CHAPTER 2
REVIEW OF LITERATURE
Chapter one provided an introductory overview of this study. To establish a theoretical foundation for the study, this chapter reviews the existing relevant literature and provides a detailed assessment of the major concepts of the study. The review begins with a discussion about the characteristics inherent to Agriculture and agriculture Financing and the resulting challenges faced by the beneficiaries. Further the discussion is followed by a review of Agri Financing Effectiveness, Risk Propensity, Locus of Control and Entrepreneurial Potential. Key antecedents of these factors were identified and examined individually, leading to a summary of the current understanding of overall psychographic propensity. It explains the concept, relationship and factors associated with Psychographics and Agricultural Financing Effectiveness. As the sequel of this chapter operational definitions of understudy variable were adopted and preconceived notions were formulated. In order to supplement the work that has been already done on the understudy concept of interest, this section of the study attempts to take note of research gaps in the present available literature.

2.1: Research Framework

Impact assessment studies are critical in understanding and explaining both ‘proving’ and ‘improving’ impacts of Agricultural interventions at individual, household community and institutional levels (Hulme and Mosley, 1996). However the traditional models of impact assessment seeking to predict the adoption of policies and techniques in agri business have combined a variety of biological and physical variables (Harvey and Rehman, 1989). These models have not generally been strong in representing the socio- psychological side of farming and particularly in policy framing about agri financing interventions. In this direction a study undertaken by Burton (2004) about decision making in agriculture, demonstrated the complex relationships among the social and individual variables which actually determine the farm behavior. Further the psychological literature on risk taking assessment suggests that it is appropriate to consider risk as a personality trait that crucially depends upon the context (Weber et al., 2002). As in prior research studies, risk taking, locus of control and Entrepreneurial potential were analyzed with respect to entrepreneurial characteristics and correlated with business start-ups in general and in agri allied businesses (Begley and Boyd, 1987; Bonnett and Furnham, 1991).
Farming today is being increasingly exposed to risk and uncertainty, originating from a wide array of areas with multiplier effect due to credit (Patterson and Miller, 2009). However, policies and schemes of credit financing without consideration of risk propensity of targeted population can have negative consequences on mental and physical health (Edwards, 2003). Also lower levels of risk Propensity (risk averse) towards credit were found responsible for suicide and scheme failure (Hawgood et al., 2010). Tokunaga (1993) in his study found that psychological variables significantly increased the ability to identify credit issues.

Further adding to the discussion Livingstone and Lunt (1992) compared the ability of demographic, economic, and psychological variables to distinguish households with or without debts. It was identified that in terms of psychological characteristics, credit-related problems are associated with lower levels of self-esteem, an external locus of control, a lower sense of self-efficacy and risk-averse propensity. Further, farming offers a very interesting case study to investigate risk behavior, since it is increasingly confronted with risk and uncertainty arising from various sources such as production risk, price volatility, personal risks and policy changes (Hardaker et al., 2004). Therefore ways of establishing risks that are bearable and that are not for a particular individual in Agriculture are the heartland of agricultural decision analysis (Anderson et al., 1991). Hence the selection of risk propensity for the present study is based on the notion that risk propensity is the antecedent for both risk perception and risk behaviour hence risk outcome depends on risk propensity (Sahul et al., 2013).

The literature concerning risk propensity has three main themes. The first theme relates to prospect theory (Kahneman and Tversky, 1979), which proposes that individual level risk taking is relatively inconsistent across situations and a person will take risk in some circumstances, and avoid risk in other circumstances. A second theme in the research considers the individual difference factors that could influence risk taking (Zuckerman and Kuhlman, 2000). The work of Weber and Milliman (1997), and subsequent work by Weber et al. (2002), represents a third stream of literature and the combination of situational and individual approaches to risk propensity through consideration of individual responses to different risk domains. Further, the present study is an attempt to evaluate effectiveness through various service quality dimensions as studied by Schellincka and Brooks (2013).
2.2: Effectiveness Evaluation

Effectiveness is difficult to define, as a result of varied definitions exist in research literature (Marieta et al., 2010). This is not only because it is a multilevel and multidimensional concept, but also because it is defined differently depending on the field of research. Regarding the various ambiguities existing in the definition of effectiveness, researchers performed vast surveys on effectiveness in the 1960s and 1970s, and introduced various criteria such as efficiency, profit, quality, growth, satisfaction and control for effectiveness (Campbell et al., 2006; Kaplan and Norton, 1996). The term “effectiveness” in this study refers to the way an intervention achieves its desired outcome. The effectiveness analysis may investigate the whole intervention process or mobilization of inputs or organization of necessary activities or production of outputs, and the achievement of desired outcomes. In general, effectiveness means the capability of, or success in, achieving a given goal. However across fields, the definitions of effectiveness are quite similar, for example:

**Social research:** “effectiveness is the extent to which an activity fulfils its intended purpose or function” (Harvey, 2004).

**Education:** “Effectiveness is a measure of the match between stated goals and their achievement” (Fraser, 1994).

**Medicine:** “A measure of the extent to which a specific intervention, when deployed in the field in routine circumstances, does what it is intended to do for a specified population” (Wojtczak, 2002).

A few studies of effectiveness in the area of financing intervention have been conducted, including the study of Chua and Llanto (1996), Schreiner (2003), and Maertens (2003). However, their definitions of effectiveness were different from that stated in present study. The measurement of effectiveness in aforementioned studies focuses productivity or output based on financial ratios and descriptive statements. Meanwhile, Schreiner (2003), compared the present value social costs with the output to analyse its cost-effectiveness. Thus, effectiveness in his study referred to the unit cost of output. Finally, Maertens (2003) used standard regressions to estimate the impact of finance intervention on asset accumulation and income growth of client households. However there are exceptions to the effectiveness assessment based on productivity and output. As Huntington and Clagett (1991) shows concerns about effectiveness through productivity in which obstacles included lack of appreciation
for data, inadequate technical resources, lack of time, lack of identification of important issues, politics and productivity relation to resources. Further according to Kumar and Gulati (2009) productivity and output related effectiveness evaluation will be only able to identify effective and ineffective interventions however though cause remains unaddressed. This indicates that productivity is the assessment of effectiveness evaluation and is result oriented approach of effectiveness.

2.2.1: Agricultural Financing Intervention Effectiveness

In the area of agriculture financing intervention Altman (1968), Gupta (1983), and Panigrahi and Mishra (1993) have developed models based on financial ratios for effectiveness evaluation. Further, Sriram (1991) has developed a model by applying multiple discriminate analysis using ratio indicators as base to discriminate between effective and ineffective units. Sidhu and Sidhu (1990) measured effectiveness through success or failure on the basis of membership, loan per borrower member, owned capital per member, percentage of owned capital to total loan, percentage of over dues to loan outstanding, income per member, and profit/loss per member. A recent study by Desai and Namboodiri (1991) has done an evaluation of farmers’ service societies at all-India level using economic variables. A study on evaluation mechanism for impact of cooperatives on members was conducted by Reddy (1992). The variables used in this study were, membership and member-users, volume of business, class-wise loan, recovery of loans, and cost of management.

However effectiveness evaluation studies usually focuses on comparing the direct output of an intervention with the planned objective, however lacks assessment of possible unexpected outcomes (Garabino and Holland, 2009). Hence, are not fully relevant in the context of scheme evaluation. Therefore, an attempt has been made in this study to develop a comprehensive model based on all the concerned policy dimensions, as in agriculture, an individual’s behavior is dependent upon a complex group of structural and social psychological variables (Elkind, 2008).

In contrast to these findings some researchers contend effectiveness assessment based on process oriented approach. As Brian et al. (2005) argue that clear, precise criteria and transparent procedures contribute to the effectiveness of intervention programme. In this direction Magrane and Malthus (2010) assessed public service effectiveness in a case study, and found that assessments of overall effectiveness are inherently
subjective. While performance is widely addressed in the literature, measurement and improvement of service effectiveness has not been sufficiently studied. One available study is that of Kumar and Gulati (2010) who applied data envelopment analysis (DEA) to the measurement of efficiency and effectiveness of public sector banks in India. Further Choi and Chu (2001) argues that in delivering a service to the intended beneficiaries, focus should be on those factors that are determinant to the effectiveness. It is further argued by Khan (2015) that effectiveness of intervention is dependent on the user’s perception about the services. Hence effectiveness includes delivering intended services with minimum deviation between expected and perceived service quality to beneficiaries (Mausolff and Spence 2008). Recent surveys on effectiveness include those of Aydin and Ceylan (2009); Lejeune and Vas (2009), in which criteria such as people satisfaction, beneficiary orientation, program quality service development, social interaction, and the ability to absorb resources are considered. However, in evaluating the effectiveness of a service organization, any of the aforementioned criteria can be used based on the condition of the intervention under study. It is further argued that effectiveness could be measured through attitude, identity and adaptability (Willey et al., 2012).

Moreover, there is substantial evidence that Knowledge, Skills, and Perceptions about financing intervention affect Effectiveness (Knight et al., 1997). Therefore, the most applicable definition of effectiveness for the present study is in line with Chua and Llanto (1996), who defined effectiveness of intervention “as the ability of service providers to the design and the delivery of financial products that meet the needs of the target clients.” Based on the selected definition of effectiveness, no previous study has analyzed the effectiveness of Agricultural Financing intervention through improving process oriented approach. Further, regarding the unit of study for effectiveness evaluation the preliminary framework proposed by Sebstad et al. (1995) identified four levels for effectiveness evaluation of financing interventions at individual, household, enterprise and community level. In this direction Shahin Attafar (2012) and Brooks Schellinck (2013) used the approach of service quality for effectiveness evaluating in Agri Intervention. According to Pitt et al. (1995) the integrated approach of service quality in effectiveness evaluation provides more advantages, since it not only measures the effectiveness, but also measures satisfaction and interconnects the two. Hence the present method is an attempt to
evaluate effectiveness through various service quality dimensions as studied by Schellincka and Brooks (2013). Gronroos (1990), in this regard postulated criteria of perceived good service quality and identified accessibility, flexibility and reliability as essential factors for effectiveness evaluation. Further Abuosi and Atinga (2012), evaluated effectiveness through the use of perceived usefulness and reliability, and these factors were identified as the most important service-quality dimension for effectiveness evaluation of institutions. Hence the model put forth for perceptions about flexibility, reliability, accessibility and usefulness in evaluating financing policy/scheme effectiveness as precedent factors (Johnston, 1995).

a) **Perceived Flexibility (PF)**

Flexibility refers to the willingness and ability on the part of the financial service provider is to amend or alter the nature of the service or product to meet the needs of the consumers (Johnston, 1995). The flexibility include supply-side issues which are flexibility in procedures, requirements and conditions in making financial services both available and affordable and designing products in a reliable and flexible manner to engender financial inclusion (Claessens, 2006). In agriculture there is dire need for financial flexibility as agricultural and agri allied production are characterized by a high level of mismatches between expenditures and revenues (Binswanger and Rosenzweig, 1986). Especially standard loans with inflexible repayment schedules, which cannot account for fluctuating cash-flow patterns of agricultural producers, seem to be significant. This has led farmers in rural areas to rely on the less efficient and expensive informal credit markets and hence the exploitation of the agricultural sector as strict repayment requirement has come under fire in the media after reports of suicides among loan defaulters in particular in the Indian state of Andhra Pradesh (Field and Papp, 2012). Hence credit terms encourage borrowing and therefore the expansion of capital base, leading to increased business activity (Dietsch and Petey, 2002).

Further, Dufhues (2007) in his study on farmers observed short term loans with many formal requirements are considered less attractive than long-term loans with more flexible procedural requirements. Hoff and Stiglitz (1990) also noted that lack of flexibility in interest rates can render poor more risk-averse. The high interest rates and high collateral requirements make poor risk-averse households can eventually refrain from loan application (Sarap, 1990). Therefore the role of these flexibility
factors directly effects the decision to apply for a loan as it is constrained by the household's willingness to take a loan and the perceptions on the desirability of working with credit (Dufhues, 2007; Mchujuko, 1991). In this context a full understanding about the degree of perceived flexibility in credit financing could leads to the higher degree of effectiveness in credit financing. Nevertheless, it may be also acknowledged that the provisioning of agricultural loans with flexible repayment schedules (namely flex loans) is, hence, stipulated by the literature (Weber and Musshoff, 2013).

Despite the potential of flexible repayment schedules to increase the effectiveness in credit financing there is no empirical evidence that could support the concern that flexibility reduces repayment quality (Jain and Mansuri, 2003). Moreover, flexible loans improve credit access and contribute to the financial inclusion of farmers with seasonal production types leading to increased credit effectiveness (Musshoff, 2013). However a study in Jammu and Kashmir reveals that business start ups in J&K have to go through a long, often de-motivating process, corruption, red tape, and overall inefficiency that often cause youth to lose interest and motivation midway through the process (Mercy Corpus, 2003). Further, their Baseline Survey revealed that 52% youth viewed administrative hurdles as a barrier to entrepreneurship.

In this backdrop it is imperative to understand the perceived flexibility of Agri Financing in J&K for the effectiveness of Agri Financing schemes.

b) Perceived Reliability (PR)

Reliability is the ability to perform the promised service in a dependable and acceptable manner (Van Iwaarden et al., 2003). Further, Zineldin (2005) defined the “reliability” as the extent to which the service institutions consistently and accurately deliver services to its consumers as promised. The selection of reliability dimension in effectiveness evaluation is based on the assumption that agricultural financing service is derived through institutional mechanism in general and excluding institutional evaluation can lead to deceptive effectiveness evaluation in this study in particular. Berry et al. (1985) who identified reliability as the main source of service quality effectiveness, which implies that unreliability will lead to dissatisfaction and that reliability will lead to satisfaction (Johnston, 1995). Further there is a huge literature gap in evaluating the service quality of such intuitions. Moreover, youth from J&K
are not confident regarding reliable financing from financing institutions (Mercy Corpus, 2003). Parasuraman et al. (1988) and Zeithaml et al. (1990) further argued that, regardless of the service type, reliability is the most important dimension to measure quality of effectiveness. Further supply-side issues have focused on four different aspects of accessibility that is making financial services both available and affordable and designing products in a reliable and flexible manner.

c) **Perceived Accessibility (PA)**

Accessibility is the physical approachability of service location, including availability and degree of approachability (Johnston, 1995). According to Binswanger and Khandker (1995) access to credit is an important instrument for improving the welfare of the poor directly and for enhancing the productive capacity through financing investments. Further, perceived accessibility include demand side factors to increase access for the use of financial services, as lower perceived accessibility leads to financial exclusion (Ismael, 2013). In this direction Dufhues and Buchenrieder (2005), identified household’s decisions with respect to accessing credit are largely influenced by household socio-demographic characteristics, and by institutional factors. Hence, focusing on the demand-side factors leads to effectiveness of financing interventions (Bauer et al., 2012; Kostov et al., 2012).

In this direction Freeman and Jabbar (1998) opined that credit access among smallholder dairy farms and other Agri allied businesses remains low in many countries. Further, lack of access to banks, financial institutions and services (loans, start-up capital, etc.) are the second most severe barrier to business start ups in Kashmir (Mercy corpus, 2003). Kon and Storey (2003) conceptualize the concept of Discouraged Borrower based on the psychological component who may not apply for a loan because of a possible rejection due to inappropriate demand side factors. Levenson and Willard (2000) identified the demand side factors based on lack of knowledge/information Perceptions, attitudes and behaviour which are largely premised on personal adverse experience with a financial institution. Further perception about own capabilities and inadequacies, which include lack of business skills, decision capability and risk bearing capacity adequately deal with demand-side constraints as identified by Stiglitz and Weiss (1981).
d) Perceived Usefulness (PU)

Consumers choose one service over another because its degree of comparative usefulness (Zeithaml et al., 2006) and because of its importance in decision processes (Holbrook, 1994; Wang et al., 2004). Kotler et al. (2010), defined perceived usefulness as the differences between the benefits and the cost of obtaining a product or services. Woodruff (1997) characterized consumer perceived usefulness as a consumers perceived preference based on the evaluation of the service attributes, performances, and consequences to fulfill their goal and purposes. Sinha and Desarbo (1998) explained that value is the quality that the consumer can afford, while Gale (1994) defines usefulness as quality defined by the consumer. There are endless variations of perceived usefulness definitions, but the majority of these definitions agree that the perceived usefulness is a comparison between what is received and what is given as defined by Zeithaml (1988) and is the most common basis for studies into consumer perceived usefulness construct (Gronroos, 2000). Using this definition, the important concepts are: comparison and benefit sacrifice. Comparison refers to the disparity between benefit and sacrifice and the consumer perceived usefulness is created when the customer perceives that the benefit of consuming products or services surpasses the sacrifices to obtain the product or services (Slater and Narver, 2000). Benefit-sacrifice has two components; benefit generally refers to the quality and quantity of goods or services customers receive, while as sacrifice is represented as the price the customers pays. The interpretation of value based on the quality and price is too simplistic as it reflects to only one dimension of perceived benefit and sacrifice (Sweeney and Soutar, 2001). In fact, the benefits and sacrifices in consuming product or services are often related to both physical and psychological aspects (Kotler et al., 2010; Zeithaml et al., 2006). Thus, the concept of benefit and sacrifice in customer perceived value should cover quality, monetary, and psychological aspects. Considering the importance of perceived usefulness in influencing the consumer’s behavior, considerable attention has been given to this construct in the services context. In this direction, Mofleh and Wanous (2008) argue that there is misunderstanding between the actual citizens’ needs and how the government understands these needs and that directly affects the effectiveness of Govt. schemes and policies. Thus, it is imperative that this study includes perceived usefulness as one of the determinant of Agri. Financing effectiveness intervention.
2.3: Psychographic Propensity

Psychographics is the process of identifying individuals based on attitude, opinions, personality traits beliefs and life style (Piirto, 1991). Several studies support the use of psychographics across business startups, consumer decisions and intentions (Piirto, 1991; Reynolds, 2004). The extensive literature review reveals psychographic propensity as a multifaceted construct comprising of three distinct dimensions: risk propensity (Gergely, 2009; Yaseem et al., 2009), locus of control (Kenney, 2010) and entrepreneurial potential (Santos et al., 2014) as discussed below.

2.3.1: Risk Propensity (RP)

Risk Propensity is defined as an individual’s current tendency to take or avoid risks. It is conceptualized as an individual trait that can change over time and thus is an emergent property of the decision maker (Sitkin and Pablo, 1992). The risk propensity literature has been largely dominated by the assumption that one’s tendency for risk-taking is a stable personality trait, and thus, individuals can be categorized as having risk-seeking or risk-averse styles (Bromiley and Curley, 1992). In recent years, an increasing number of empirical findings have challenged this unidimensionality conceptualization of risk-taking (averse and taker) propensity. Weber et al. (2001) in this direction have demonstrated that people are consistently risk averse or risk seeking across a variety of domains (e.g., social, recreational, health, safety, gambling, ethical, and investments). In this contrast psychologists have developed tests to assess individual willingness to engage in risky decision-making across a variety of domains. The Domain-Specific Risk-Taking (DOSPERT) test provided by Weber et al. (2002) and Winsen et al. (2014), identified risk preferences for seven different domains (social, recreational, health, safety, gambling, ethical, and investments). Moreover, on the basis of results obtained from formal and informal surveys, following major sources of agricultural risk domains have been identified and classified. These are: financial risk, social risk, career risk, institution-related risk, production risk (Legesse et al., 2007). Further from the study of Legesse and Drake (2007), three major sources of agricultural risks were identified and classified. These were: crop and livestock production risk, human (health) risk, and institution-related risk. However, introduction of credit intervention policy resulted in the change of major risk sources which include financial risk, social risk and career risk.
The discussion in the preceding paragraphs leads to the notion that agri business had changed from the conventional practices across its dimensions with the changing socio-economic scenario, Government interventions and increasing unemployment. Against this backdrop present study provides a holistic view of domain specific risk propensity (DSRP) in agriculture in general and in particular financing intervention aspects of agricultural schemes. Hence for the purposes of this research the following major sources of agricultural credit risk domains have been identified and classified. These are: social risk, financial risk, career risk, institution-related risk and ethical risk (Legesse et al., 2007).

a) Social Risk Propensity (SRP)

The word risk becomes even more complex with the sociological or cultural concepts of risks. Social risks have been defined as the likelihood that life chances are reduced while a perception of insecurity, isolation, inequity and inequality is fuelled (Ranci, 2009). As a novelty, the work by Bard and Barry (2000) is extended to include social, personal and environmental sources of risk in the measurement of risk propensity. As extensive literature suggests that individual actions result from complex processes and gets influenced by socio-economic and psychological variables (Willock et al., 1999). The sociological perspectives of Risk Propensity include undesirable events that are socially defined and (in some cases) socially constructed. Therefore, these factors influence social judgments about risks and individual behavior in various situations (Hutter, 2006). Hence capitalization of credit financing schemes by agri entrepreneurs exposes them to various social risks. Hayes (2000) studied the impact of credit on individual’s social relationships and identified that individual can be implicated in isolation and social exclusion, on existing relationships. Feelings of shame, social embarrassment and a sense of personal failure or other negative internalized identities associated with credit may make individuals unwilling to disclose or discuss their financial situation. In this regard, Durkheim (2002) pointed out that the neurobiological and socio-economic dimensions of risk factors are responsible for committing suicides. Hence, personal risks also need to be recognized as a source of risk in agriculture. Further the role of entrepreneurs’ social competence in their financial success reinforces the need of social risk propensity in agricultural business through credit financing (Baron and Markman, 2003).
All sociological and anthropological concepts of risk, however, do have in common the notion that “humans do not perceive the world with pristine eyes, but through perceptual lenses filtered by social and cultural meanings, transmitted via primary influences such as the family, friends, subordinates, and fellow workers” (Dietz et al., 1996). Thus conception of a social dialectic and considering ‘risk’ from a more critical realist perspective can be a powerful analytical instrument to assess policy or project measures (Tulloch 2008). Hence an attempt was made to explore the policy intervention and social risk in view of agricultural financing intervention within the state of Jammu and Kashmir.

b) Ethical Risk Propensity (ERP)

According to Brown and Thomas (2005) ‘Ethics in recent years has benefited from increasing attention from public and policy makers fostering the policy formulation with ethical consideration of the target population’. Hellsten and Mallin (2006) used both the terms ‘ethics’ and ‘social values’ interchangeably. Further according to Scheuth (2003) ‘the terms socially responsible intervention, socially general process and are often used interchangeably’. Hence ethics needs to be recognized in close relation with social and religious aspects as these factors are basic contributors to the individual value system. In this direction, Moore (1998) identified ethics as made by value based religious organizations and inspired by morel belief with least consideration of profit. Further, these factors are inevitable aspects in public policy consideration and include religion, society, humanity and sustainability approach in policy framing (Sparks, 2001).

However against this notion, policy formulation without consideration of these factors exposes beneficiaries or public to an unexpected source of risk with clear contradiction between policy procedures or regulations and individual ethics (Rennebog et al., 2008). Further, the sensitivity of issue amplifies with the incorporation of sustainability in general and agricultural credit in particular. Hence this divergence between individual ethics and lack of it in public policy exposes them to ethical risk, in being a stake holder of these policies. In this direction according to perceived ethical problem is the attitude of an individual towards an ethical issue or his awareness about an issue that is ethically questionable in decision making.
c) Financial Risk Propensity (FRP)

The financial risk dimension of risk propensity explores the financial risk bearing capacity of an individual. In accordance to this assumption an individual should receive finance according to his psychological capacity without stress, as economic risks exposes individual to an uncertain economic outcome of the business (Winsen et al., 2014). Financial capability is conceptually different from income or material wellbeing and reflects people’s ability to manage their money and take control of their finances (Atkinson et al., 2006). It is concerned with making appropriate financial decisions, understanding how to manage credit and debt, and identifying appropriate products and services (Mason and Wilson, 2000; Noctor et al., 1992). Financial risk tolerance is a subjective attribute and as such it is generally believed to be a genetic predisposition (Hanna and Chen, 1997). Further there is a common heuristic belief that financial risk tolerance decreases with age (Faff and McKenzie, 2009) and a significant number of studies report high financial risk tolerance for individuals in high income and wealth categories (Chang, DeVaney and Chiremba, 2004; Chaulk et al., 2003). Several studies report a general positive relationship between financial risk tolerance and education (Chang et al., 2004; Fan and Xiao, 2006). Furthermore, less risk tolerant individuals might seek safer employment opportunities, with the consequence of lower earnings (Bellante and Link, 1981). Moreover, financial risk was ranked second in a list of factors that de-motivate youth of J&K to engage in business (Mercy corpus, 2003).

In the light of above discussion regarding financial risk capacity to tolerate the credit related risk in credit financing varies according to the individuals demographic and psychological characteristics. The present study irrespective of trait or competence based approach primarily attempts to evaluate the Financial Risk Propensity in line with Agricultural Financing in the state of Jammu and Kashmir.

d) Career Risk Propensity (CRP)

Career as a concept has been studied with psychological, social, anthropological, economic and political perspectives (Arthur et al., 1989). Psychologically, career is seen as a concept reflecting more internal and subjective matter (Hall, 2002). Career risk dimension of risk propensity attempts to explore the career risk related to the adopted career through capitalizing credit financing schemes. As there are selected...
careers in which financing is available that gives rise to compromising situation where the individual didn’t find the career attractive that gives rise to risk related to career. Therefore it raises a need to evaluate the risk potential related to career (Baruch et al., 2014). The risk sources in a career, as identified by Hall (2002) lift up from both long-term orientation such as status, identity, morale and adaptability as well as short-term orientation such as career attitudes and performance. Hence for effectiveness of a public intervention related to career, it should have complete career evaluation regarding the above mentioned factors. An important component of risk-taking in many people’s lives is career experience (Nicholson and West, 1988), and a pattern that links with career success via proactive personality factors (Boudreau et al., 2001). Moreover, it has been found that people who are prepared to try to start a new business have a greater willingness to consciously engage in career risk (Rauch and Frese, 2000). Hence it is proposed that higher risk propensity will be associated with greater frequency of career success. Further, Career Risk propensity has clear links with age and gender, along with objective measures of career-related risk taking (Nicholson and West, 1988).

In other study it was observed that women, take greater risks in the career and social domains (Harris and Jenkins, 2006). Moreover, farmers in developing countries, who have little choice about their career, are likely to be more risk averse than farmers in developed country (UNCTAD, 2010). However farmers in India are being targeted with a developed country policy framework exposing them to a practice of unfamiliar results and possible adverse consequences. Against this backdrop, it is creating an imperative call for understanding the career attitude and risk of beneficiaries in availing credit financing in agricultural sector.

e) Institutional Risk Propensity (IRP)

Institutional risk refers to unpredictable changes in the provision of services from institutions that support farming. Such institutions can be both formal and informal and include banks, cooperatives, marketing organizations, input dealers and government extension services. Part of institutional risk is the uncertainty of government policy affecting farming, such as price support and subsidies (UNCTAD, 2010). Further institutional risk results from changes in policies and regulations that affect agriculture; human or personal risks (accidents etc.) and is perceived as a threat by service users.
2.3.2: Locus of Control

Locus of Control (LOC) is a psychological construct, which originated from the Social Learning theory that attempts to incorporate concepts from both the behavioural and cognitive schools of learning theory. Psychologists have found that individuals have "a generalized attitude, belief, or expectancy regarding the nature of the causal relationship between one's own behavior and its consequences" that can influence a variety of behavioral decisions in everyday situations (Rotter, 1966). Locus of Control is defined as an individual’s self concept/ self perception which influence both financial and non financial preferences and behaviour (Hira and Mugenda, 1999; Prince, 1993). Individuals who hold beliefs regarding whether situational outcomes are due to his or her own efforts or whether the outcomes are the result of luck, chance, fate or the intervention of other factors. Individuals who hold beliefs that outcomes are due to their own efforts have an "internal locus of control" while individuals who hold beliefs that outcomes are due to chance have an "external locus of control" (Maddux, 1991). From the inferences of three meta-analyses locus of control emerged as an important aspect in formation of entrepreneurial intentions (Monsen et al., 2010), in the start-up process (Korunka et al., 2003) and is a stable predictor of a small firm’s performance (Lee and Tsang, 2001). Further Stone and Maury (2005) identified in their study that Locus of Control is likely to affect the payment behavior irrespective of influence, of financial resources or situational circumstances. As there is substantial evidence that in the financial arena, several studies have found that an individual’s self-concept may influence his or her financial preferences and behavior (Lea, 1995). In addition, Perry and Morris (2005) found that individuals with an external locus of control are less likely to engage in planning, budgeting, and saving behaviors and there exists a relationship between debt accumulation and personality traits.

Further, Furnham (1986) in his study on agri households presents an empirically sound case for the inclusion of Locus of control specific to money and economics. It also supports the influence of Locus of Control in the attitude behaviour relationship and in determining the financial satisfaction (Rudnick and Deni, 1980). Moreover, Dessart and Kuylen (1986) found that persons who were more external in their orientation were more likely to experience financial difficulties and act impulsively, and were less likely to plan ahead, to act according to a plan and to be well informed.
Locus of Control beliefs have also been found associated with problematic personal debts (Livingstone and Lunt, 1992). This has been further reinforced by Tokunga (1993), who reported that the more external the orientation, the more likely were persons to use credit unsuccessfully. Looking at the more general issue of personal debt, Livingstone and Lunt (1992) compared the ability of a large number of demographic, economic and psychological variables to distinguish British households with or without debts. Their study found that people in debt were younger, used credit to influence other people or to make themselves feel better, and exercised less control over their financial situation. Dessart and Kuylen (1986) administered survey to 400 people who were in a problematic debt situation. These people reported an external locus of control; they were also less knowledgeable and less concerned about features of credit such as terms of credit or interest rates. Tokunaga (1993) in an extensive study of primary producers found producers with a strongly internal Locus of control were more likely to adopt a prospective farm strategy, and less likely to experience low financial performance to adopt innovations and to participate in extension activities.

In agriculture Kaine et al. (2003) found the Locus of control correlated with farmers’ propensity to adopt innovations, to participate in extension activities and their financial performance. Locus of Control of Reinforcement could be considered as having significant value, across several studies about agri entrepreneur Chap. 2, p. 99 ship (Johnson, 1990; Venkatapathy, 1984). Schiebel (1999) in a study about agri entrepreneurs, further ads up about the use of LOC in agriculture will be useful as an aid to training and extension activities. As Locus of Control are regarded as socially learned competence (McClelland, 1990; Rotter, 1966) and Van Kooten et al. (1986) found the Locus of control correlated with farmers’ objectives the prediction of business start-up effectiveness. Given the extensive use of Locus of control throughout many sectors of society and in agriculture sector the state of Jammu and Kashmir from Agri Financing standpoint endow with a chief podium for such study. Further people related to agriculture in country like India are usually with poor family background. Hence clear understanding why a farmer has a particular Locus of control is important. This study shall provide insights into the originating conditions and consequently the beliefs and requirements to alter a person’s Locus of control in favorable direction (Schiebel, 1999).
2.3.3: Locus of Control, Risk Propensity and Entrepreneurial Potential

Capability theory stresses that the higher financial capability and skills, allows people wider access to institutions and their external environment. This aids the development of other abilities that allow them to adopt their desired life-style and take advantage of the opportunities that they have (Johnson and Sherraden, 2007; Robeyns, 2005). These theories suggest that people with high financial capability have more control over their financial situation and their external environment and are more able to manage their economic resources and adopt desired lifestyles. There is also a significant positive relationship between locus of control and risk-taking propensity, indicating that when locus of control tends towards internality, risk taking propensity is likely to increase.

2.3.4: Entrepreneurial Potential

The entrepreneurial research has identified the personal characteristics or traits of the entrepreneur for the successful business start up and effectiveness of supporting intervention (Veciana et al., 2005; Kennedy et al., 2003). The trait approach, in this direction focus on personal characteristics and has dominated in attempts to differentiate entrepreneurs from others. It has also been used to find out why some individuals become entrepreneurs and others do not, and to determine whether the strength of individual’s characteristics could predict entrepreneurial behavior (Low and MacMillan, 1988). Prior research findings related to psychological traits have been corroborative and thus this research is aimed in providing additional insights and understanding to the relationship between psychological traits and Agri-business start up under financing intervention schemes.

Hence it is important that an individual aspiring to be an entrepreneur is able to assess himself or herself against an entrepreneurial profile before undertaking the personal and professional risks of a start-up venture (Osborne, 1995). In addition, research about knowledge, skills and abilities showed that the stronger the competencies, the greater the success of the enterprise (Baum et al., 2001). Furthermore, competencies, in contrast to personality traits, are individual differences dimensions that are open to training, education and change. Markman and Baron (2003) defined the person-entrepreneurship fit as the match between entrepreneurs’ individual characteristics
and the requirements of the activity of being an entrepreneur. The authors argued that there is a relation between person-entrepreneurship fit and success as greater the person-entrepreneurship fit, higher the probability of entrepreneurial success. In this direction the three main dimensions that can explain entrepreneurial potential are: (1) mental competencies; (2) social competencies; and (3) management competencies (Santos and Curral, 2014). The management competencies are defined as the basic and specific competencies in business management (Baum et al., 2001), and mostly refers to the individual’s ability to manage the entrepreneur himself/herself, business strategy, business resources, and human resources. Further, literature proposes three constructs, which are vision, resource mobilization capacity and leadership capacity (Tan and Peng, 2003).

There is a broad set of characteristics that can be included among the mental competencies, and they refer to the wide group of skills and attributes which characterize entrepreneurial individuals (Chell, 2008). In the group of mental competencies the individual traits that are distinctive among entrepreneurs include Innovation capacity and Resilience (Marvel and Lumpkin, 2007).

Since an entrepreneur acts within a social context and therefore has to interact with different players, another dimension of an entrepreneur’s characteristics that would denote an individual’s ability to interact effectively with others involves social competence. An entrepreneur’s effectiveness in interacting with others, that is, his or her social competence, may also affect their entrepreneurial success (Baron and Markman, 2000). Further from extensive literature review it is revealed that Social Competence is composed of Persuasion and communication capacity and Network development capacity (Baughn et al., 2006). Given the wide and positive impact, individual skills provide a foundation for our model of person–profession fit and business success. Under this assumption, this study makes an effort to identify best entrepreneurial qualities for Agri entrepreneurs under Agri Financing intervention schemes. Further, appropriate entrepreneurial skills can be identified and imparted through training and other means. Hence, designing and delivering relevant programmes for agri entrepreneurs therefore requires a great deal of exploration.
2.4: Operationalization of Variables

The above discussion in support of literature established a theoretical foundation for the study, this chapter reviews the existing relevant literature and provided a detailed assessment of the major concepts of the study. Further the discussion is followed by a review of Agri Financing Effectiveness, Risk Propensity, Locus of Control and Entrepreneurial Potential. Key antecedents of these factors were identified and examined individually, leading to a summary of the current understanding of overall psychographic propensity. It explains the concept, relationship and factors associated with Psychographics and Agricultural Financing Effectiveness. Hence the operational definitions of understudy variable were adopted and preconceived notions were formulated as presented in Table 2.1.

Table 2.1: Operationalization of Variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Construct</th>
<th>Operationalization</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Third Order</strong></td>
<td>Psychographic propensity</td>
<td>Psychographics is the process of identifying individuals based on attitude, opinions, personality traits beliefs and life style (Piirto, 1991). Further, the extensive literature review reveals psychographic propensity as a multifaceted construct comprising of three distinct dimensions: risk propensity (Yasmeen et al., 2009), locus of control (Kenney, 2010) and entrepreneurial potential (Santos et al., 2014).</td>
</tr>
<tr>
<td>Risk Propensity</td>
<td>Risk Propensity</td>
<td>Risk Propensity is defined as an individual’s current tendency to take or avoid risks across selected domains (Sitkin and Pablo, 1992; Weber, 2000).</td>
</tr>
<tr>
<td>Work Locus of Control</td>
<td>Individuals beliefs regarding situational outcomes are due to his or her own efforts or whether the outcomes are the result of luck, chance, fate or the intervention of others (Hira and Mugenda, 1999; Prince, 1993).</td>
<td></td>
</tr>
<tr>
<td>Entrepreneurial Potential</td>
<td>Personal characteristics or traits of the entrepreneur for the successful business start up and effectiveness of supporting intervention (Veciana et al., 2005; Kennedy et al., 2003).</td>
<td></td>
</tr>
<tr>
<td>Financial Risk Propensity</td>
<td>Reflects individuals ability to manage their money and take control of their finances (Atkinson et al; 2006)</td>
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<tr>
<td>Social Risk Propensity</td>
<td>Social risk Propensity includes decrease in income, status, social embarrassment, sense of personal failure and is the individual competence to cope up with these factors with a futuristic attitude (Hansemark, 1998)</td>
<td></td>
</tr>
<tr>
<td>Career Risk Propensity</td>
<td>Career risk Propensity dimension of risk propensity attempts to explore the career risk related to the adopted career and include inter individual conflict with selected careers giving rise to compromising situation. (Nicholson et al., 2006).</td>
<td></td>
</tr>
<tr>
<td>Dependent Variable</td>
<td>Ethical Risk Propensity</td>
<td>Institutional Risk Propensity</td>
</tr>
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<tr>
<td></td>
<td>Ethical Risk Propensity is the individual capacity to overcome the conflict resulted because of divergence between policy aspects to that of individual value based religious moral beliefs and social values (Moore, 1998, Hellsten and Mallin 2006).</td>
<td>Institutional risk propensity is the individual perception about unpredictable changes in the provision of services from institutions that support farming. Such institutions include banks, government extension services and intervention Part of institutional risk is the uncertainty of government policy affecting farming, such as price support and subsidies (Kahan, 2008).</td>
</tr>
</tbody>
</table>
2.5: Research Gaps

The discussion of the literature in the preceding section provides enough credence with regard to the various relationships across the variables under study. However, the studies reviewed have not been able to examine many of the different predictors simultaneously and the literature is based on data collected in the western countries only. Also, there are no known studies related to the links between these subjects in the Agri business sector of India in general and Jammu and Kashmir State in particular because of recent introduction of these schemes in the centre and state with unknown impacts.

This study aims to fill the gap by evaluating effectiveness from preceder approach which otherwise in literature was assessed through successor approach by considering quantity and output. There is an inert approach to risk propensity evaluation through Domain Specific Risk Taking by identifying and evaluating various risk domains in agri financing. Further the nature of relationship between risk propensity, Locus of control and entrepreneurial potential in evaluating effectiveness of agricultural financing is something that adds new contributions to existing literature as these factors were considered as a single concept in earlier literature. Yet another important aspect to address is the effectiveness evaluation through service quality dimensions which include the quality of service and service delivery through institutional setup. Furthermore, individual related domain specific risk propensity attempts to fill the gap that whether risk is associated with personal behavior than with external environmental sources in regarding agricultural financing. In this direction considerable literature is available regarding external environment risk sources and strategies but lacking individual related risk sources and strategies. Once the individual risks are identified, proper strategies shall be formulated, thereby facilitating the targeting of policy measures to achieve more stable rural business income. The present study is an attempt in filling this gap by identifying agri entrepreneurial qualities in Indian context as there is lack of empirical insights in particular in agri financing scheme effectiveness under consideration. The present study also attempts to supplement the empirical evidence in evaluating beneficiary, scheme/policy and institution on a single podium. In this backdrop the present study attempts shall be preceding attempt to address the said issues.
2.6: Chapter Summary

This chapter presented a comprehensive review of the literature relevant to this study. From this review, an integrated model was developed that could illustrate overall direction for conducting this study. Further, thorough literature review led to the identification of uninvestigated areas. More specifically, the extensive review has identified the latent variables of understudy variables in view of proper content analysis. Hence Risk propensity was operationalized with Financial, Career, Social and ethical risk propensity. Further Locus of Control was operationalized through Internal and External Locus of Control and Entrepreneurial Potential has been suggested to be measured through Mental, Managerial and Social Competencies. Lastly, Perceived Financing Effectiveness was measured through Perceived Usefulness, Accessibility, Reliability and Flexibility. The proposed linkages among elements in the model have been expressed through various hypotheses, which have been generated to guide the empirical testing of the proposed model. The hypotheses shall guide the research design decisions, which shall also be discussed in the next chapter.