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Farm characteristics, microfinance and its use in diversified agriculture by the farming communities of Kandaghat block in Solan district of Himachal Pradesh

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Abstract
There is strong need of microfinance for crop diversification by the small and marginal farmers for ensuring better crop returns. The farming community of the studied area of Kandaghat block in Solan district of Himachal Pradesh is availing the services of microfinance from both the formal and non formal institutions which need to be studied in terms of its nature and use for different agricultural purposes. Therefore, the present study was carried out with the objective of understanding microfinance as is perceived by the studied farming community. A sample size of 60 farmers representing 12 villages was considered through multistage random sampling. A 5 point Likert scale was used with different statements. It was found that formal institutions of microfinance were given priority by the respondents. Microloans were used for varied agricultural purposes including the social obligations. It was suggested that special schemes may be launched for the benefit of farm women.

Keywords: Crop diversification, microfinance, farming community, agriculture use

Introduction
The state of Himachal Pradesh lies in the North Western Indian Himalayan Region. Agriculture with total contribution of 45.00 percent plays an important role in the state economy of Himachal Pradesh. Agriculture provides employment to 71.00 percent of the working population in the state. Around 84.50 percent of the total land held by the farming community of Himachal Pradesh is owned by the small and marginal farmers (Anno, 2014) [1]. Kandaghat block is one of the progressive agricultural area of Solan district in Himachal Pradesh. Agriculture is the mainstay of the people. About 70.00 to 80.00 percent of the working population of the block is engaged in agriculture. Due to small size of holdings and terrace farming on hill slopes, it is a challenge to use modern technology. Cultivation is done by traditional methods of farming and traditional farm equipments like ploughs, harrows and spades are in use, which lead to low production as compared to plains areas. The agro climatic conditions of the region provide potential for growing different fruits, vegetables, cereal crops, flowers, off season crops, oil seeds, mushrooms, livestock, beekeeping, fisheries etc (Anno, 2011) [2].

The farming community of Kandaghat block represents small and medium farmers who have little access to capital intensive farming and institutional finance from the commercial banking. The farmers are diversifying their farm entrepreneurs due to suitable agro climatic conditions, but the extent of adoption is at lower scale. There is strong need for microfinance for the small and marginal farmers who can be benefitted from potential crop diversification for better crop returns. Already a number of microfinance opportunities are availed by the farmers which need to be studied in terms of their nature and use. Therefore, the present study was carried out with the objective of understanding the role of microfinance as is perceived by the studied farming community.

Material and Methods
The present study was conducted in agriculturally most diversified Kandaghat block of Solan District, Himachal Pradesh, India. A 12 number of villages were selected randomly. The sample size of the study was consisted of 60 farmers who used microfinance services from various sources. Primary data was collected through structured questionnaires using personal interviews during the year 2017-18 in both the cropping seasons that is *Kharif* and *Rabi*. A 5 point Likert scale was used through different statements. Weights were assigned as 1 for

Highly dissatisfied (HDS), 2 for dissatisfied (DS), 3 for neutral (N), 4 for satisfied (S) and 5 for highly satisfied (HS). The ranking score of a respondent was calculated by summing up the weights for responses against all 14 statements as follows

- Total weighted score of a respondent = 1xHDS+ 2xDS+ 3xN+4xS+5xHS

These weighted scores were further categorised into four groups (Table 1)

Table 1: Score categorisation of the microfinance

Possible Range of Weighted scores	Score Classification	Category
14-70	Less than 28	Highly unfavourable
	28 to 42	Unfavourable
	42	Neutral
	42 to 56	Favourable
	More than 56	Highly favourable

* Upper limits non inclusive

Mean and standard deviations were used to establishing the statistical significance of the results

Result and Discussions

Many studies have been carried out on microfinance in different parts of the world. Schreiner and Colombet (2001) [3] defined microfinance as an attempt to improve access to small deposits and small loans for poor households neglected by banks. Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector. Bhat and Yadav (2016) [4] stated that the finance plays an important role in the process of dipping the inequality in wealth distribution. It increases the household income and provides employment opportunities. It is a crucial mechanism for providing financial services to the poor people of the society.

Eularie and Vishwanatha (2016) [5] examined the factors influencing participation among small scale farmers in the microfinance services on the basis of sampled 240 households of Rewanda. The study showed that 48 percent of the household heads had participated in microfinance services. The study found that age, household size, main occupation, distance, annual interest rate and saving had a significant impact on number of farmers participating in microfinance services and has enhanced the living standards of small scale farmers in Rwanda. Tepan and Saini (2017) [6] recognized that microfinance is positively related to agricultural production and contributes great towards agricultural modernization. Major challenges included unavailability of collateral securities, small loan amounts, delay in the release of agricultural loans and lack of understanding of the loan acquisition process among farmers. It was envisaged that such efforts have the potential to reduce income inequality thus contributing towards poverty reduction.

In the light of the above the present study was conducted and it has led to the following findings

Socio-economic profile and land holdings

The total sample size constituted 70 percent of males and 30 percent of females. The study of the socio-economic profile of sampled households revealed that 58.34 percent of the total respondents were in the age group 36 to 45 years. About 63.33 percent of all respondents live in joint families. Family size of 6-8 members was maintained by majority of the respondents (43.33%) suggesting thereby that sufficient family labour was available with the farming community. Majority of the respondents (66.67%) were having annual income ranging from 1 to 3 lakh on annual basis.

About 80 percent of the respondents possessed land holding up to 1 hectare size suggesting thereby that majority of the farmers were either marginal or small. Nearly 58.33 percent of the respondents were marginal farmers (land holding less than 0.5ha) and 21.67 percent were small farmers (land holding 0.5-1 ha)

Crop cultivation by the respondents

About 66.67 percent of the respondents were cultivating vegetables, indicating that the vegetables were the primary crops for all the respondents. About 11.11 percent of the respondents were growing spices, 8.89 percent food grains. 7.78 percent pulses and remaining 5.55 percent were cultivating fruits respectively. This suggests that vegetable cultivation was major crop enterprise for the sampled farmers.

Source of microfinance

The formal institutions were the major source of microfinance (Table 2) for the sample respondents. About 71.67 percent of respondents' availed microfinance from the formal institutions like commercial banks, cooperative banks, SHGs, credit societies etc. The non formal sources were village moneylenders, friends, relatives etc.

Table 2: Source of microfinance for the sampled respondents

Source of Microfinance	Frequency	Percent	Cumulative Percentage
Formal institution	43	71.67	71.67
Informal institution	17	28.33	100.00
Total	60	100.00	-

Attitudinal Scores about Formal and Non Formal Financial Institutions

Table 3 shows the attitudinal scores of the sample respondents for both the formal and informal institutions of microfinance. It was observed that the formal institutions of finance were favoured by 58.34 percent of the respondents with total weighted score ranging between 42 to 56. In comparison, the non formal sources of microfinance could find favourable standing only by 26.67 percent of the respondents. Similarly the unfavourable status was shown for formal institutions by 33.33 percent of the respondents as against 53.33 percent of the respondents expressing their attitude for non formal sources. The non formal institutions were also reported to be highly unfavourable by 10 percent of the respondents. Thus it can be concluded that the farmers have better attitude towards formal sources of micro finance.

Table 3: Comparison of microfinance institutions based on their users attitude score

Formal Institutions						
Range		Categories of farmers	Respondents		Mean	SD
Possible	Observed		No	%		
14-70	30-61	Highly unfavourable (<28)	0	0.00	45.30	8.20
		Unfavourable (28-<42)	20	33.33		
		Neutral (42)	3	5.00		
		Favourable (>42-56)	35	58.34		
		Highly favourable (>56)	2	3.33		
		Total	60	100.00		
Informal Institutions						
Range		Categories of farmers	Respondents		Mean	SD
Possible	Observed		No	%		
14-70	24-64	Highly unfavourable (<28)	6	10.00	39.00	8.22
		Unfavourable (28-<42)	32	53.33		
		Neutral (42)	4	6.67		
		Favourable (>42-56)	16	26.67		
		Highly favourable (>56)	2	3.33		
		Total	60	100		

Use of Micro finance

Micro finance is used for different agriculture purposes by the sample households (Table 4). It was observed that about 20.70 percent of the respondents used the loan for agricultural purpose. This purpose for availing micro finance was ranked first with total weighted score of 348. About 17.73 percent of the respondents used the loan for the purchase of agricultural tools and equipment or machineries. This purpose was ranked second with total weighted score of 298. About 15.76 percent of the respondents used loan for educational purposes and was ranked III. The least weighted score was for health, marriages and consumption respectively with ranking of V, VI and VII.

Table 4: Use of microfinance

No	Purpose of Loan	Percent	Cumulative percentage	Total Weighted Score	Rank
1	Consumption	9.40	9.40	158	VII
2	Health Problems	12.14	21.54	204	V
3	Education	15.76	37.30	265	III
4	Marriages	10.23	47.53	172	VI
5	Housing/Housing repairs	14.04	61.57	236	IV
6	Tools/Equipment/Machines	17.73	79.30	298	II
7	Agricultural purpose	20.70	100.00	348	I
Total		100.00	-	-	-

Conclusion

The microfinance was primarily used for agriculture purpose which is a positive signal for the government agencies dealing with agriculture finance for strengthening their efforts. It was further concluded that formal institutions of microfinance are given priority due to greater transparency, clear rules and regulations and provision of government support. The government has already established a number of formal institutions like banks, cooperatives etc., which need to be contacted by the farming community for better services and improved lending conditions. Government should aware small and marginal farmers about the comparative advantage of formal microfinance institutions, so that the same may also be benefitted from different government schemes and projects. It was recommended that the banks and cooperative institutes should work in the field of financial literacy easing thereby the formalities and time needed for the sanctioning of loans. Since farm women are main custodians of agrarian activities in the hills, therefore special schemes may be launched for the benefit of farm women.

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