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## Rural development through Agripreneurship: A study of farmers in Uttar Pradesh

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### Abstract

Rural entrepreneurs are a key figure in economic progress of a developing country like India. Rural entrepreneurship is the way of converting developing country into a developed nation. Rural entrepreneurship is the answer to removal of rural poverty in India. Therefore, there should be more stress on integrated rural development programs. The Indian economy is basically an agrarian economy; it can serve as a platform for agricultural entrepreneurship, food processing and other allied activities. At the time of Independence in 1947, more than half of the national income was contributed by agriculture. The First Five Year Plan has emphasized on agricultural development. Also the Green Revolution strategies adopted during 1960s has contributed a lot in making India self sufficient in food production. With the advent of New Economic Policy adopted since 1991, the scenario has changed drastically. At this time Ms. Rikin Gandhi after working for the United States Space Program as an aeronautical engineer, strong-willed to help Indian farmers with his project “Digital Green” sponsored by the Bill and Melinda Gates Foundation with the alliance of Non Governmental Organizations. Agriculture is the prime mover of economic growth in Uttar Pradesh. The state has a paramount role in food production, processing and food security of the Country. The state ranked no.1 in terms of production of wheat, sugarcane, maize, vegetables, potato and livestock products including milk, sugar and rice. The state has a few potential areas for agro processing like i) onion flakes ii) onion powder, garlic powder in Mainpuri, Agra and Etawah areas iii) Fruits and vegetables in the western region, Lucknow and Varanasi, Allahabad iv) Flowers in the western region and Lucknow v) Canned mushroom in the western region vi) Oleo resin in Ghaziabad, Agra, Jhansi, Kanpur and Deoria vii) Table Margarine and bakery in Ghaziabad, Pilibhit, Sitapur and Viii) Azadirachta extract in Saharanpur and Varanasi. Thus, rural entrepreneurship has been identified as the key factor for the survival of industries in the changing global economy. Farmers need knowledge, information about primary agricultural techniques and methods for production, harvesting, processing, wholesaling and retailing, financial services, transport, packaging, promotion and advisory services. The nine key general entrepreneurial skills for farmer as an entrepreneur are taking initiative, ambitious, focused, problem-solving, creative thinkers, taking risks, flexibility and adaptability, interpersonal abilities, networking and readiness to learn. The following methods is adapted from Edward De Bono’s Lateral Thinking Principles (1990) and is applied to highlight the difference between the “Agricultural” of current approaches to art of Agripreneurship education which is needed and exploring the entrepreneurship and management skills through the Pieter de Wolf and Hermann Schoorlemmer model. The research paper identifies and analyze the economic and social perspective which work as a barrier in the development of entrepreneurial skills in the farming sector of Uttar Pradesh and studying the implications of the Pieter de Wolf and Hermann model.

**Key words:** Agripreneurship skills, management skills, farmers and socio economic aspect.



## 1. INTRODUCTION

An agripreneur may be defined as someone who undertakes a variety of activities in agriculture and its allied sectors to be agripreneur. An agripreneur may start an agro business, change a business direction, acquire a business or may be involved in innovatory activity of value addition. Explicit an agripreneur is a risk-taker, opportunist, initiator which deals with the uncertain agricultural business environment of the firm. Entrepreneurs are often discussed in terms of starting a business. The Edward De Bono's lateral thinking principles (1990) is applied to highlight the difference between the "Agricultural" of current approaches to Agripreneurship education and the "art" of agripreneurship education which is needed. The poor farmers have failed in agriculture but agripreneurs are becoming very successful by doing business in Agri Export Zones due to:

- Agriculture is selective, whereas the Art of Agripreneurship is generative.
- Agricultural moves only if there is a direction in which to move, whereas the art of Agripreneurship moves in order to generate direction.
- Agriculture is sequential, whereas the Art of Agripreneurship can make jumps.
- Agriculture requires each step to be correct, whereas with the Art of Agripreneurship this does not need to be.
- Agriculture has fixed categories, classifications and labels whereas the Art of Agripreneurship there are no such constraints.

A farmer to become a successful agripreneur needs to be active, curious, determined, persistence, visionary, hard working, come up with ideas, communicative with strong management and organizational skills, recognize suitable marketing opportunities, manage the optimum resources or bearing the risk. Agripreneurship is greatly influenced by three factors namely the economic situation, education and culture in India. The socio-economic analysis of agripreneurs and traditional farmers in selected districts of Uttar Pradesh in India clearly indicates that if the right environment is created and farmers are provided with good infrastructure, technology and timely availability of credit through financial institutions it can enhance food production and can ensure food security, income and quality of life for the farmers. Contrary to common beliefs, the skills associated with agri-business are not necessarily innate but the farmer can develop it through education and training. They need continuous and proper development to update their skills and competencies which basically includes self initiative, good decision making, problem solving, opportunist seeking, ability to focus on customer demands, self confidence etc. About one third of all wheat produced in the Country comes from Uttar Pradesh. Similarly, around 40% of the sugar cane was produced from Uttar Pradesh. Farmers need knowledge in each of the key areas of farm management which includes planning, implementing and controlling. They also need information about primary agricultural techniques and methods like production, harvesting, processing, wholesaling and retailing, financial services, transport, packaging, promotion and advisory services.

### 1.1 Objectives of the study:

- 1) Understanding the challenges which work as a barrier in the development of entrepreneurial skills in the agripreneurship sector.
- 2) Studying the agricultural entrepreneurship model of rural development and its importance.
- 3) Developing an alternative model for promotion of agripreneurship among farmers.

### 1.2 Why India promoting Agripreneurship: a quick perspective

All 15 major climates of the world, snow bound Himalayas to hot humid southern peninsula, Thar Desert to heavy rain areas all exist in India. There are 20 agro climatic regions and nearly 46 out of 60 soil types in the country. India is the centre for biodiversity in plants, animals, insects, micro-organisms and accounts for 17 per cent animal, 12 per cent plants and 10 per cent fish genetic resources of the globe. In recent years, there has been a considerable emphasis on crop diversification towards horticulture (fruits, vegetables, ornamental crops, medicinal and aromatic plants and spices), plantation crops (coconut, cashew nuts and cocoa) and allied activities. The problems of unemployment, underemployment and disguised unemployment have swamped the country, especially the rural common people.



Considering that 2/3rd of the Indian population is employed in the agriculture sector, providing viable and sustainable business opportunities in Indian agribusiness is essential for generating employment in the country.

## 2. LEVEL OF SKILLS IN ENTREPRENEURSHIP

Skills can be described as the best and proper way of carrying out tasks related to the farming business. The skills can be learnt through training which focus on providing requisite information, experience, knowledge to provide a base for better decision making. The skills are imparted to the farmers through Institutes, EDC cells and Universities through lectures, field work and demonstrations by organizing work shops, seminars etc

**I. The primary level of skills include:** Basic information of soil, tilling land with equipments, effective communication, team building, the competency level, confidence, creativity, initiative, need for achievement, risk taking, desire for independence etc.

**II. The medium level of skills include:** practising more complex tasks such raising loans, awareness about the inputs or equipments, establishing the mini farms, use of technology, mobilization of money-investment pattern and price mechanism, designing the task etc.

**III. The Enterprise skills:** which farmers need to succeed in the business includes-professional skills (technical and production), management skills (financial and administrative), opportunity skills (recognizing and realizing business opportunities), strategic skills (developing and evaluating a business strategy), cooperation and networking skills (networking and utilizing contacts).The last three skills are considered as real entrepreneurial skills for running an enterprise i.e. food processing unit run by farmers in India.

### The III level of skills are classified in the Table-1

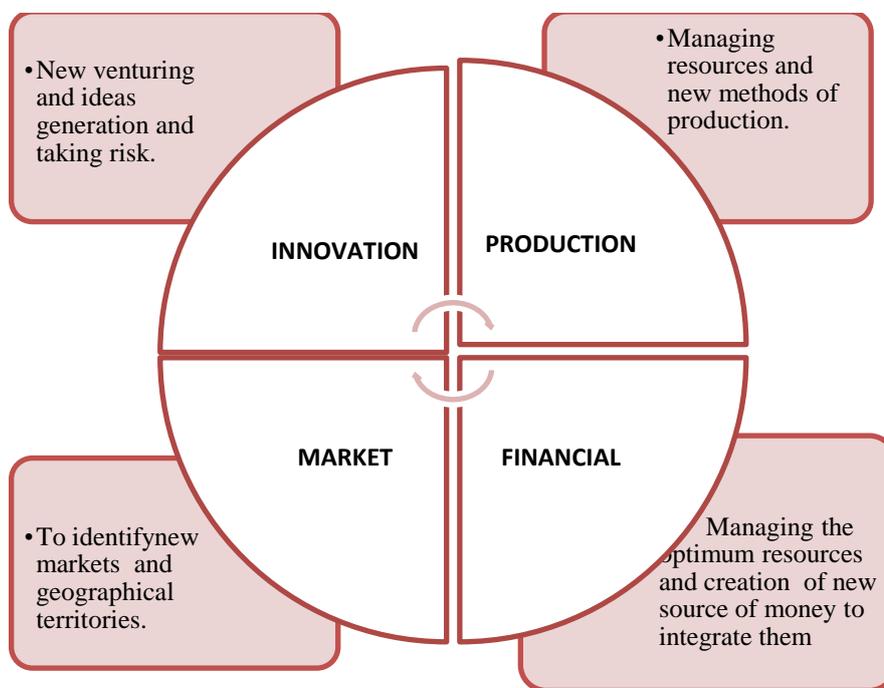
| No. | Category                         | Underlying skills   |
|-----|----------------------------------|---|
| 1.  | Professional Skills              | a. Plant and animal production skills<br>b. Technical skills  |
| 2.  | Management Skills                | a. Financial management Skills<br>b. Human resource management skills<br>c. Customer management skills<br>d. General planning skills  |
| 3.  | Opportunity Skills               | a. Recognising the business opportunities<br>b. Market and customer orientation<br>c. Awareness of threats<br>d. Innovation skills<br>e. Risk management skills   |
| 4.  | Strategic skills                 | a. Skills to receive and make use of feedback<br>b. Reflection skills<br>c. Monitoring and evaluation skills<br>d. Conceptual skills<br>e. Goal setting skills<br>f. Strategic decision making skills<br>g. Strategic planning skills<br>h. Goal setting skills |
| 5.  | Cooperation and networking skill | a. Skill relating to cooperating with other farmers and companies.  |



|  |  |  |
|--|--|--|
|  |  | b. Networking skills<br>c. Team working skills<br>d. Leadership skills |
|--|--|--|

**Source:** *Exploring the significance of entrepreneurship in agriculture by Pieter de Wolf and Hermann Schoorlemmer.*

**Explanation:** The primary concern of the study is to recommend ways how conditions of the social, economic, political and cultural framework can be changed in order to facilitate the adoption of entrepreneurial skills by the farmers. With time farmers, agricultural business men, researchers and government have recognized the need for more entrepreneurial inclination in the agriculture business. The development of entrepreneurial skills of farmers is a significant issue, which needs to be promoted by all the stakeholders in the agricultural network. The study of social and economic environment of farming should not be underestimated when promoting the development of the entrepreneurial skills, as entrepreneurship is the system of innovation.



**Figure1:** Exploring the rural development model through entrepreneurship in the agriculture sector.

*Source-Edited by Christie Rudmann, Specific targeted research project SSPE-CT-2005-006500*

### 3. SCOPE AND CHALLENGES OF ENTREPRENEURSHIP IN UTTAR PRADESH (INDIA)

The benefits of entrepreneurship to the society and the economy as a whole are enormous. They help to make the Indian market export competitive and at the same time, they make the ‘Made in India’ brand more acceptable. The government of Uttar Pradesh has framed its policies to nurture and promote the budding agripreneurs. Uttar Pradesh, the land of opportunities is widely acknowledged for its multi hued culture, religion, natural resources and variety of geographical land. Uttar Pradesh is a steadily growing state at around 6% during the last decade. With large extent of agrarian fertile planes and diverse agro climatic conditions, agriculture is one of the most important and thrust areas of the economy of



Uttar Pradesh. Uttar Pradesh is the largest producer of food grains and sugarcane in India. The major crops grown in the state are paddy, wheat, sugarcane, potato, mustard, groundnut, gram, pea and lentil. The state carries immense potential for food processing industries, which has been profitably undertaken in the state. Uttar Pradesh has one of the most attractive destinations for investors and entrepreneurs. The state has set up several industrial estates. **Source: PHD Chamber of Commerce and Industry, December 2011.** The key industries are IT, textile, cement, vegetable oils, sugar, cotton yarn, jute, carpet, brassware, glassware and bangles.

On the basis of review of past studies on entrepreneurship following gaps were identified:-

1. There is little study on assessing entrepreneurial skills to the farmers.
2. There is no conclusive study on education and training provided to the farmers.

In U.P., Agriculture plays a dominant role in the economy and growth rate of Agriculture and allied sector is 5.3 percent, that of primary sector is 5.4 percent, and the national figure is 4.0 percent. Secondary and Tertiary sectors are also growing very fast in the country as a whole but in U.P. though growth of secondary sector is close to national figure, the tertiary sector is lagging behind. Yet Agriculture and allied sector growth being the lowest has a potential to improve and thus provide boost to the overall economy of the state. The economy of Uttar Pradesh is agrarian and performance of agriculture and allied activities such as horticulture, animal husbandry, dairying and fisheries are critical in determining the growth rate of the State. Development of the rural areas is essential for inclusive and equitable growth and to unlock huge potential of the population that is presently trapped in poverty with its associated deprivation. The incidence of poverty across the state indicates that poverty is very closely linked to the absence of social infrastructure. Several emerging challenges confront Indian farmers. These include limited land and water availability, which is further **exacerbated** by degradation of natural resources, climate changes, changes in demand and consumption patterns, moving toward high-value agriculture, increasing population pressure and liberalization of trade (Lele et al. 2010). Recent global food price increases and high levels of inflation have provided an opportunity to increase farmers' profitability. However, to realize the benefit of higher prices, farmers need to access a wider range of information, related not only to production technologies but also to postharvest processes, access to remunerative markets, price information, and business development (Sulaiman and van den Ban 2003).. In India, the role of agricultural extension in improving agricultural growth is today being recognized with increasing investment. India's 10th and 11th five-year plans emphasize agricultural extension as a key to increasing agricultural growth by reducing the yield gap in farmer fields, and therefore stress the need to strengthen agricultural extension in India. Source: (Planning Commission 2001, 2005, 2006). However, despite the renewed interest and investment in agricultural extension in India, the coverage of such services is inadequate. Government extension programs, extension services of the national agricultural research system, cooperatives, and nongovernmental extension programs have a very limited outreach (NSSO 2005). The 2003 National Sample Survey Organisation (NSSO) survey showed that 60 percent of farmers had not accessed any source of information on modern technology to assist in their farming practices in the past year. Of those who had sourced information, 16 percent received it from other progressive farmers, followed by input dealers. Of those farmers who had accessed information, the major problem of extension services was found to be the practical relevance of the advice (NSSO 2005). The entrepreneurial activities in Uttar Pradesh may not match the requirement of strengthening competitive advantage of skills. This might come from the reason that there has been no empirical knowledge clarifying the relationship between entrepreneurship competencies and competitive advantage in Uttar Pradesh. Conversely, Malaysia (Ong & Ismail 2008), Hong Kong (Man et al. 2008), India (Bhardwaj et al. 2007), and Punjab, India (Batra et al. 2003) have studied this issue and found that a need for achievement and internal locus of control (Ong & Ismail 2008), commitment competencies (Man et al. 2008) and management support (Bhardwaj et al. 2007) have a direct impact on an enterprise's competitive advantage. Nonetheless, these results may be valid for their researched countries but may be inapplicable to the Uttar Pradesh, the largest state of India. This is because each state has a different culture that affects the competencies required for enhancing competitive advantage in particular business competitive conditions (Dart et al. 1990 & Swierczek & Jatusripitak 1994). The paper also analyses the main challenges and constraints each



agricultural extension approach faces in its operation in order to identify opportunities for increasing its effectiveness and efficiency in reaching smallholder farmers. The main limitation of the review is the lack of thorough impact evaluation of the projects, which have largely been examined descriptively, thus making it difficult to compare the efficiency and effectiveness of each approach—a comment also made by Raabe (2008). This problem is not specific to India but is present globally, as there is often very little information available on the performance of various extension systems worldwide, considering the investments made in this area (Birkhaeuser, Evenson, and Feder 1991; Davis 2008).

Important Steps in the development of Agro based EDP programme;

1. Identification of and location of perspective self-employees
2. Selection of potential self-employed/entrepreneurs from amongst prospective candidates
3. Agro based entrepreneurship development training
4. Providing help/guidance in selection of product and preparation of project report
5. Mobilizing different resources
6. Organisational support in setting a enterprise
7. Follow up

### **Why India promoting Agripreneurs-**

Agriculture contributes 24.2% toGDP, 15.2% of total exports and provides employment to 58.4% of country's work force.

1. Agriculture remains a key sector of the Indian economy accounting for 25 per cent share in the gross domestic product (GDP) and about 13 per cent of the total export earnings.
2. The share of agriculture in the total value added to the economy, at around 25 per cent, is still quite high. This implies that agriculture is likely to remain a priority, both for policy makers as well as businesses, in the foreseeable future and any move to ramp up the sector calls for a multi-pronged strategy.

### **3.1Challenges/ Barriers faced by the agripreneurs-**

#### **a. Lack of funds**

Lack of finance available to rural entrepreneurs is one of the biggest problems which entrepreneurs are bearing now days especially due to global recession. Major difficulties faced by rural entrepreneurs includes low level of purchasing power of rural consumer so sales volume is insufficient, lack of finance to start business, reduced profits due to competition, pricing of goods and services. Major sources of finance in rural areas are loans from regional rural banks or from zamindars but their rate of interest are usually very high. Government has various institutions for this purpose but the results are not up to the level expected. Industrial Finance Corporation of India (IFCI), Industrial development bank of India, Industrial Credit and Investment Corporation of India (ICICI), Small Scale Industry development bank of India (SIDBI) are some of the national level (SFC) institutions that are helping out rural entrepreneurs. Some state level institutions are also working like State Financial Corporation and State Industrial Development Corporation (SIDC). These institutions are providing assistance for setting up of new ventures and side by side for modernization and expansion of existing ones but their terms and conditions are very strict to be handled.

#### **b. Lack of infrastructure**

The growth of rural entrepreneurs is not very healthy in spite of efforts made by government due to lack of proper and adequate infrastructural facilities.

#### **c. Risk**

Rural entrepreneurs have less risk bearing capacity due to lack of financial resources and external support.

#### **d. Marketing problems and competition-**



Rural entrepreneurs face severe competition from large sized organizations and urban entrepreneurs. Major problems faced by marketers are the problem of standardization and competition from large scale units. They face the problem in fixing the standards and sticking to them.

#### **e. Management problems-**

##### **i) Lack of technological dissemination-**

Information technology is not very common in rural areas. Entrepreneurs rely on internal linkages that encourage the flow of goods, services, information and ideas.

##### **ii) Legal formalities and regulations -**

Rural entrepreneurs find it extremely difficult in complying with various legal formalities in obtaining licenses due to illiteracy and ignorance in farmers.

##### **iii) Availability of resources-**

Procurement of raw materials is really a tough task for rural entrepreneur. They may end up with poor quality raw materials, may also face the problem of storage and warehousing.

##### **iv) Lack of technical knowledge-**

Rural entrepreneurs suffer a severe problem of lack of technical knowledge. Lack of training facilities and extension services create a hurdle in the development of rural entrepreneurship.

##### **v) Quality Control-**

Another important problem is growth of rural entrepreneurship is the inferior quality of products produced due to lack of availability of standard tools, techniques and equipment, lack of quality materials.

##### **vi) Low skill level among farmers**

Most of the entrepreneurs of rural areas are unable to find workers with high skills. Turnover rates are also high. They have to be provided with on the job training and their training is generally a serious problem for entrepreneur as they are uneducated and they have to be taught in local language which they understand easily.

#### **3.2 Remedies to Solve These Problems**

Different organization like IFCI, ICICI, SIDBI, NABARD etc. are trying to sort these problems. Marketing problems are related with distribution channels, pricing, product promotion etc. In order to make the rural entrepreneurs to state the business venture, the following measures may be adopted:

##### **1. Establishment of finance cells**

The financial institutions and banks which provide finances to entrepreneurs must create special cells for providing easy finance to rural entrepreneurs.

##### **2. Concessional rates of interest**

The rural entrepreneurs should be provided finance at concessional rates of interest and on easy repayment basis. The burdensome formalities should be avoided in sanctioning the loans to rural entrepreneurs.

##### **3. A suitable supply of raw materials**

Rural entrepreneurs should be ensured of proper supply of scarce raw materials on priority basis. A subsidy may also be offered to make the products manufactured by rural entrepreneurs cost competitive and reasonable.

##### **4. Offering training facilities**

Training is essential for the development of entrepreneurships. It enables the rural entrepreneurs to undertake the venture successfully as it imparts required skills to run the enterprise. Presently the economically weaker entrepreneurs of the society are offered such training facility under Prime Minister's Rozgar Yojna. (PMRY) Programmed FICCI, (NGOs) Lions Clubs, Rotary Clubs and voluntary organizations can also arrange such training programmers for rural entrepreneurs to provide them stimulation counseling and assistance .

##### **5. Setting up marketing co-operatives**

Proper encouragement and assistance should be provided to rural entrepreneurs for setting up marketing co-operatives. These co-operatives shall help in getting the inputs at reasonable rate and they are helpful in selling their products at remuneration prices. Hence, middlemen can be avoided and rural entrepreneurs derive the benefits of enterprise.



#### 4. Development of an alternative model for promotion Agripreneurship among farmers-

Given the above problems, the agribusiness sector needs customized financial services so that the service providers as well as the beneficiary are benefited. Some potential solutions that need to be explored and empirically tested are.

1. **New financing instruments-** such as weather index-based insurance and micro insurance also have great potential for managing the risks faced by small farmers.
2. **Bundling financial services with nonfinancial services-** like marketing and extension services offers new opportunities for small farmers to increase their productivity and incomes.
3. **Supportive infrastructure:** An enabling policy environment and legal framework, enforcement of rules and regulations, and a supportive rural infrastructure all contribute immensely to making sustainable access to finance a reality
4. **Issue of financial literacy-**The agripreneurs must be educated regarding the financial services available for them. They must be made aware of all schemes and projects for them.
5. **Facilitating electronic payment systems-**The financial institutions can drastically reduce the transaction charges by the adoption of electronic payment system. This would encourage the banks and financial institutions to reach the agripreneurs situated in far-off areas.
6. **Branchless banking-** This technology can also significantly slash transaction costs for both service providers and consumers.
7. **Portable smart technology-** to establish identification and monitor clients can significantly alleviate information asymmetries and help improve repayment rates.

#### Sustainable models of providing financial service to Agripreneurs-

There is a need for devising alternative models of delivery of financial services to agripreneurs. Further alternative financial instruments must also be developed to overcome the deficiency in the financial instrument which can lead to overcome social and economic barriers.

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