

# **ENTREPRENEURSHIP IN RURAL MICRO AGRI -LINKED BUSINESSES**

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## **Abstract**

Rural micro agriculture linked businesses though encountered perennial problems of research crunch, offers immense growth, employment co-efficient & implication for distribution in agrarian economy of district Kathua, J&K State. Their emergence is the result of unremunerative & seasonal character of agriculture, marginalization of small farmers, eviction of tenants and a number of policy measures initiated by the Govt. for promoting self-employment. The paper examines the significance of background and key motivational factors in sustaining rural micro entrepreneurship using X<sup>2</sup>, tests of significance and factor analysis. The study suggests adoption of an integrated & multidisciplinary development approach by including training, institutional, financial support as a composite package coupled with improved technology in agriculture to create 'income and output' effect which in –turn would increase raw material & demand for rurally produced goods.

## **Introduction**

The concern for basic needs, failure of growth strategies, divergence in development patterns, jobless growth and common concerns among developing countries, South Asian Multi- Disciplinary Advisory Team of International Labour Organisation (ILO-SAAT 2000) stressed on the development of micro enterprises to fulfill the objectives of poverty reduction, employment generation,

empowerment of women and broadening the base of the private sector by widening the pool of entrepreneurship (Asian Development Bank 1997 and Draft National Policy for Rural Industrialisation 2000). Industry specialists estimated that there are about 500 million micro-enterprises in the world, the activities of many are often outside the purview of official statistical enumeration, beyond formal systems of labour and social protection (ILO 2000). These micro enterprises employing up to ten people are active in trade, production and service sectors. In almost all the developing economies, considerable enthusiasm and faith is being placed with this sector for a variety of reasons: sustainable use of local resource endowments (Mehta 1997), minimizing labour exodus from rural areas, which is the breeding ground for urban slums and a host of socio-economic problems (Islam 1987), bridging rural urban economic gap, delivering higher employment and output gains for every unit of capital invested; spin offs for agricultural development as well industry agriculture linkage (Hazell and Haggblade 1991), promotes rural income distribution, enhances per worker productivity by distress type subsistence agricultural activities to activities with higher level of productivity (Chadda 1994), gender related aspect gets due recognition due to the sizable involvement of female rural workers (Soundarapandian 1999), further rural industrialization policies also fit in well with the industrial location strategies being followed by multinational enterprises and national industrialists alike in a wide range of products of light industry.... (Saith 1992).

In India, several self employment measures have been initiated because growth initiative through percolation of trickle down effect and vertically administered welfarist measures have failed to generate additional employment opportunities in agriculture (Bhalla et al. 1986 and Chadha 1994). Technological advancement in agriculture in land scarce countries as well as in high growth and agriculturally potential regions is unlikely to employ the entire labour force at reasonable levels of productivity and income. (Papola 1984; Islam 1987 and Mahajan 2002). The performances of rural businesses in general and micro businesses in particular all over the world have not been spectacular. Various national governments are devising different strategies for sustaining growth in micro businesses e.g. (a) Cheap credit on fixed capital investment (component purchase, fixing working capital limits), electricity duty exemption and sales tax exemption etc., for goods produced in rural areas, exemption from entry tax, toll tax etc., for rural enterprise products; price preference of 10% for government purchases, so as to create government demands for example: defence requirements, police and military uniforms, school uniforms etc.; marketing assistance through small industry corporations exclusively established - product design etc.; rural industrial estates, rural crafts centers to create rural infrastructural facility. (b) Exclusive credit schemes like composite loan scheme for farmers, women, physically handicapped etc., these may combine fixed and working capital and production and consumption loan, agriculture and farm processing etc., (for example: Malaysian small farm schemes in palm oil, rubber plantations etc., and the new village schemes adopted by many developing countries). (c) Preparation of project profiles, bankable schemes by consulting organisation through support by state. (d) Project based specific infrastructural facilities - for example in silk industry - supply of mulberry cuttings to small farmers, establishment of rearing centers, grainages,

cocoon markets, technical service centers, testing centers, training schools and silk exchange (Karnataka, India), to create net work for cocoon selling. (f) Other village industries can be provided with an incentive frame work in the supply of raw material (say bamboo, coir, nylon for fish knitting etc.), supply of tools and implements (farm implements and post harvest technologies), service centers, common facility centers, rural industry innovations (in African countries), marketing and extension work, creating producers organisations and marketing federations, training of artisans through schemes, small equipment leasing and hypothecation by banks rather than insisting on collateral security, modernisation schemes and efforts through national level organisations exclusively set up for this purpose (as in India, Sri Lanka, Madagascar etc). (g) Encouragement of cooperatives (several incentives can be offered to strengthen rural producers, raw material marketing, banking cooperatives), research and development in innovative designs and new products, financial assistance through micro credit project, donor agencies, organising womens' groups through thrift and credit societies, guidance on designs and technical matters by involving local organisations.

The constraints of rural micro businesses varied ranging from leakage/wastage of resources due to poor managerial skills; lack of information regarding inputs, markets and low cost technologies and high costs on transfer; perceived threat from modern industries and international goods; lack of confidence among the rural entrepreneur and perceived inferiority of goods and services produced by them; rural areas not very well connected by road net works and are dependent on middlemen (sometimes they are saviors) to lack of adequate assets for collateral, high interest rates and short repayment periods (specially in African countries).

Keeping in mind the above facts relating to the significance and constraints in the development of rural micro businesses, the present study has been carried in Kathua district of J&K State.

### **Socio-economic profile of district Kathua**

District Kathua has an area of 2651 sq. kms. Bounded by Pakistan in the southwest, Gurdaspur district of Punjab in south, Chamba district of H.P in the east and Doda, Udhampur and Jammu districts in the north, the area is divided into 4 revenue tehsils, 8 CD blocks and 587 villages. The main ethnic groups are Hindu, Muslim and Sikh, which constitute 91%, 7% and 20% respectively in the overall 5.554 lakhs (2001) of the district population. The density of the population is 205%, gender ratio 907 females per 1000 males, average size landholdings 1.35 ha. Occupation-wise, 28.82% are main workers, 14.58% marginal workers while 56.60% are non-workers. Among the main working force, cultivators and agricultural labour accounts for 60.47% and 5.67% respectively which obviously indicate that dependence on agriculture is much more significant than any other sector/occupation such as livestock, mining, industry, construction, trade/commerce and others which bear nominal percentage within the range of 2% to 5% to the main working force of the district. The ranges of climate from sub-tropical in the plane and Kandi belt to swear cold in the hills supports the growth of multiple crops like rice (34303 ha), wheat (53097 ha), maize (16233 ha), other millets (3156 ha), pulses (3639 ha), fruits (7 ha), vegetables (228 ha), other food crop (191 ha), fodder (9582 ha), oilseeds (7067 ha) and other non food crop (3 ha) on 127542 ha of gross

sown area. The region is drained by a network of canals and field channels drawn from two important rivers namely, Ravi and Ujh. In absence of any medium scale industry, bulks of the economic activities are in small scale (4249 registered SSIs) and unorganized sectors supporting the livelihood for 89% of rural population. The agrarian nature of the district economy, proximity to the markets, vast below metric entrants to the labour force & recent Govt support to rural industrialization, justifies the need for developing and sustaining rural micro agriculture linked businesses (RMALB) in the district.

### **Entrepreneurship motivational and sustainability factors**

Entrepreneurship originally conceived by Schumpeter (1934) expanded its innovative domain from independent businessperson, an employee or manager of a firm, to development of a new product or service, a new channel of distribution, or the organization of an entire industry (Birkinshaw 2000). It is a process presents the dynamics of the individual and the context (Gartner 1985; Scolt & Anderson 1994; Solymossy 1997). In agriculture due to fluctuating price and agriculture yield, marginal size of landholdings and dependency on wage employment at the time of crises resulting that rural households constructs a diverse portfolio of activities and social support capabilities for survival in order to improve their standard of living (Ellis 2000 & Berry 1980). Further the consequence of widespread poverty associated with low educational levels among a significant part of the population and the absence of social safety nets, a typical rural household diversifying its income by including seasonal migration; drawing upon communal resources-village common lands and forests; drawing upon social relationship –patronage, kinship and informal credit network; drawing upon household stores (of food, fuel, etc.) and adjusting current consumption; and finally drawing upon assets (Franco 1999 & Bina Agarwal 1990) . Leibenstein identified two motivational factors `interfirm' (determined by personality qualities many of which derive idea from Mc Clelland & Hagen) and opportunity set variables. Motivational factors emerged from the empirical researches on entrepreneurs such as desire to start a business, need for autonomy, need for challenges & self –actualization, internal locus of control, prior work experience desire for applause are further conditioned by a variety of forces: job, family needs, debts and obligations and the routine of everyday life also equally applies to rural micro agri.-linked businesses. The bulk of early research on entrepreneurship discussed entrepreneurship as a function of psychological and personality characteristics (Mc Clell 1961 and Brock haws 1982). Wilken (1979), Shapero (1984) and Chell (1984) considered Govt. policy and programmes as influential factors in creating an environment that can hinder or encourage entrepreneurship. Bull and Willard identified four conditions under which entrepreneurship occurs. The conditions are (i) task-related motivation, (ii) expertise (present know-how plus confidence to be able to obtain the needed know-how), (iii) expectation of gain for self (economic and /or psychic benefits), and (iv) a supportive environment including institutional new entrepreneurial talents are now being considered to be a viable alternative to many framework. Other entrepreneurial development factors are Systematic training intervention (McClelland & Reddy 2003), innovative curriculum design (Sushil & Tulsi 1990), supportive community framework (Nandy 1973), entrepreneurial information sharing strategy (Kristiansen 2003), expansion of credit through liberal bank

financing (Samir 2002), participation in trade shows, fairs and exhibitions (Mohanty and Acharya 2003), strengthening collaborative framework between promotions and supporting institutions (Mensah 2002), ensuring availability of raw material supply of power and water (Akhtarudin 2000), adequate technical & infrastructural support (Andrease, Peter 1996) etc. Maithai and Jaitly (1998) demonstrated that rural entrepreneurship developed on cooperative basis is more effective, fruitful, and durable and minimizes various risks involved.

### **Methodology**

Data for the study was generated from primary and secondary sources. Primary information was collected by obtaining a list of rural micro agriculture linked businesses (RMALB) for their relative contribution in terms of income & employment from the 'Village Amenity' book in five agriculture prosper villages namely, Mareen, Khanpur, Padyari, Nagri-Parole and Rajbagh. Of the 305 RMALB so identified, were arranged alphabetically according to the owner's name, thereafter first unit was randomly chosen using lottery system, and subsequently every third unit was selected to be included in the sample size. The 120 businesses forming 40% of the population was further grouped into 8 heads namely, Atta chakki (36), Mushroom growing & selling (26), Apiculture (19), Oil expeller (13), Sugar cane crusher (9), Fodder seller (6) Vegetable traders (6) and Cotton ginning & spinning (5). A questionnaire after pre-testing on 30 RMALB and thereafter editing by amending, recording errors and deleting queries that were obviously erroneous was filled through structured participatory interviews at the site /residence of micro unit holders. Secondary information was collected from DIC, banks, journals, books, reports, and electronic and non- electronic sources. The use of multiple sources of information was intended to increase 'construct validity' of the case study design in terms of seeking convergent lines of inquiry or what Patton, Penzin and Lincoln call 'methodological triangulation'. The data collected was designed to fulfill following objectives:

1 To ascertain the significance of background factors in establishing rural micro agriculture Linked businesses distinct from rural micro non-agriculture linked businesses.

Responses relating to questions such as family occupation, prior & childhood experiences, inherited success, support from family & institutions, in born ability, location advantages were collected using 7 point Likert scale ranging from 1 (strongly disagree) to 5 (Strongly agree). These were compared with 36 rural micro non-agriculture linked businesses in order numbering Black smithy (10), Cobbler (9), Carpentry (8), Kiriyana Stores (6) and weavers (3).

2 To define entrepreneurial motivation factors among the owner's of rural micro agriculture Linked businesses.

24 statements covering motivation factors emanating from the review of literature and entrepreneurial self-assessment scale (Technonent Asia, 1981) designed on 5 point Likert scale with choice ranging from 1 (of no importance) to 5 (of utmost importance) were put to the respondents. Collected responses were reduced using R-Mode Principal Components Analysis (PAC) with a varimax rotation. For the

purpose of describing the underlying factor structure, the 'eigen value –one criterion' (Rumelt, 1970) was used to determine the number of components to be extracted for further analysis. Using a conservative component loading of 0.50 as a cut off for

significance, five components /factors were given descriptive labels. Factor labeled in order are as 'Personnel development', 'Reward achievement', 'Social approval & recognition', 'Independence' and 'Team ability' & together accounting 85 percent of the total variance (Table

2). The reliability coefficient values being well above the minimum acceptable values of 0.5, suggested by Nunnally (1978) for scale, making the data reliable and fit for further analysis.

3 To identify the problems perceived by the rural micro agriculture linked businesses for designing a viable & supporting rural industrialization strategy.

Based on the pre testing results, 13 problems were identified and included in the questionnaire. Respondents were asked to answer in 'low', 'high', and 'very high' scale. These were further quantified in terms of their frequency. Those reported by more than 60 percent were considered to be severe, those reported by 60-40 percent as moderate and those reported by less than 40 percent as less intensive.

TABLE 1: SIGNIFICANCE OF SOCIO-ECONOMIC DIMENSIONS BETWEEN AGRICULTURE LINKED AND NON AGRICULTURE RURAL BUSINESSES

S. No	Description of socio-economic variables	Mean score of micro agri businesses.	Mean score of micro non agri. business	't' Values
1	Family's occupation	4.00	2.45	1.09NS
2	Previous successful start up	3.49	1.56	1.75**
3	Educational level	2.43	3.49	-1.06NS
4	Deprivation/affluence during childhood	2.03	4.23	-1.15NS
5	Inherited success	5.29	3.25	1.70**
4	Support from family members	4.82	2.93	1.47**
5	Support from financial institution	3.00	4.29	-1.29**
6	Micro planning for setting business	2.00	5.50	-1.07NS
7	Resources to sell goods at competitive prices	2.09	4.80	-1.51**
8	Location advantage	4.58	2.30	1.75**

Note: NS=Not significant, \*\* Significant at 0.01 level

TABLE 2: MOTIVATIONAL FACTORS PURIFIED THROUGH FACTOR ANALYSIS

S. No	Motivational factors & statements	Factor	Variance
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		loading	
1	Factor-1 Personal Development (a) I very hard try to improve on my past performance. (b) I want to know how I am progressing as I complete the task. (c) Desire to have earning.	0.745 0.657 0.532	30.5
2	Factor-II Reward-Achievement Factors (a) I enjoy competition & winning. (b) Freedom to adopt my own approach to work. (c) I enjoy satisfaction on completing a difficult task.	0.731 0.556 0.529	21.9
3	Factor-III Social Approval & Recognition (a) I want to be liked by others. (b) I enjoy influencing other people to get my way. (c) Welfare of the community I live in.	0.629 0.513 0.510	15.2
4	Factor-IV Independence (a) Confront people who do things I disagree with (b) I work to gain more control over the events around me	0.624 0.583	9.8
5	Factor-V Team ability (a) I tend to build close relationship with co-workers.	0.553	7.6

TABLE 3: PROBLEMS PERCEIVED BY RURAL MICRO AGRI- LINKED BUSINESSES

Problems	Level of Investment In Rs `000`			Annual Income Lakh Rs.		
	Below Rs.30	Above Rs. 30	Z value	Below Rs. 1	Above Rs. 1	Z value
Non availability of timely raw material	74.39	93.46	4.043**	96.55	82.33	2.92*
Lack of effective demand for products	62.62	82.94	2.467**	72.65	92.56	3.030*
Irregular payment from consumers/procuring agencies	62.58	73.92	4.952**	82.97	78.34	0.931

Distant markets	56.82	63.91	0.733	88.02	72.65	0.532
Non –remunerative price for products	74.85	79,36	2.701**	60.34	54.29	1.003
Lack of transport facilities	77.23	45.82	2.014*	70.04	65.36	0.607
Lack of storing & Warehousing facilities	55.24	48.32	0.483	43.82	33.78	0.562
Absence of quality control	56.39	67.34	0.048	54.92	66.94	2.95*
Non availability of concessional financial support	82.27	77.83	2.984*	74.82	78.92	0.075
Absence of skilled labour	33.34	19.92	0.752	23.93	45.64	2.188**
Erratic & High tariff for power substitutes	45.39	55.82	3.582**	53.81	62.03	2.33*
Spurious substitute	23.45	18.06	0.034	19.23	21.93	0.783
Inconsistent Govt Policy	19.05	21.93	2.259**	16.92	42.76	2.139*

Note: \*= Indicates significant difference at 0.01 levels; \*\*=Indicates significant difference at 0.05 levels

## **RESULTS AND DISCUSSIONS**

### Background factors and rural entrepreneurship

The significance of background factors though relevant for comparing two rural entrepreneurs operationally different but belonged to the same setting, ascertained through 't' test reveals (Table 1) four variables on which two groups showed no difference. Family's occupation, educational background, deprivation / affluence during childhood and micro planning for setting business have profound impact both on RMALB & rural micro non agri linked businesses. X2 test results further authenticate association between previous successful start up, support from family members, resources to sell goods at competitive prices & location advantage and performance among RMALB and dissociation between inherited success and support from financial institution.

### Motivational factors sustaining rural micro entrepreneurship

As evident from the Table 2, the first factor that explained 30.5 percent of the variance, loaded highest on personal development; the second factor that explained 21.9 percent of variance, loaded on 'Reward –achievement' factors. The third, fourth & fifth factors with variance of 15.2, 9.8 & 7.6 were loaded on 'Social approval & recognition', 'Independence', and 'Team ability' respectively. The following motivational statements (motivational scale) had the highest mean:

- 1 Desire to have earning (4.26)
- 2 Freedom to adopt my own approach to work (4.08)
- 3 I enjoy satisfaction on completing a difficult task (4.02)
- 4 I work to gain more control over the events around me (3.94)
- 5 Welfare of the community I live in (3.50)



## Problems perceived by rural micro agri linked businesses

Constraint analysis of RMALB as depicted in Table 3 reveals significant difference on the perception of eight problems and six problems among RMALB sub divided into two classes on investment and annual income levels. It has been observed that the magnitude of problems accentuates with higher investment & income due to increase in the scale of production. Further, marketing, operational, transport, electricity, infrastructure etc. problems correlates with the slow transition of the businesses towards product and marketing orientation

## Sustaining Rural Micro Entrepreneurial Endeavours: a Framework of Policy Initiatives

The findings of the study by providing insight into the determinants of early entrepreneurial behaviour, motivation and efficacy makes a significant contribution towards entrepreneurship theory as well practice. The key identified factors highlight the need to address them while planning programmes & schemes for rural micro entrepreneurship. The selection process of RMALB entrepreneurs for institutional funding needs transparency based on sound theoretical background and including the chairman of NGO and Sarpanch of the concerned village in the selection committee along with the other official members. Applicants with technical and professional qualifications i.e. ITI, diplomas, etc should be preferred for their better understanding to comprehend & providing solution to the business problems. A computerized data inventory bank at block level, simplifying administrative procedures, single window system for clearing and funding identified applicants would provide impetus to rural entrepreneurship. The product of RMALB possibly be fully exempted or attract minimum sales tax to make their production cost –effective and competitive. A common complex in every block should be established by the District Industries Centre for marketing products produced by RMALB. Programmes relating to skill formation, technology development, research activities, and training should be communicated to the rural masses by way of printing the brochures in local languages and Community Entrepreneurship Programme. Close monitoring and prompt redressal of constraints will prevent rural micro businesses from being close and sick. To relieve women from the vicious circle of indebtedness, exploitation and social disability and mobilizing towards setting Rural micro agri. linked businesses, relaxation in the age limit from the existing 35 to 40 years, periodic awareness programme by development agencies and voluntary agencies with women trainer in the remote areas of Lohal Malhar and Machhedi, motivating by way of stipend, transport, childcare and good hygienic condition would assist in the development of women entrepreneurs. Site and service programme for RMALB in areas where there is sufficient agglomeration must be initiated and support to cooperative institutions for the purchase of raw material and sale of finished products must be encouraged. The success of these businesses presupposes progressive agriculture and consistent increase in investment. Within agriculture, activities other than traditional crop productivity like watershed and wasteland development, forestry, horticulture, floriculture, and dairy product based activities and sericulture etc. should be promoted. Thus changes in laws, regulations and procedures are needed to make

rural micro agriculture linked businesses more aggressive and innovative. Nevertheless certain RMALB with growth potentials and entrepreneurs from diverse sections of the society remain untouched which could be incorporated in future studies.

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