



Determinants of entrepreneurial success: A comparative analysis of farm and non-farm sectors

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ABSTRACT

Entrepreneurship development has become the centre of many emerging economies as it is believed that entrepreneurship contributes significantly to economic growth. Quite a good number of researches have been done on factors that determine entrepreneurial success. However, the farm sector has been neglected for far too long. Present study, looked at a comparative analysis of farm and non-farm sectors in Krishi Vigyan Kendra (KVK) and Rural Development and Self Employment Training Institute (RUDSETI) to determine the factors that predict entrepreneurial success. A semi-structured interview schedule was used in 2019 to solicit information on socio-demographic and entrepreneurial characteristics from respondents. Entrepreneurs were categorized into successful and non-successful based on turnover, income and number of employees. Discriminant function analysis was used to predict the determinants of success in both farm and non-farm sectors. Results revealed that in the farm sector, four determinants of entrepreneurial success were family size, land size, turnover and annual income whereas in the non-farm sectors five determinants of entrepreneurial success were long term involvement, initiative, number of employees, entrepreneurial experience and annual income. Chi-square showed no significant difference in the success rate between farm and non-farm entrepreneurs. Policies to create the enabling environment to address access to market, market information and credit should be put in place for higher success rate of potential entrepreneurs.

Keywords: Employment, Entrepreneurship, Participant observation, Training, Youths

In the wake of decreasing land size, smallholdings, dwindling budget, climate change and soil degradation, entrepreneurship development has become the focus of many economies. Much research work supports the fact that entrepreneurs are very important for the socio-economic development of nations since they create jobs for those unemployed. Unemployment is a major challenge in rural areas forcing youths to migrate to urban areas. These youths, however, lack employable skills that could earn them white-collar jobs. It is urgent for empowering these youths through entrepreneurship training so that they could learn the skills to become self-employed. Entrepreneurship training has the potential to create jobs for millions of people who do not have access to higher education as they could take up enterprises and help to reduce the unemployment rate. There are several characteristics of successful entrepreneurs and such determinants of entrepreneurial success, however, it is extremely difficult to arrive at a single definition of business success. Researchers generally use continued viability or longevity as a measure of business success

(Rogoff *et al.* 2004).

The RUDSETI model of entrepreneurship development training which has been replicated across the country is a step in the direction. Since the commencement of the training programmes, frantic efforts have been made to improve the quality of the training offered. One of such interventions was to align the Rural Self Employment Training Institute (RSETI) courses at the behest of Government of India with the support of respective State Governments. Krishi Vigyan Kendras are designed to impart need based and skill oriented vocational training to the practicing farmers who wish to become self-employed. Numerous studies showed different kinds of variables that influence the success of small and medium enterprise (SMEs), but most of these studies concentrated on a few sets of variables: the psychological and personality traits of the entrepreneurs, the managerial skills and training attended and the external environment in which they thrive (Benzing *et al.* 2009). With this background the study looked at a comparative analysis of farm and non-farm sectors in Krishi Vigyan Kendra and RUDSETI to determine the factors that predict entrepreneurial success.

MATERIALS AND METHODS

Present study was carried out in RUDSETI Dasna, District Ghaziabad, Uttar Pradesh and Krishi Vigyan Kendra Shikohpur, District, Gurugram Haryana during

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2018–19. RUDSETI Ghaziabad has been conducting entrepreneurship training since 1984 and has contributed to create self-employment for hundreds of young men and women. Likewise, KVK Shikohpur is a well-known centre of excellence for farmers training as well as youth training. It has contributed to the success of numerous farmers who are role models in their various communities. These two institutes have therefore been selected due to their prominence in entrepreneurship training and success rate over the years. A combination of ex-post-facto and exploratory research designs was employed. A list of trained entrepreneurs who had established their enterprises for the past three years was obtained from both KVK and RUDSETI Institutes. Thirty such entrepreneurs were randomly selected from both farm and non-farm sectors, making a sample size of 60 entrepreneurs from each of the institutes. The total sample size was therefore 120 entrepreneurs. Data was obtained from the entrepreneurs using a semi-structured interview schedule which was personally administered to the entrepreneurs. Data was analyzed using SPSS, descriptive statistic and discriminant function analysis and non-parametric methods.

The dependent variable for this study was an entrepreneurial success which was operationalized as entrepreneurs, who have attained some level of achievement in the following dimensions:

- I. Profitability (Percentage increase in profit over time)
- II. Number of employees (Increase in the number of employees over time from time of start-up)
- III. Diversification of business from the time of start-up (Increase in the number of different enterprises over time. Count of number of enterprises over time from start-up)
- IV. Networking (The ability of individual to expand his business and/or social contacts by making connections through individuals, organizations. Count of number of individuals or organization entrepreneurs network with.)

Independent variables so selected were basically in two sub categories namely; socio-psychological variables and entrepreneurial characteristics. Age, education, marital status, caste, family size, income, land holding, work experience, social networking, number of skills acquired, access to credit, mass media exposure and extension contacts were selected as socio psychological characteristics, which were measured with available standard procedures. Among the entrepreneurial characteristics; need for achievement, risk taking, initiative, seeking feedback, long term involvement, self-confidence, money as measure of performance, orientation towards future goals, persistent problem solving, resource utilization, setting high standards for self, tolerance to ambiguity and innovativeness were included.

RESULTS AND DISCUSSION

Comparative Entrepreneurial Success in Farm and Non-farm Sectors: According to income, turnover, number of

employees and enterprise diversification, entrepreneurs from both RUDSETI and KVK were categorized into successful and non-successful categories. It may be observed (Table 1) that the P value (0.201) for the chi-square test is not statistically significant. That means it can be accepted that there was no significant difference in the success rate of farm and non-farm entrepreneurs. This may be due to the similar facilities and opportunities were available to both farm and non-farm entrepreneurs after the training.

Determinants of entrepreneurship success for farm and non-farm sector: It can be inferred that (Table 2) there were four determinants or predictors of entrepreneurial success in the farm sector. They were family size (.001), land size (.003), turnover (.019) and annual income (.000). It may be concluded that entrepreneurs with a large family size can use family labour to produce more than those with small family size. Additional labour may lead to an increase in the cost of production and hence decrease profitability. Therefore family size may have contributed to the success of entrepreneurs. Liao and Sohmen (2001) revealed that in China, the family plays a very significant role in business success. Due to an extremely low level of funding available to small and medium-sized enterprises in the country, family members not only are the source of start-up funds, but entrepreneurs' wives/husbands and children are often asked to work when no reliable employees can be found. Family support was also utilized because it was readily available and reliable and in most cases to saves cost and increase profitability. In addition to large family size, increase in land size is another important factor of production. In many cases, increased land size means more crops can be grown and assuming all other factors work in favour of the entrepreneurs (quality crops, market linkage, good market prices etc.) can lead to increased production and increase in profitability. This may have contributed to the success of the farm entrepreneurs. Increase in income and turnover serves as a boost for the entrepreneur to reinvest, diversify, increase production, employ more labour, make use of more opportunities and hence increase profitability and income. This may have contributed positively to the success of farm entrepreneurs. The findings of this research are in

Table 1 Chi-Square Tests showing level of Significance between farm and non-farm entrepreneurial success

	Chi-Square Test				
	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	1.637 ^a	1	.201		
Continuity Correction ^b	1.203	1	.273		
Likelihood Ratio	1.641	1	.200		
Fisher's Exact Test				.273	.136
N of Valid Cases	120				

(a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 28.50.)

Table 2 Test of equality of group means of farm and non-farm sector

Variables	Farm sector					Non-farm Sector				
	Wilks' Lambda	F	df1	df2	Sig.	Wilks' Lambda	F	df1	df2	Sig.
Long term involvement	1.000	.006	1	58	.939	.896	6.732	1	58	.012
Self confidence	.994	.375	1	58	.543	.971	1.755	1	58	.190
Money as measure of performance	1.000	.002	1	58	.967	.989	.643	1	58	.426
Future Goals	.980	1.177	1	58	.282	.997	.175	1	58	.677
Problem Solving	.988	.724	1	58	.398	.969	1.850	1	58	.179
Resource Utilization	.997	.152	1	58	.698	.968	1.921	1	58	.171
High standard	.972	1.697	1	58	.198	.999	.060	1	58	.807
Tolerance to Ambiguity	.984	.957	1	58	.332	.988	.676	1	58	.414
Risk-taking	.999	.043	1	58	.837	.979	1.244	1	58	.269
Deferred gratification	.995	.302	1	58	.585	.996	.218	1	58	.643
Innovative behaviour	1.000	.015	1	58	.902	.998	.129	1	58	.721
N-Ach	.977	1.362	1	58	.248	1.000	.002	1	58	.964
Initiative	.986	.837	1	58	.364	.931	4.275	1	58	.043
Feedback	.996	.222	1	58	.639	.985	.904	1	58	.346
Age	.985	.903	1	58	.346	1.000	.002	1	58	.969
Farm Size	.839	11.146	1	58	.001	.875	8.257	1	58	.006
Educational Qualification	.967	1.949	1	58	.168	.932	4.263	1	58	.043
Land size	.860	9.460	1	58	.003	.997	.190	1	58	.665
Number of employees	.977	1.353	1	58	.249	.897	6.681	1	58	.012
Turnover	.908	5.842	1	58	.019	.999	.052	1	58	.821
Annual income	.796	14.879	1	58	.000	.984	.966	1	58	.330

contrast to that of Chu and Benzing, (2004) who reported that Vietnamese entrepreneurs believe that friendliness to customers, having a good product at a competitive price, good customer services and a reputation for honesty are especially important factors leading to business success. Iyer and Schoar (2008) look at the market for wholesale pens in India amongst three different ethnic groups and found the Marwari group, known for being particularly business savvy, were better at fostering long term business relationships. The interwoven connection of entrepreneurial life cycles lies in innovative actions of risk seeking, achievement motivation, the growth orientation to fulfill their aspirations, knowledge, investments in potential entrepreneurs and proper identification of the opportunity according to set parameters of enterprise launching (Nain *et al.* 2015). According to Makhbul and Fazilah (2011), special characteristics of entrepreneurs, including perseverance, good social skills, high self-efficacy and a high internal locus of control, were drivers of the success of entrepreneurs starting new ventures. On the other hand Nain *et al.* (2019) concluded agri-enterprise development as the function of entrepreneurial competencies, entrepreneurial climate, and innovations.

From the investigation it was found that in the non-farm sectors (Table 2) there were five determinants of entrepreneurial success, these were long term involvement (.012), initiative (.043), number of employees (.006), entrepreneurial experience (.043) and annual income (.012). From the result, it can be concluded that non-farm entrepreneurs had some entrepreneurial characteristics such as long term involvement and initiative which wasn't present in the farm sector. Long term involvement means the non-farm entrepreneurs can commit themselves to long term projects and work through it. They don't give up easily but follow the projects or ventures until they succeed. Researchers such as Taormina and Lao (2007), Dafna (2008) inferred that a successful business is a venture that has been operating for at least three years. This is a very important criterion for the success of any venture because what may seem to be a failure at the onset may become very successful if only entrepreneurs work and are committed to it until it yields positive results. That means non-farm entrepreneurs can assess situations, initiate and act on things independently. This may have influenced the success of non-farmer entrepreneurs. Similarly, several employees can greatly influence the output of any venture

provided the labour is properly managed and channelled in the right direction. This may have contributed significantly to the success rate of non-farm entrepreneurs. Furthermore, the entrepreneurial experience is a requirement for success in any field besides entrepreneurship. Prior entrepreneurial experience in general and experience in a particular enterprise or venture gives the entrepreneur an advantage over those who lack experience. Kamitewoko (2013) in his study of Chinese-owned Businesses in Congo Brazzaville found out experience in trade as one of the key factor. Raman (2004) and Panda (2008) reported that experience of entrepreneur were critical factors contributing to business success. Experience boosts the confidence level of the entrepreneur to make critical decisions for enterprise success. The may have contributed to the success of the non-farm entrepreneurs. This is equally true for annual income, more income means the entrepreneurs can increase production, employ more labour, reinvest additional income, diversify etc. This may have contributed to the success of non-farm entrepreneurial venture. The findings of the study were found similar to those of Raman (2004) who found that motivational factors that contribute to success were initiatives, third party assistance, motivation and help from family and friends, skill and economic conditions. However, findings are different from those of Enrico and Hien (2013) who reported that human capital strongly predicts firm success, with learning exhibiting a statistically significant positive association with operating profit, benefits from weak ties outweigh those from strong ties, interaction of human capital and social capital displays a statistically significant positive effect on new-firm performance. Bosma *et al.* (2009) found that human capital, financial capital, strategies for keeping up with the business, social capital and control variables (gender) as factors contributing to entrepreneurship success. He further expounded that the amount of human capital is especially important for determining duration and profit, while financial capital is especially related to employment. Individual's motivations and aspirations trigger entrepreneurial competencies leading to adoption of best practices and facilitative socioeconomic factors play sequential role in reaching agripreneurial success, whereas well developed effective linkages resulted higher profits to producers and consolidated production sites for marketing and supply chain agencies (Singh *et al.* 2014, Singh *et al.* 2016).

There are many evident successful cases of farm and non-farm entrepreneurs. It was revealed that there was no significant difference in the success rate of farm and non-farm entrepreneurs. This is because not only profitability was considered, success was a function of turnover, profitability, diversification and number of people employed or working in the enterprise. In the farm sector, determinants of entrepreneurial success were family size, land size, annual income and turnover, whereas, in the non-farm sector, success was determined by annual income, long term involvement, number of employees and entrepreneurial experience. There was no entrepreneurial

trait as determinant in the farm sector, which means, more of these characteristics should be emphasized in training programmes. Furthermore, Government should create the enabling environment through appropriate policies to address access to market, market information and credit. Appropriate policies to address infrastructure and access to land should be provided for entrepreneurs. This will increase their chances of success. In addition continued support should be provided for entrepreneurs such as better modern practices, mentorship by experienced and successful entrepreneurs as well as intern opportunities for hands-on entrepreneurial experience. This will increase the success rate among entrepreneurs in the study area.

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