



RESEARCH ARTICLE

# Individual risk propensity and agri-entrepreneurial financing effectiveness: strategy for sustainable agri-financing

Shakir Hussain Parrey · Suhail Ahmad Bhat

Published online: 6 March 2019  
© Indian Institute of Management Calcutta 2019

**Abstract** The purpose of this paper is to evaluate sustainable effectiveness of agri-financing. An attempt has been made to evaluate individual through risk propensity domains and agri-financing through effectiveness domains. The study identifies prominent predictor of agri-financing effectiveness. The data have been collected through stratified random sampling from 220 beneficiaries who have availed agri-financing in the state of Jammu and Kashmir (India). Structural Equation Modelling approach was employed for instrument developments (i.e. confirmatory factor analysis) and hypothesis testing. It has been found that agri entrepreneurs are risk averse with lower risk propensity in career and finance domains. The results provide evidence that risk propensity dimensions have positive impact on agri-financing effectiveness. The study helps in evaluation, prediction and prevention of probable consequences of agri-financing. The research has significant implications in preventing the economic loss resulted through the failure of agri business schemes. Little research has been conducted on the area of agricultural credit in India which is inevitably revealed from the increasing agri farmer suicides.

**Keywords** Sustainable financing · Risk propensity · Agri-entrepreneurial financing · Financing effectiveness

## Introduction

The provision of credit finance to agri-entrepreneurs has been assumed as one of the pressing tools for boosting the agriculture (Shete and Garcia 2011). In this context, Government of India has initiated many programs in fostering growth and development of credit financing. Such programs are justified by the strong relation between financial development and economic growth (Demirguc-Kunt and Levine 2008). Evidently, institutional framework for credit is being emphasized since the beginning of planned development era in India. But, the effectiveness and efficiency of these programs, schemes and policies depends on proper need identification by policy-makers and the level of adoption by target population with maximum public policy fit (Supe and Ganorkar 1970). In this direction, Markman and Baron (2003) defined the person policy fit as the match between individual characteristics and the prerequisite of the activity (scheme/policy) to be successful. The researchers argued that greater the person policy fit, the higher the probability of success indicating positive relationship between person policy fit and success of the scheme,

---

S. H. Parrey · S. A. Bhat (✉)  
Department of Management Studies, University of  
Kashmir, Srinagar 190006, India  
e-mail: ahmadsuhail@kashmiruniversity.ac.in

S. H. Parrey  
e-mail: shakirparrey@kashmiruniversity.ac.in