

The data were collected from both primary and secondary sources. The primary data were collected using two sets of questionnaires. One was administered to the bank managers of the selected banks and the other set of questionnaires was administered to agripreneurs. Journals, government websites and reports were used to collect the secondary data.

Before the final field survey, a pilot survey was conducted on 41 bank managers, 1 financial literacy counsellor, and 30 registered and 30 unregistered agricultural entrepreneurs. The pilot survey helped to identify the variables of financial literacy services provided by the banks to agripreneurs and the variables for the problems faced by banks in conducting financial literacy programmes for agripreneurs. The identified variables the financial literacy services were providing awareness on include: e-banking services, the legal requirement (documentation/registration/paperwork) related to their agribusiness, the benefit of



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short-term financial management, profitable ways of investing money, the benefit of social security schemes (health insurance, life insurance and pension coverage). Others include; the benefit of taking business insurance, various and appropriate ways of financing their business, ways of seeking redressal related to their financial matters, the benefit of book-keeping or recording the financial transaction, government schemes for agriventures, availability of agriventure loan. It also includes; benefit of taking a loan from formal sources, availability of non-collateral loan for their agribusiness and upcoming programmes on financial education in the nearby area, assistance in applying for their agriventure loan, advise on diversifying the source of income, advise on keeping fund aside for emergency and provide information to agripreneurs common examples of ongoing financial fraud.

The variables for the problems faced by banks were lack of manpower, limited funds, lack of training, a smaller number of participants, difficult to reach the target group and non-coverage of all topics. The information gathered from the pilot survey formed the base for preparing a structured form of a questionnaire for the final field survey.

To compare the intensity of financial literacy services for agripreneurs through banks, the same questions were asked to bank managers as well as agripreneurs. In the final field survey, a 7-point rating scale was used to measure the intensity of financial literacy services provided by banks to agripreneurs and the problems faced in conducting FLP for agripreneurs. It was asked to all the 250 bank managers of the selected banks. Questions on conducting Financial Literacy Programme (FLP) for the general public and agripreneurs were also asked bank managers to know the difference in sector-specific implementation of the Financial Literacy Programme (FLP). The response was noted in a dichotomous scale of 'yes' or 'no' and presented in percentage. The intensity of financial literacy services received by agripreneurs from banks was collected from 500 agripreneurs using a 7-point rating scale. The data were presented using the mean score. Response on suggestions for better implementation of financial literacy programme was obtained using open-ended questions.

The mean score on financial literacy services provided by banks to agripreneurs was calculated by dividing the total score of each variable of financial literacy services by the number of respondents (bank managers). Similarly, the mean score on financial literacy services received by agripreneurs from banks was calculated by dividing the total score on each variable of financial literacy services received by agripreneurs by the number of respondents of agripreneurs. The mean score of each variable of problems faced by banks in conducting the Financial Literacy Programme for agripreneurs was calculated by dividing the total score of each variable of problems faced by the bank by the number of respondents (bank managers). In the 7-point rating scale, the mean score (\bar{x}) of 3.5 was taken as cut off. Any variable with a mean (\bar{x}) of 3.5 and above was regarded as significant.

Result and Discussion

Financial literacy Services for Agripreneurs through Banks

From the field survey, it was found that all the banks impart financial literacy services to agripreneurs either by conducting group meetings (Financial Literacy Programme) or personally or by both means. In figure 2, the demand side mean score depicts the mean score of the variables of financial literacy services **received** by the sample agripreneurs (n=500) from banks and the supply side mean score represents the mean score of the financial literacy services **provided** by the sample banks (n=250) to agripreneurs. The figure mainly shows the comparison between demand and supply side mean scores.

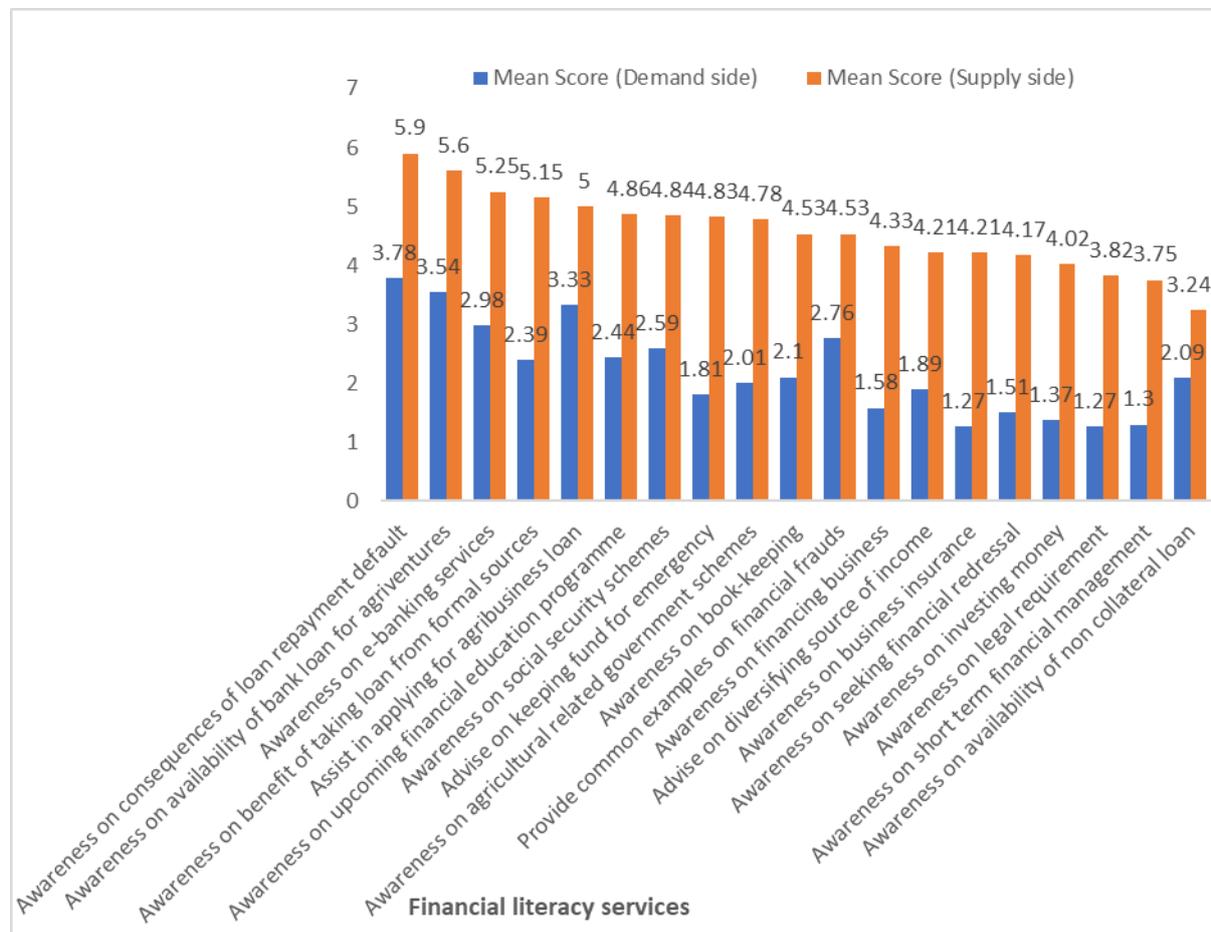


Figure 1: Comparative mean score on financial literacy services for agripreneurs

Figure 1 reveals that among 19 variables of financial literacy services, ‘awareness on consequences of loan repayment default’ has the highest demand side mean score i.e., (\bar{x} =3.78) as well as supply side mean score i.e., (\bar{x} = 5.9). ‘Awareness on business insurance’ and ‘legal requirement received for the agriventure’ scored the lowest mean from the demand side i.e., (\bar{x} =1.27). In the case of the supply side ‘awareness on the availability of non-collateral loan’ marked the lowest mean score

i.e., ($\bar{x} = 3.24$). Looking at the mean score of the financial literacy services on the demand side, only two services i.e., ‘awareness of the availability of bank loans for agriventure’ and ‘awareness of consequences of loan repayment default’ in the row of the above average line when the mid-point ($\bar{x} = 3.5$) of the 7-point rating scale is considered. It can also be seen that there is a huge gap in demand-supply mean score that ranges from the mean difference of 1.15 to 3.02. Thus, the comparison between the supply and demand side mean score of financial literacy services revealed a huge gap where out of 19 variables of financial literacy services, the agripreneurs got below-average financial literacy services in 17 variables.

Conduct of Financial Literacy Programme (FLP)

Figures 2 and 1 show the banks' response to conducting the Financial Literacy Programme (FLP) for all (in general) and particularly for agripreneurs respectively. The following two figures depicted that majority of the banks (95%) were involved in conducting FLP for the general masses but when it comes to conducting FLP for agripreneurs the affirmative percentage decreases to 54.

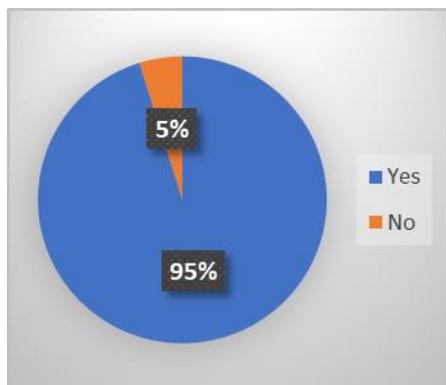


Figure 2: Response on conducting FLP (in General)

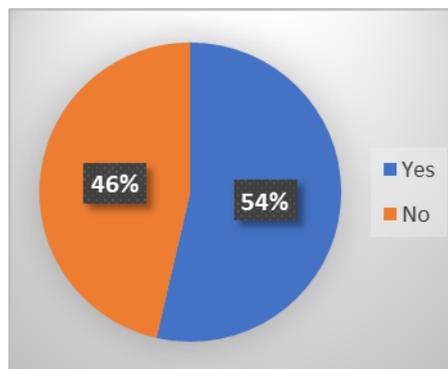


Figure 3: Response on conducting FLP (for Agripreneurs)

Problems Faced by Banks in Conducting Financial Literacy Programmes

Due to the low percentage of conducting FLP for agripreneurs by banks, a detailed analysis has been made to understand the problems faced by banks in conducting FLP for agripreneurs. The response to the problems in conducting FLP is compared using a mean score (\bar{x}) and portrayed in figure 4.

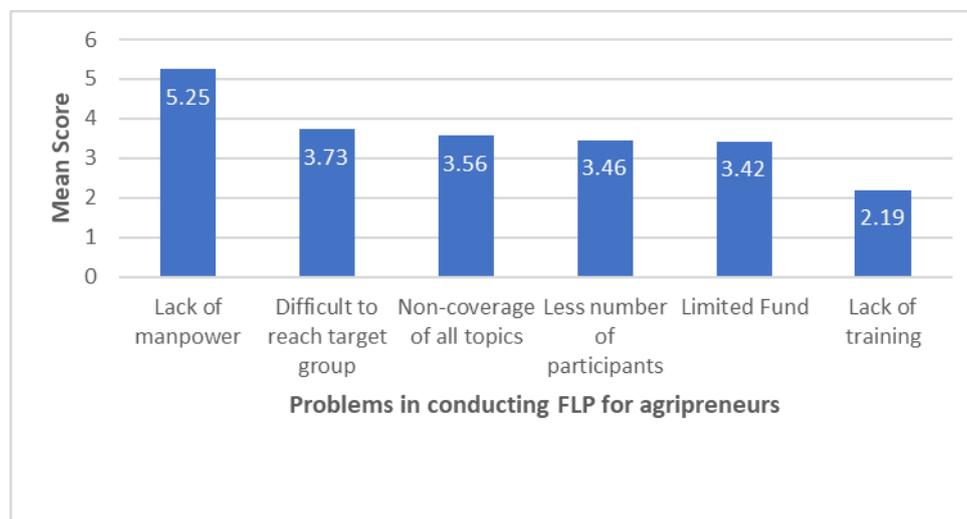


Figure 4: Problems faced by banks in conducting FLP for agripreneurs

Based on the comparative mean score, it can be concluded that ‘lack of manpower’ act is a major drawback for the respondents (bank managers) in conducting FLP for agripreneurs (\bar{x} = 5.25) followed by ‘difficult-to-reach target group’ (\bar{x} = 3.73) and ‘non-coverage of all topics’ (\bar{x} = 3.56). Further, ‘a smaller number of participants’ and ‘limited fund’ also contributes to the problems in conducting FLP for agripreneurs. However, it can be seen in the figure that the respondents faced the least problem due to a ‘lack of training’ on their part (\bar{x} = 2.19).

Conclusion and Recommendation

Banks provide several financial literacy services to agripreneurs right from providing awareness on e-banking services to assist in applying for agriventure loan. The study revealed that there is a wide gap that needs to be filled between the financial literacy services provided by banks and received by agripreneurs. Though the financial literacy programme (FLP) is one of the significant tools for enhancing the financial literacy of agripreneurs, banks face several hindrances in conducting FLP, particularly for agripreneurs or making it sector-specific. Such drawbacks demand the better implementation of FLP for agripreneurs. Two major approaches are proposed for better implementation of FLP for agripreneurs i.e., the organizational approach and the operational approach. The organizational approach focuses on ‘who will impart financial literacy services to agripreneurs?’ and that can be achieved by organizing financial literacy camps or providing regular financial literacy services through the involvement of agricultural extension officials and Non- Government Organizations (NGOs). Application of the operational approach mainly answers ‘how will financial literacy services be imparted to agripreneurs?’ which can be achieved through the audio-visual mode of financial literacy camp, identification of issue areas, banners and posters, advertisement over the online platform, street show and drama.



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Future studies may formulate new constructs and variables to make robust measurements of the financial literacy of agripreneurs and to prepare financial education curricula for agripreneurs. Future research may work on the opinion of agricultural extension officials and their role in intensifying the financial literacy of agripreneurs.

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Conflict of interest

There is no conflict of interest to declare by the authors in this study.

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Authors' contribution

NP = 60% (Conceptualization, data collection and analysis, writing the original manuscript).

BA = 40% (Supervision and editing the manuscript).

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