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Research Article

Evaluating The Impact of Institutional Finance on Agricultural Entrepreneurship: A Sectoral Ecosystem

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Abstract

Agriculture plays an important role in the economy of Uttar Pradesh and remains a major source of livelihood for the rural population. In recent years, agricultural entrepreneurship has gained attention as a way to increase farm productivity, promote innovation, and create new income opportunities for farmers. In this context, institutional finance has become a key support system by providing access to credit, insurance, subsidies, and other financial services that help farmers invest in modern agricultural practices and agribusiness activities. The present study examines the role of institutional finance in promoting agricultural entrepreneurship within a sectoral ecosystem framework, with special reference to Uttar Pradesh and the district of Kanpur Nagar. The study is based on secondary data collected from government reports, statistical publications, and relevant academic literature. Descriptive and analytical approaches such as literature review, trend analysis, and comparative assessment have been used to understand changes in banking infrastructure, agricultural credit availability, and supporting rural institutions.

The findings show that institutional finance has helped farmers adopt improved inputs, invest in modern technologies, and diversify into allied sectors such as dairy and fisheries. However, the decline in Regional Rural Banks and the uneven distribution of agricultural infrastructure across tehsils indicate continuing gaps in rural financial access.

The study concludes that strengthening rural banking institutions, expanding financial inclusion, and improving policy support are necessary to promote agricultural entrepreneurship and sustainable rural development in Uttar Pradesh.

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KEYWORDS: Institutional Finance; Agricultural Entrepreneurship; Agripreneurship; Agricultural Credit; Rural Development; Financial Inclusion; Banking Infrastructure; Uttar Pradesh.

1. INTRODUCTION

1.1 Agriculture and entrepreneurship have long been pivotal drivers of economic growth, particularly in regions where agriculture serves as the backbone of the economy. Uttar Pradesh, India's most populous state, exemplifies this relationship, with its economy heavily dependent on agriculture, rural livelihoods, and emerging entrepreneurial ventures. Agriculture contributes significantly to the state's employment, food security, and rural development, accounting for nearly 25% of Uttar Pradesh's Gross State Domestic Product (GSDP).

Over the years, agricultural practices and rural entrepreneurship in Uttar Pradesh have evolved considerably, driven by factors such as technological advancements, government initiatives, and access to institutional finance. The role of institutional finance—which encompasses loans, subsidies, credit facilities, and grants provided by financial institutions, cooperatives, and government bodies—has been instrumental in transforming Uttar Pradesh's agrarian economy.

Historically, farmers in Uttar Pradesh relied on informal sources of finance, such as local moneylenders and community savings, which often led to exploitative practices and limited growth opportunities. However, with the establishment of formal financial institutions such as rural banks, cooperatives, and government-backed credit schemes, farmers and Agricultural entrepreneurs gained access to structured financial support. Institutions like the

National Bank for Agriculture and Rural Development (NABARD) and various state-sponsored initiatives have played a crucial role in enabling farmers to adopt modern technologies, improve productivity, and manage agricultural risks.

1.2 In addition to its agrarian foundation, entrepreneurship has emerged as a key driver of economic change in Uttar Pradesh. Entrepreneurs in the state have embraced opportunities across various sectors, including agro-processing, value-added agricultural products, and sustainable farming practices.

The concept of entrepreneurship, as defined by eminent economists like Jean-Baptiste Say and Joseph Schumpeter, highlights the role of entrepreneurs as agents of innovation and economic transformation. Schumpeter's idea of "creative destruction," wherein old systems are replaced by innovative and efficient practices, is particularly relevant in the context of Uttar Pradesh's economy.

Entrepreneurs in the state have been instrumental in introducing new production methods, improving market connectivity, and driving rural industrialisation. Economists such as Frank Knight and Israel Kirzner further contributed to the understanding of entrepreneurship by emphasising the importance of uncertainty and opportunity recognition.

Fig. 1: Evolution of Agricultural Finance in Uttar Pradesh

Evolution of Agricultural Finance in Uttar Pradesh



In Uttar Pradesh, where agriculture is often exposed to risks such as unpredictable weather patterns, market fluctuations, and structural challenges, entrepreneurial initiatives have thrived by identifying and exploiting opportunities. The rise of microfinance institutions, fintech platforms, and government-led financial inclusion programs have further facilitated

entrepreneurship, particularly among small and marginal farmers who previously struggled to access formal financial services. Furthermore, modern concepts of agricultural entrepreneurship are deeply intertwined with sustainability and innovation. With growing concerns over environmental degradation, resource scarcity, and climate change, institutional

finance has played a vital role in promoting climate-smart agriculture, precision farming, and Argo-based startups. Uttar Pradesh, with its vast agricultural base and government support, has witnessed a shift toward value-added agriculture, agro-processing units, and rural entrepreneurship

hubs. The state's strategic location, coupled with its agricultural diversity, positions it as a potential leader in the Agri-tech revolution, which aligns with Peter Drucker's focus on opportunity-driven entrepreneurship.

Table 1 : Key Theoretical Contributors to Entrepreneurship

Economist	Key Idea	Relevance to Agripreneurship
Jean-Baptiste Say	Entrepreneur as organiser	Resource management
Joseph Schumpeter	Creative destruction	Innovation in agriculture
Frank Knight	Risk and uncertainty	Agricultural risk management
Israel Kirzner	Opportunity recognition	Market opportunities
Peter Drucker	Opportunity-driven entrepreneurship	Agri-tech and value addition

1.3 The ecosystem of agricultural entrepreneurship in Uttar Pradesh is supported by several interconnected components, including production, financing, policy environment, technology, and market access. Within this ecosystem, institutional finance serves as a catalyst in addressing challenges such as access to capital, risk management, and financial inclusion.

Economists like William Baumol highlight the role of institutional frameworks in channelling entrepreneurial efforts toward productive economic activities. In Uttar Pradesh, government policies such as interest subvention schemes, agricultural insurance, and startup promotion programs have encouraged rural entrepreneurs to scale their businesses and contribute to economic progress. In conclusion, the evolution of agricultural entrepreneurship in Uttar Pradesh reflects a dynamic interplay between institutional finance, innovation, and opportunity recognition. While the state faces challenges such as small landholdings, infrastructure gaps, and financial literacy, the role of institutional finance in supporting agricultural entrepreneurs cannot be understated.

By fostering innovation, reducing risks, and promoting market connectivity, institutional finance has the potential to drive economic transformation in Uttar Pradesh, aligning with global trends of sustainable agriculture and entrepreneurship-led growth.

This research aims to explore the role of institutional finance in strengthening agricultural entrepreneurship in Uttar Pradesh, its impact on rural livelihoods, and its broader implications for economic development.

2. SIGNIFICANCE OF THE STUDY

2.1 The significance of agripreneurship for fostering the expansion of the economy, strengthening rural livelihoods, and assuring food security is highlighted by this study. It improves production, improves sustainable farming methods, and generates job opportunities by encouraging innovation and entrepreneurship in the agricultural sector.

2.2 The study also emphasises how essential government regulations, technological accessibility, and capacity-building are. The programs are to empower agribusiness owners. In the end, the study offers insightful information that stakeholders,

educators, and legislators may use to encourage and grow gripreneurship as a strategy for sustainable agricultural and economic growth.

2.3 Food security and economic growth depend heavily on agriculture, yet traditional farming is plagued by issues including diminishing productivity, restricted market access, budgetary limitations, and vulnerability to climate change. By blending agricultural methods with entrepreneurial tactics, agribusiness provides a game-changing approach that promotes creativity, sustainability, and profitability.

Assessing how agripreneurship may empower farmers, generate employment possibilities, and support rural economic growth is the driving force behind this study. Through an examination of critical elements that impact agribusiness success, including market connections, financial assistance, training, and technology availability, the study seeks to offer insightful information to agricultural stakeholders, educators, legislators, and financial institutions.

In order to ensure the growth of a resilient and sustainable agricultural sector that addresses food security, economic stability, and rural development, the study ultimately seeks to foster an environment that is supportive of agripreneurs.

3. OBJECTIVES

3.1 To assess the role of institutional finance in enhancing agricultural entrepreneurship: Examine the impact of financial resources, such as credit, subsidies, insurance, and venture capital, on the growth and sustainability of agricultural enterprises.

3.2 To analyse the challenges and opportunities faced by agricultural entrepreneurs in accessing finance: Identify the barriers and opportunities in accessing financial support for smallholder farmers and agripreneurs and the effect on productivity and business growth.

4. RESEARCH METHODOLOGY

This study evaluates the function of institutional finance in agricultural entrepreneurship using secondary data. Data that has already been gathered and published by other researchers, institutions, or organizations for uses unrelated to the current study is referred to as secondary data.

In this instance, government papers, academic journals, institutional publications, and pertinent databases will be the sources of the secondary data. The methodology's goals are to evaluate the body of existing research, determine the primary obstacles and advancements in this field, and evaluate how well institutional financing works for agricultural entrepreneurship.

4.1 Data Collection

Secondary data will be collected from a variety of sources, including:

- i. Research papers from peer-reviewed journals about institutional lending, entrepreneurship, and agricultural finance.
- ii. Reports on agricultural finance and rural development from international organisations like the World Bank, the Food and Agriculture Organisation (FAO), and the International Fund for Agricultural Development (IFAD).
- iii. Articles issued by financial institutions, microfinance organisations, and development banks.
- iv. Publications and policy documents from the government about subsidies, rural development policies, and agricultural funding.
- v. Statistics on financing trends, loan availability, and the effect of finance on agricultural entrepreneurship from international financial institutions and national agricultural agencies.
- vi. Data sources will be chosen based on their timeliness (ideally within the last 10 years to assure the data's current relevance), credibility, and relevance to the research topics.

Table 2: Sources of Secondary Data

Source Type	Examples
Academic Journals	Research articles
International Organizations	World Bank, FAO, IFAD
Financial Institutions	Microfinance institutions
Government Publications	Policy reports
Databases	Agricultural statistics

4.2 Data Analysis

- i. **Literature Synthesis:** To find common themes, patterns, and conclusions on the function of institutional finance in agricultural entrepreneurship, an in-depth review of the gathered literature will be carried out.
- ii. **Thematic Analysis:** The literature will be analysed to identify key topics, such as the obstacles to financial access, the function of development banks and microfinance, and the influence of institutional finance on agricultural technology uptake and sustainable practices.
- iii. **Comparative Analysis:** To understand regional differences in institutional finance access, financial product efficacy, and the results for agricultural entrepreneurs, the results of multiple research projects will be compared.
- iv. **Trend Analysis:** The effects of recent developments in agricultural finance, including microfinance organisations, public-private partnerships, and digital financing platforms, will be investigated.

4.3 Data Evaluation Criteria

- i. Credibility of the Source
- ii. Relevance to study Objectives
- iii. Temporal Relevance
- iv. Data Completeness

5. Limitations

5.1 Data Gaps

The findings of some research may not be as broadly applicable as they may be because they lack comprehensive financial data or because they concentrate on particular areas.

5.2 Potential Biases in Data

Depending on the source, secondary data may contain biases like selective reporting or institutional biases.

5.3 Absence of Primary Data

In quickly evolving financial settings or freshly developing markets, secondary data may not provide the most current or localised information.

6. LITERATURE REVIEW

6.1 Institutional finance plays a pivotal role in fostering agricultural entrepreneurship by addressing key challenges and promoting growth within the sector. Access to affordable credit is fundamental, enabling farmers to invest in modern equipment, seeds, and fertilisers, which are essential for improving productivity and profitability. Additionally, financial institutions provide risk management tools, such as crop and weather-indexed insurance, that help mitigate the inherent risks associated with agriculture, making it more attractive for entrepreneurs to innovate. Beyond financing, institutions also contribute to capacity building by offering training and advisory services to farmers, thus improving their ability to manage and grow their ventures.

- Despite these benefits, there are challenges in accessing institutional finance, including high default rates due to unpredictable agricultural conditions, collateral requirements that exclude smallholders, and systemic barriers faced by marginalised groups. However, innovations such as microfinance, digital financing platforms like M-Pesa, and public-private partnerships (PPPs) are making significant strides in overcoming these barriers. For instance, mobile money services have enhanced financial inclusion in rural areas, while PPPs, including warehouse receipt financing, offer creative solutions for farmers to access loans using stored produce as collateral. Together, these developments are reshaping the landscape of agricultural entrepreneurship and improving the overall accessibility of finance in the sector.

6.2 Dorfman and Mead (2017) highlighted how essential institutional finance is to increasing agricultural output and empowering farmers to make investments in modern technology and methods. The availability of credit facilitates the purchasing of necessary inputs, such as machinery and seeds, which promotes the expansion of agricultural entrepreneurship.

6.3 Hossain (2018): found that for small-scale farmers in low-income nations, institutional financing - especially from development banks—is crucial. Although access to these resources is still restricted, financial support aids in modernising farming methods and enhancing rural livelihoods.

6.4 Chirwa and Minde (2019) demonstrate how agricultural entrepreneurs can diversify their crops, develop their farming businesses, and accept new technology by having access to institutional financing. The capacity to obtain loans strengthens market competitiveness and minimises risks.

6.5 Ngugi and Kihoro (2021): Highlighted challenges in accessing institutional finance due to stringent collateral requirements, which limit the ability of many farmers to scale their operations. They stressed that financial institutions need to be more flexible in their lending criteria for agriculture.

6.6 According to Akinyele et al. (2020), excessive interest rates and a lack of financial awareness are two examples of financial barriers. These issues restrict the expansion of agricultural businesses and keep many smallholders from obtaining institutional loans.

6.7 Munyua (2020): Called for more flexible financial products that consider the seasonal nature of agricultural income. Flexible repayment terms could significantly improve the accessibility of loans for agricultural entrepreneurs.

6.8 The study by Kebede et al. (2022) focused on how institutional finance helps agribusinesses by facilitating investments in technology, infrastructure, and value-added operations like marketing and processing.

6.9 Matondi and Hamadziripi (2021). According to them, if proper risk management and institutional assistance are not offered, financial resources may be misallocated, leading to inefficiency and potential insolvency in agricultural activities.

6.10 The function of microfinance institutions (MFIs) in giving small-scale agricultural enterprises access to financing was examined by **Assefa et al. (2019)**, particularly in rural areas where traditional financial services are scarce.

6.11 Khafagi and El-Khatib (2022): Identified challenges within microfinance, such as high interest rates and the lack of financial literacy programs, which undermine the effectiveness of microfinance in supporting agricultural entrepreneurship.

6.12 Alhassan et al. (2020): Explored how institutional finance can support sustainable agricultural practices by financing projects focused on climate-smart farming and environmental conservation, although the adoption of such practices remains limited.

6.13 Tiwari (2021): Critiqued the insufficient emphasis on sustainable agricultural finance within institutional lending, highlighting that conventional farming practices often receive more financial support despite growing environmental concerns.

6.14 Singh and Sharma (2022): Suggested that governments should create policies to incentivise financial institutions to lend to agriculture, such as offering subsidies and guarantees to reduce the risk for lenders.

6.15 Khan et al. (2021): Advocated for public-private partnerships and improved rural infrastructure, education, and digital financial services to enhance access to finance for agricultural entrepreneurs, especially in developing countries. This research body indicates the essential role institutional finance plays in agricultural entrepreneurship, while also acknowledging the numerous barriers and challenges that limit its full potential. There is a clear call for more inclusive, flexible, and sustainable financial products tailored to the needs of agricultural entrepreneurs.

Table 3: Summary of Key Studies on Institutional Finance and Agricultural Entrepreneurship

Author	Year	Key Focus	Major Finding
Dorfman & Mead	2017	Institutional Credit	Credit improves productivity
Hossain	2018	Development Banks	Supports small farmers
Chirwa & Minde	2019	Agricultural Finance	Encourages diversification
Assefa et al.	2019	Microfinance	Expands rural credit access
Akinyele et al.	2020	Financial Barriers	High interest & low awareness
Alhassan et al.	2020	Sustainable Agriculture	Supports climate-smart farming
Munyua	2020	Flexible Finance	Seasonal repayment needed
Ngugi & Kihoro	2021	Collateral Issues	Limits farmer access
Matondi & Hamadziripi	2021	Risk Management	Needed for financial efficiency
Khan et al.	2021	PPP & Digital Finance	Improves financial inclusion
Tiwari	2021	Sustainable Finance	Limited institutional focus
Singh & Sharma	2022	Government Policy	Subsidies & guarantees needed
Kebede et al.	2022	Agribusiness Investment	Supports technology adoption

7. Agricultural Policy Reforms, Credit Allocations, and Innovation-Driven Initiatives in the Union Budget 2024–25: Implications for Agripreneurship and Rural Development

Agricultural policy reforms and budgetary allocations play a crucial role in strengthening the agricultural sector and

promoting agripreneurship in India. The Union Budget 2024–25 places significant emphasis on improving access to institutional credit, supporting agricultural innovation, and strengthening rural infrastructure. These policy initiatives are designed to

enhance productivity, encourage technological adoption, and support allied sectors such as dairy, fisheries, and horticulture. In recent years, the Government of India has increased the target for agricultural credit and introduced several programs aimed at promoting entrepreneurship and sustainable agricultural development. For example, the agricultural credit target for FY 2024–25 has been set at ₹27.5 lakh crore, of which ₹19.28 lakh

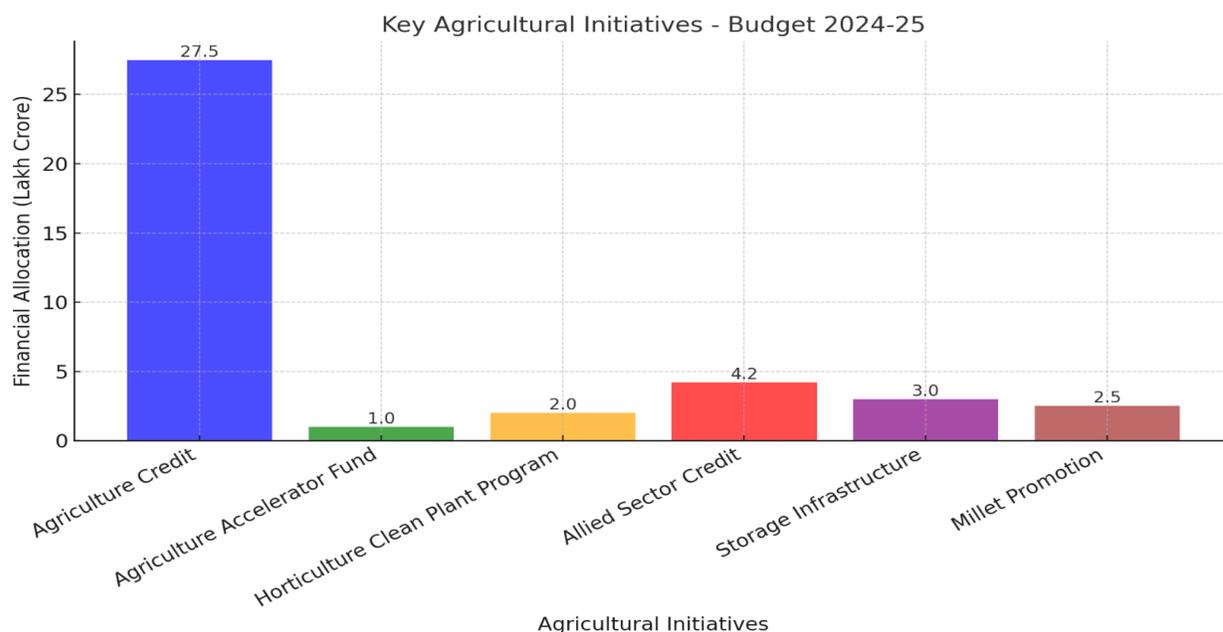
crore had already been disbursed by December 2024, reflecting the government's focus on expanding financial support for the agricultural and allied sectors. (The Economic Times) To better understand the key initiatives and policy measures introduced in the Union Budget 2024–25, the following table summarises the major agricultural programs and their latest updates.

Table: 4 Key Agricultural Initiatives and Updates from the Union Budget 2024–25

S. No.	Initiative	Description	Latest Data (2024–25)
1	More Credit to the Agriculture Sector	Financial support to boost agriculture.	₹27.5 lakh crore target for FY25; ₹19.28 lakh crore disbursed as of Dec 2024.
2	Agriculture Accelerator Fund	Encourages start-ups in rural areas to promote innovation.	Active schemes to fund agritech start-ups, improving efficiency and sustainability.
3	Atmanirbhar Bharat Horticulture Clean Plant Program	Provides disease-free planting materials for better crop production	Expanding coverage for high-value crops to enhance productivity and export potential.
4	Credit for Animal Husbandry, Dairy, and Fisheries	Financial support for allied agricultural sectors.	₹4.2 lakh crore allocated within the agriculture credit for FY25.
5	Additional Storage Capacity	Enhancing storage infrastructure to reduce post-harvest losses.	Government investment in modern storage facilities and increasing warehousing capacity.
6	Support for Millets ('Shree Anna')	Promoting India as a global hub for millet production.	Increased domestic production and exports, with international recognition for millet-based products.

Source: Ministry of Finance. (2024). *Union Budget 2024–25: Speech and Highlights*. Government of India. Available at: Union Budget 2024–25 Official Portal

Fig. 2: Key Agricultural Initiatives- Budget 2024-25



Source: Ministry of Finance. (2024). *Union Budget 2024–25: Speech and highlights*. Government of India. Retrieved from: Union Budget 2024–25 Official Portal

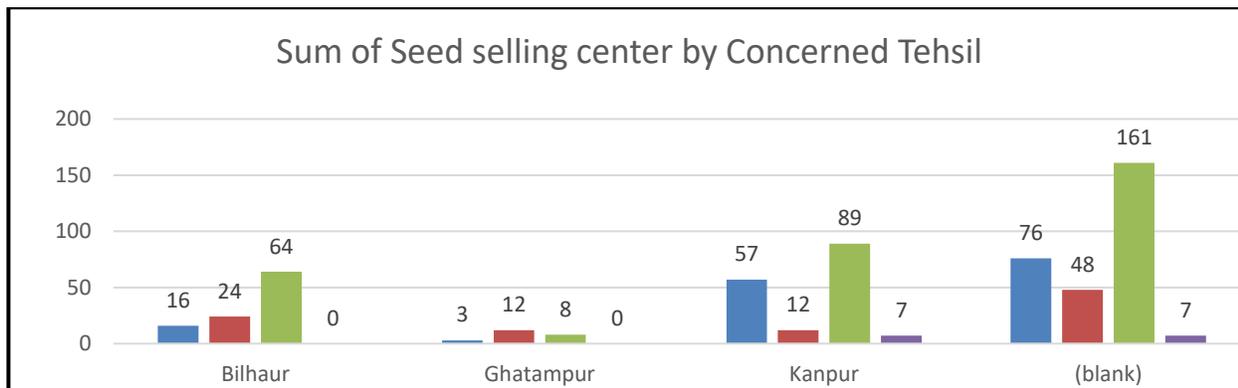
The Union Budget 2024–25 introduces key agricultural initiatives aimed at enhancing agripreneurship, rural development, and food security. These initiatives provide financial support, innovation, and infrastructure development to transform the agricultural sector. The Agricultural Credit Expansion allocates ₹27.5 lakh crore, improving farmers' access to finance for modern farming. The Agriculture Accelerator Fund fosters agritech startups, driving innovation and

sustainability. The Horticulture Clean Plant Program enhances crop quality and export potential through disease-free planting materials. A ₹4.2 lakh crore credit boost for animal husbandry, dairy, and fisheries strengthens rural incomes and employment. Additionally, storage infrastructure Expansion minimises post-harvest losses, ensuring better price realisation. Lastly, the Millet Promotion ('Shree Anna') initiative positions India as a global leader in millet production,

promoting nutritional security and climate resilience. These initiatives collectively support agricultural transformation,

making them essential for research on agripreneurship and sustainable farming.

Fig. 3: Seed selling centre by the concerned Tehsil



Source: Department of Economics and Statistics. (2023). District Statistical Handbook – Kanpur Nagar, 2022–23. Government of Uttar Pradesh.

Table 2 data provided data highlights the distribution of agricultural infrastructure across different tehsils, including seed selling centres, fertiliser sales centres, pesticide sales centres, and cold storage facilities.

Kanpur stands out with the highest number of agricultural centres, featuring 57 seed-selling centres, 12 fertiliser sales centres, 89 pesticide sales centres, and 7 cold storage facilities, making it the most developed in terms of agricultural support infrastructure.

Bilhaur follows with 16 seed selling centres, 24 fertiliser sales centres, and 64 pesticide sales centres, but notably lacks cold storage facilities.

Ghatampur, in contrast, has a smaller number of centres, with just 3 seed selling centres, 12 fertiliser sales centres, 8 pesticide sales centres, and no cold storage facilities, indicating a more limited agricultural infrastructure. The "Blank" category provides a total of 76 seed selling centres, 48 fertiliser sales centres, and 161 pesticide sales.

centres, and 7 cold storage facilities, representing the combined data for the regions listed.

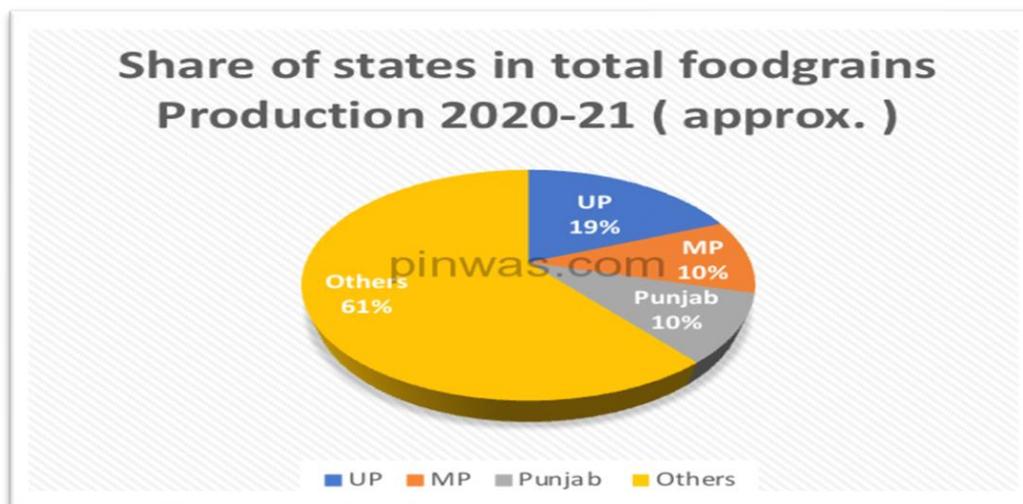
Overall, the data illustrates varying levels of agricultural infrastructure across these tehsils, with Kanpur leading in facility numbers and Ghatampur lagging.

Table: 5 State wise Foodgrain Production Share

State	Share in Total Foodgrain Production (2020–21, approx.)
Uttar Pradesh (UP)	19%
Madhya Pradesh (MP)	10%
Punjab	10%
Others	61%

Source: Directorate of Economics and Statistics. (2022). Agricultural Statistics at a Glance 2022. Ministry of Agriculture & Farmers Welfare, Government of India.

Fig. 4: Share of states in Total Foodgrains Production 2020-21

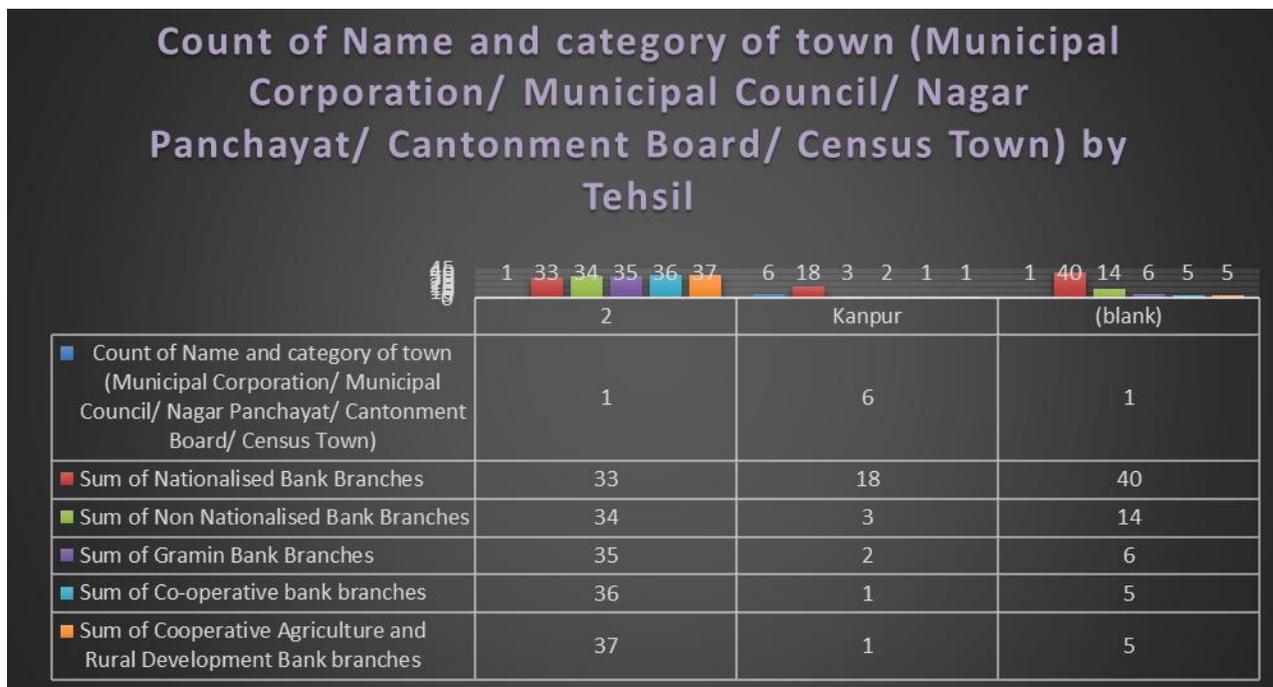


Source: Directorate of Economics and Statistics. (2022). Agricultural Statistics at a Glance 2022. Ministry of Agriculture & Farmers Welfare, Government of India.

The pie chart illustrates the state-wise share in total foodgrain production in India for 2020–21 (approx.). Uttar Pradesh (UP) contributed 19%, while Madhya Pradesh (MP) and Punjab each accounted for 10%. The remaining 61% of production came from other states.

This data highlights the dominance of UP in foodgrain production, followed by significant contributions from MP and Punjab, with other states collectively playing a major role. It is useful for analysing regional agricultural productivity and policy planning.

Fig. 5: Corporation/ Municipal Council/ Nagar Panchayat/ Cantonment Board/ Census Town by Tehsil



Source: Department of Economics and Statistics. (2023). District Statistical Handbook – Kanpur Nagar, 2022–23. Government of Uttar Pradesh.

This data clarifies how different kinds of bank branches are spread throughout Kanpur's many regions, which is connected to the growth of agricultural financial institutions in the area.

An attempt to meet the financial demands of farmers and rural communities is shown in the existence of Gramin Banks and Co-operative Banks, which are vital to agricultural and rural financing. Gramin and cooperative banks are scarce in places like Bithoor and Armapur, which are classified as Town Areas (T.A.) or Census Towns (C.T.), whereas Kanpur City (Municipal Corporation) offers a variety of banking services, including nationalised and non-nationalised banks. This suggests that rural financial infrastructure is less developed in these areas.

In general, however, the data points to a rising emphasis on expanding access to agricultural financing and financial services in the area, especially with the availability of Gramin and Co-operative Bank branches in places like Bithoor and Kanpur M.C. These financial institutions' growth can be viewed as an important part of the larger

initiatives to enhance financial inclusion and rural development, giving farmers and rural business owners greater access to credit, agricultural loans, and other financial products that are suitable for their needs.

Furthermore, the data demonstrates that whereas nationalised banks—which frequently target the urban and industrial sectors—dominate in Kanpur city, the growth of banks with an agricultural orientation (Gramin and Co-operative) in more rural areas indicates a deliberate effort to support agricultural finance. This change may be a result of institutional and governmental efforts to boost the agriculture industry, provide support for rural areas, and solve the difficulties farmers encounter in obtaining credit and financing for farming operations.

8. Trends in Institutional Banking Infrastructure in Kanpur Nagar (2014–15 to 2023–24): Growth Patterns Across Nationalised, Regional Rural and Other Banks

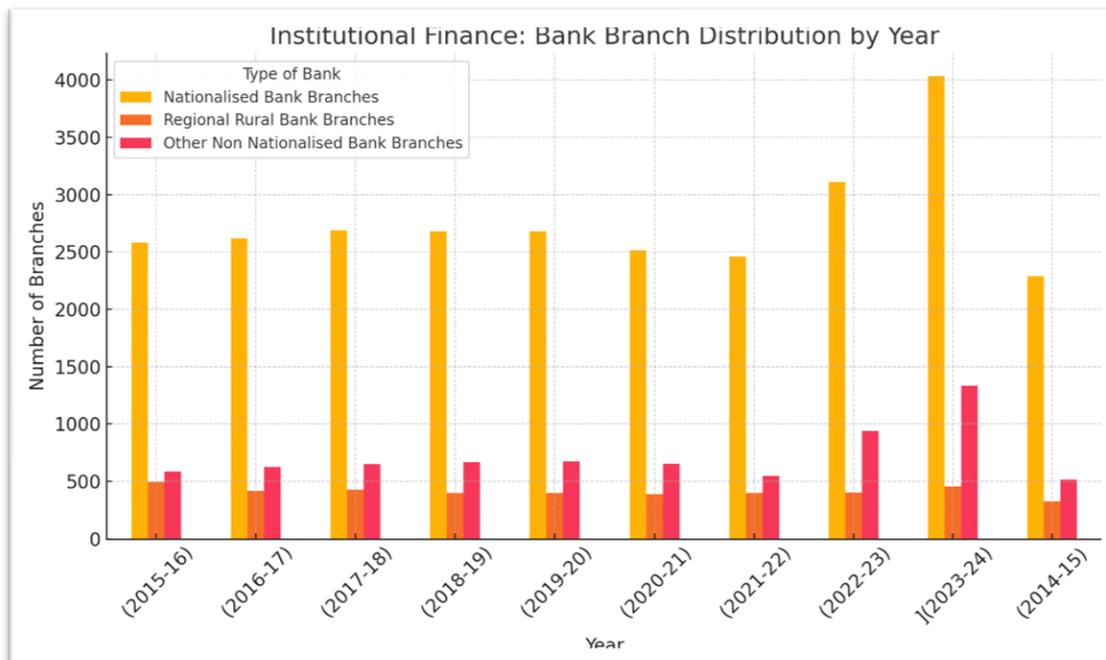
Table: 6 Detailed Interpretation of Institutional Finance Visuals

Year	Nationalised Bank Branches	Regional Rural Bank Branches	Other Non-Nationalised Bank Branches
(2014-15)	2291	329	515
(2015-16)	2581	495	589
(2016-17)	2615	418	625
(2017-18)	2691	428	651

(2018-19)	2678	397	668
(2019-20)	2681	401	672
(2020-21)	2514	390	654
(2021-22)	2456	397	549
(2022-23)	3109	404	941
(2023-24)	4032	455	1337

Source: Department of Economics and Statistics. (2023). *District statistical handbook – Kanpur Nagar, 2022–23*. Government of Uttar Pradesh.

Fig.6 Bank Branches Distributions by Institutional Finance



Source: Department of Economics and Statistics. (2023). *District Statistical Handbook – Kanpur Nagar, 2022–23*. Government of Uttar Pradesh.

1. Bar Chart Analysis – Year-wise Distribution of Bank Branches (2015–16 to 2019–20)

The bar chart presents a comparative view of Nationalised Bank Branches, Regional Rural Bank (RRB) Branches, and Other Non-Nationalised Bank Branches across five years.

Key Observations:

Nationalised Bank Branches consistently occupy the largest share, rising from around 2,581 branches in 2015–16 to approximately 2,681 branches in 2019–20. This gradual increase demonstrates the state-led commitment to expanding formal banking networks, which is crucial for enhancing access to credit, subsidies, and financial products for agricultural entrepreneurs.

- Other Non-Nationalised Bank Branches (private sector and other commercial banks) have shown steady growth from 589 branches in 2015–16 to about 672 branches in 2019–20. This suggests an increasing role of private and semi-formal banking institutions in providing agricultural finance, particularly in areas where nationalised banks may not have full coverage.
- Regional Rural Banks (RRBs), which are specifically designed to cater to rural communities, have declined

slightly from 495 branches in 2015–16 to 401 branches in 2019–20. This decline is a matter of concern, as RRBs are often, more attuned to the needs of smallholder farmers, offering flexible repayment terms and agriculture-focused products.

Implications for Objective 1 (Role of Institutional Finance)

The steady expansion of nationalised and non-nationalised bank branches has improved the overall institutional finance landscape, facilitating agricultural investment, adoption of modern technology, and risk management. However, the reduction in RRB branches indicates that rural-focused credit channels may not be keeping pace with demand, potentially limiting outreach to the most vulnerable farming communities.

Implications for Objective 2 (Challenges & Opportunities in Accessing Finance)

The dominance of urban-oriented banks (nationalised and private) could pose accessibility barriers for rural agripreneurs who rely on location-proximate, relationship-based lending offered by RRBs and cooperative banks. This structural imbalance calls for targeted policy interventions to strengthen rural banking infrastructure.

9. Distribution and Share of Institutional Banking Infrastructure in Kanpur Nagar by Bank Type (2019–20):

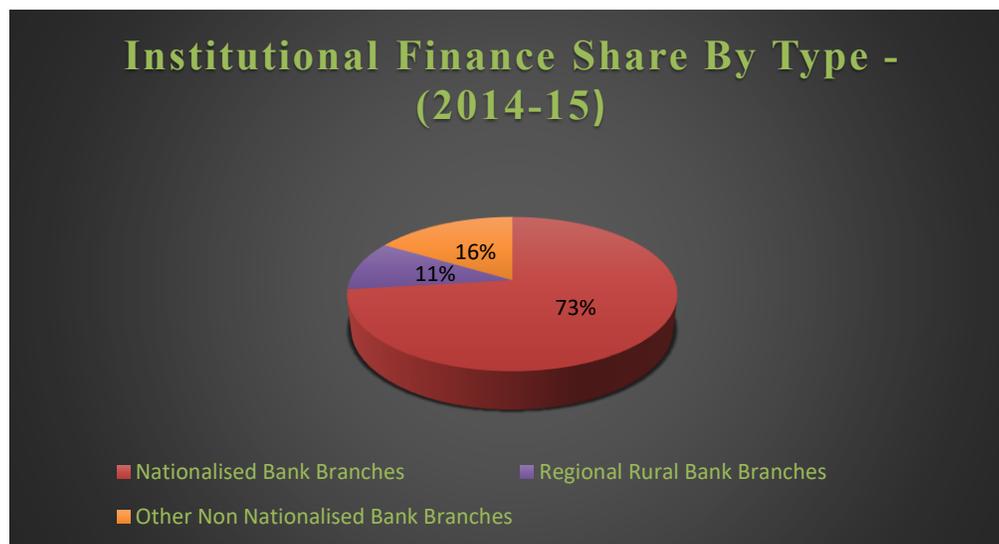
Comparative Analysis of Nationalised, Regional Rural, and Other Banks

Table 7: Institutional Finance Share by Bank Type (2019–20)

Bank Type	Number of Branches	Percentage Share
Nationalised Bank Branches	2291	73.07815
Regional Rural Bank Branches	329	10.49442
Other Non-Nationalised Bank Branches	515	16.42743

Source: Department of Economics and Statistics. (2023). *District statistical handbook – Kanpur Nagar, 2022–23*. Government of Uttar Pradesh

Fig. 7: Institutional Finance Share by Type - (2014-15)



Source: Department of Economics and Statistics. (2023). *District Statistical Handbook – Kanpur Nagar, 2022–23*. Government of Uttar Pradesh.

Pie Chart Interpretation

The pie chart provides a snapshot of the relative share of each bank type in the latest available year, **2019–20**.

Key Observations

- **Nationalised Banks** form the majority share (about two-thirds of the total branches), indicating their strong presence in both urban and semi-urban areas.
- **Other Non-Nationalised Banks** hold a significant portion (around one-quarter), reflecting the growing participation of private players in agricultural and rural finance.
- **Regional Rural Banks (RRBs)** account for the smallest proportion, highlighting their declining footprint in the institutional finance ecosystem.

Implications for Objective 1

The large share of nationalised banks confirms their central role in delivering institutional finance to the agricultural sector. Their extensive branch networks provide avenues for loans, subsidies, insurance, and government-backed credit schemes.

Implications for Objective 2

The relatively low proportion of RRB branches highlights a structural challenge. Farmers in remote rural areas may have

fewer localised financial institutions tailored to their needs. This imbalance underscores the need for strengthening rural-focused banks and exploring alternative delivery channels such as digital banking, microfinance institutions, and fintech solutions.

Synthesis

The combined analysis of the bar chart and pie chart reveals a dual reality:

1. Positive Trend

Institutional finance availability has expanded over time, with more branches from nationalised and private banks, thereby increasing potential access to agricultural credit and financial services.

2. Persistent Challenge

The shrinking share of RRBs may reduce specialised rural financial services, affecting smallholder farmers and agripreneurs who depend heavily on agriculture-specific credit solutions.

From a policy perspective, while nationalised banks should continue their broad outreach, revitalising RRBs and integrating digital financial platforms could enhance financial inclusion, efficiency, and the resilience of agricultural entrepreneurship in Uttar Pradesh.

10. CASE STUDY

10.1 Institutional Finance and Agricultural Entrepreneurship in Kanpur Nagar

The case study focuses on **Kanpur Nagar**, where agriculture contributes significantly to the regional economy. Despite its potential, the sector faces challenges such as low productivity, insufficient investment, and limited access to institutional finance. These factors often restrict farmers from adopting modern agricultural technologies and entrepreneurial activities.

10.2 Impact of Institutional Finance on Agricultural Entrepreneurship in Uttar Pradesh

This case study examines the role of institutional finance in **Uttar Pradesh**, particularly among smallholder farmers who are gradually transitioning toward agribusiness ventures.

During the fiscal year **2023–24**, agriculture contributed approximately **24.5 per cent of the regional GDP**. Despite this significant contribution, the sector continues to face persistent challenges such as low productivity, climate risks, and inadequate financial access.

Institutional finance plays a crucial role in overcoming these barriers by providing credit facilities, insurance coverage, and government-supported financial schemes that encourage farmers to diversify into value-added agricultural enterprises.

11. Forecast of Agricultural Finance and Infrastructure to 2030

By 2030, agricultural finance and infrastructure in Uttar Pradesh are expected to expand significantly, strengthening agripreneurship and rural development. Annual agricultural credit disbursements are projected to exceed ₹40 lakh crore, compared with the ₹27.5 lakh crore credit target for FY 2024–25. Allied sectors such as animal husbandry, dairy, and fisheries are also expected to benefit from increased financial allocations, which already stood at ₹4.2 lakh crore in FY 2024–25.

Government initiatives aimed at agricultural innovation are expected to support this expansion. Programs such as the Agriculture Accelerator Fund are likely to encourage agritech start-ups and promote technological advancements in farming practices.

At the infrastructure level, rural agricultural facilities are also projected to grow. In Kanpur tehsil, the number of seed-selling centres recorded 57 units in 2022–23 and may exceed 70 by 2030. Fertiliser outlets could increase from 12 to nearly 20, while pesticide centres may expand from 89 to about 100. Cold storage facilities are also expected to increase from 7 units to more than 12.

Other tehsils such as Bilhaur and Ghatampur, which currently lag in agricultural infrastructure, are also likely to experience development. For instance, Ghatampur, which had only three seed centres and no cold storage facility in 2023, may witness the establishment of new input centres and its first cold storage facilities by 2030.

At the national level, Uttar Pradesh is expected to continue playing a major role in foodgrain production. The state's contribution to India's total foodgrain output is projected to remain close to 20 per cent. Meanwhile, states such as Madhya

Pradesh and Punjab may increase their shares to approximately 11–12 per cent, reflecting improvements in agricultural productivity.

The rural banking network is also expected to expand. The number of nationalised bank branches serving agricultural sectors in Uttar Pradesh, which increased from approximately 2,680 in 2019–20 to over 4,000 by 2023–24, is projected to exceed 5,000 by 2030. Similarly, the presence of private and commercial banks, estimated at around 1,300 branches in 2023–24, may approach 2,000 branches by 2030.

Regional Rural Banks are also expected to experience a revival. After declining to around 400 branches in 2019–20, their network may expand to more than 600 branches by 2030 through policy support aimed at strengthening financial inclusion in underserved districts.

Collectively, these developments indicate the emergence of a stronger agripreneurial ecosystem in Uttar Pradesh. Greater credit availability, improved agricultural infrastructure, expanded banking networks, and technological innovation are expected to enhance financial inclusion and stimulate rural economic growth.

12. Findings

12.1 The study reveals that institutional finance is a key enabler of agricultural entrepreneurship in Uttar Pradesh, particularly in districts such as Kanpur Nagar, where agriculture remains a major source of livelihood.

12.2 The banking infrastructure analysis shows that nationalised banks dominate the formal credit landscape. Between **2015–16 and 2019–20**, their branch network expanded moderately, while private and other non-nationalised banks also increased their presence. In contrast, **Regional Rural Banks (RRBs)** experienced a gradual decline in branch numbers.

12.3 The distribution of agricultural infrastructure across tehsils indicates significant regional disparities. **Kanpur tehsil** has the highest number of seed, fertiliser, and pesticide centres along with cold storage facilities. **Bilhaur** has a moderate network of input centres but lacks cold storage facilities, whereas **Ghatampur** remains relatively underdeveloped.

12.4 Policy initiatives announced in the **Union Budget 2024–25** highlight the government's commitment to strengthening agricultural finance. Measures such as the **₹27.5 lakh crore agricultural credit target**, the **Agriculture Accelerator Fund**, the **Horticulture Clean Plant Program**, and increased support for allied sectors indicate a multi-dimensional approach to agripreneurship development.

12.5 The literature review also supports these findings. Previous studies demonstrate that institutional finance improves agricultural productivity, encourages crop diversification, and facilitates the adoption of new technologies.

12.6 Emerging financial innovations such as microfinance institutions, digital banking platforms, and warehouse receipt

financing are gradually expanding access to agricultural credit. However, these mechanisms are not yet universally accessible, and structural gaps in rural financial infrastructure persist.

13. CONCLUSION

Institutional finance plays a crucial role in promoting agricultural entrepreneurship by providing access to credit, insurance, and capacity-building support. However, challenges such as collateral requirements, credit accessibility, and financial exclusion continue to affect small and marginal farmers.

Innovative financial approaches, including digital finance platforms, microfinance institutions, and public-private partnerships, have demonstrated considerable potential in addressing these barriers. Nevertheless, geographical and institutional disparities in financial access remain major constraints.

Therefore, strengthening rural financial institutions, expanding digital banking services, and implementing supportive policy frameworks will be essential for ensuring equitable access to finance and unlocking the full potential of agricultural entrepreneurship in rural India.

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