

Original Research Article

Relationship Between Entrepreneurial Factors and Small Agro-Enterprises' Success: Evidence from Bhutan

ABSTRACT

Agribusiness plays a vital role in the economy of an agrarian country like Bhutan where the livelihood of more than half of its population depends on agriculture. Due to limited studies on this subject matter, we examined the relationship between entrepreneurial factors and the success of small agro-enterprises (SAEs) in Bhutan. We adopted multistage quota sampling to survey 320 SAEs entrepreneurs using structured questionnaire. We found a significant and positive relationship between the success of SAEs and entrepreneur's education, training, personal entrepreneurial competencies (PECs) and motivations to start the business. However, there is a negative relationship between entrepreneur's age and success of SAEs. To this end, we suggest Bhutan's government support entrepreneurship education and training programs to motivate and build their PECs.

Keywords: Entrepreneurial factors, small agro-enterprises, success, Bhutan

1. INTRODUCTION

Small and medium enterprises (SMEs) dominate the economy of the world [1]. It improves nation's economy— particularly in the developing countries [2]. Studies acknowledged SMEs for generating employment, innovation and economic growth [4, 5]. Enterprise development alleviates poverty in many countries [6] and researchers regarded it as the country's backbone [3]. However, smaller enterprises are facing challenges due to globalization and advancement in science and technology [7, 8]. Addressing these challenges can prove itself a developing engine [2] because the success of small enterprise development portrays the country's performance [9].

Small enterprises such as SAEs have been playing an essential role in Bhutan's economy as well. Partially adopting from the Royal Government of Bhutan (RGoB) [10], SAEs in this study refers to crop, livestock and forestry-related enterprises with an investment of less than Nu.10 million and involvement of 1 to 19 people. Agriculture sector contributed 16.52% to the country's GDP and employed 58% of its population in 2016 [11]. Thus, promoting SAEs in an agrarian country like Bhutan has potential to minimize national issues including food insecurity, poverty, unemployment and rural-urban migration. The RGoB has been promoting SAEs in the country. However, the country can derive their benefits only if these SAEs are successful. While factors affecting the success of SAEs are multiple [12], entrepreneurs as decision-makers have a major influence on the success of their business. As there is a scarcity of studies on the subject matter in Bhutan, we examined the relationship between entrepreneurial factors and the success of SAEs in Bhutan. The findings from this study will be useful for entrepreneurs to understand what personal factors must to success their business. Also, it will help agribusiness promoters to design programs to improve entrepreneurial factors. Of the many models to measure the success of the enterprise, we adopted a model developed in [13]. We have chosen it because of its simplicity, effectiveness and recentness. The model consists of four indicators: (1) satisfaction with the growth of net income, (2) satisfaction with the time needed to reach the breakeven point, (3) consider business is successful and (4) consider business is growing. Entrepreneurs rated each statement as 1 (Strongly Disagree) to 5 (Strongly Agree) and we used the sum for the analysis.

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There are similar studies conducted abroad and showed different results. For instance, some studies found a non-significant relationship between the success of small enterprises and entrepreneurial factors such as entrepreneur's education [14], experiences [15] and age [16]. In contrast, entrepreneurial factors such as education, age, PECs, motivation, and experience have significantly and positively contributed to enterprise success [17-21]. After the literature review, we chose five entrepreneurial factors that we felt is relevant to entrepreneurs of SAEs in Bhutan and considering ease to collect data. Accordingly, we proposed five hypotheses as follow:

There is a positive relationship between the success of SAEs and entrepreneur's:

- H1: education;
- H2: training;
- H3: PECs;
- H4: motivation; and
- H5: age.

2. METHODOLOGY

This study covered four districts of Bhutan: Samtse, Gasa, Tashigang and Tashiyangtse. The trained enumerators collected data from 320 entrepreneurs of SAEs using pretested structured questionnaire upon approval from the respective districts administrations. We adopted multi-stage quota sampling. Stage 1: we divided Bhutan into four regions such as northeast, northwest, southeast and southwest consisting of five districts each. We randomly selected four districts, one from each region to ensure dispersion of districts across the country. Stage 2: we selected two geogs (sub-districts) in each selected district. We consulted district agriculture officers (DAO) and district livestock officers (DLO) as they were the most reliable person who knew about SAEs at the district level. With their support, we selected one enterprising and one non-enterprising geogs in each selected district. Stage 3: we selected four chiwogs (two enterprising and two non-enterprising) in each selected geogs. Stage 4: we randomly selected ten SAEs in each selected chiwog (sub-geogs). One-day workshop conducted in all selected district decided the third and fourth stages. The workshop members included DAO, DLO, representatives from the department of forest, extension officials, local leaders and farmers representatives. As data were parametric in nature, we conducted Pearson's correlation in IBM SPSS version 23 to examine the relationship between the success of SAEs and entrepreneurial factors.

3. RESULTS AND DISCUSSION

3.1 Demographic Profile

Total of 61.9% entrepreneurs were aged 19-52 years showing the presence of more active entrepreneurs involved in SAEs. The sample consisted of 52.8% women and 47.2% men. Although the difference was not significant, this figure shows that the women entrepreneurs are dominating men entrepreneurs in running SAEs. It could be because, in the rural communities of Bhutan, most men are usually engaged in non-farm employment opportunities such as constructions, where women must carry out agricultural activities back home. Also, 84.7% of the sample did not come from business family. It reveals that entrepreneurship culture in Bhutan is still poor. This holds true because agriculture was dominantly subsistent until recently and it is still transitioning to entrepreneurial farmers in Bhutan [22]. The result showed 71.9% of the sample had not undergone any formal education revealing the reluctance of educated youths to take up farming as a promising career [23].

3.2 Entrepreneur's Education

The education in this study refers to the total years of schooling completed by the entrepreneurs of SAEs. As shown in Table 1, the result showed a significant and positive relationship between the success of SAEs and entrepreneur's education ($r = .33$, $P = .000$). Therefore, we accept the first hypothesis (H1). In Bhutan, illiteracy is high in the rural communities, whereby, literate entrepreneurs with basic numeracy enjoys added an advantage in accessing market information, ability to enter contract farming and ability to connect with high profile stakeholders. In the agreement, earlier studies showed a significant and positive relationship between education and business success [13, 14, 16,

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21, 24]. Entrepreneur's education increases their sense of efficacy and self-esteem which in turn increases one's ability to perceive opportunities and pursue them [25]. Further, education provides entrepreneurs with necessary skills needed to success [26]. Educated people can better absorb the training contents increasing the likelihood of putting into practice [27]. Also, they understand the financial numeric and business needs better than the uneducated ones [28]. The positive correlation between these two variables shows better scope for educated youths to take up SAEs in Bhutan.

3.3 Entrepreneur's Training

Entrepreneur's training in this study refers to the total number of entrepreneurship-related training entrepreneurs attended prior to the commencement existing business. As presented in Table 1, we found a significant and positive relationship between the success of SAEs and entrepreneur's training ($r = .21, P = .000$). It means that entrepreneur performed better when he or she attends more training. Although the strength of association is weak, we still accepted the second hypothesis (H2). It means that entrepreneurs who have undergone training performed better than their counterparts. Entrepreneurs who access to training opportunities can perform better in rural Bhutan because most of the Bhutanese entrepreneurs have neither undergone formal education nor they come from a business family background. Training opportunities help to build social skills valuable for enterprise success [29]. Similarly, other studies have also reported the positive contribution of training or business experience on the success of business [30, 31]. This finding shows the positive impacts of training offered so far to these entrepreneurs by different stakeholders in the country. We can expect that such training provides entrepreneurs with useful knowledge and skills needed to operationalize their business better. As such, we further suggest the need for continuous government supports in training both aspiring and existing entrepreneurs of SAEs. However, the quantity of training is not necessarily better [32] because benefits of training differ based on the content and method of delivery [33]. Therefore, the responsible authority should also need to ensure the quality of training to realize its benefits.

3.4 Entrepreneur's PECs

The respondents rated ten variables using 5 Likert Scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree): (1) opportunity seeking, (2) persistence, (3) commitment to work contract, (4) demand for quality and efficiency, (5) risk-taking, (6) goal setting, (7) information seeking, (8) systematic planning, (9) persuasion and (10) self-confidence. We calculate the sum and used it for correlational analysis. The result showed a significant and strongly positive relationship between PECs and success of SAEs ($r = .94, P = .000$) (see Table 1). Thus, we also accepted the third hypothesis (H3). As PECs are the total ability of the entrepreneur to perform a job successfully [34], it is an important entrepreneurial factor needed for success. Similarly, a study reported that the competent entrepreneurs were more successful in developing business than entrepreneurs with low competency [30]. Also, other studies have shown the importance of PECs on enterprise success [20, 35]. To this end, the result confirms that PECs improves the performance of SAEs. Thus, responsible stakeholders should strive to build PECs through training and entrepreneurship education. Other studies also suggested the need for entrepreneurship education in Bhutan [23, 36]. To build PECs, relevant authorities also need to promote business mentoring and agribusiness incubation centers in the country, which is not accessible to all aspiring entrepreneurs today.

3.5 Entrepreneur's Motivation

The entrepreneurs rated five variables showing their motivation to business using 5 Likert Scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree): (1) meeting challenges, (2) personal achievement, (3) creating employment, (4) financial independence and (5) improve social status. We calculated the sum and used it for further analysis. We found a significant and strongly positive relationship between the success of SAEs and entrepreneur's motivations to start a business ($r = .80, P = .000$) (see Table 1). Thus, we also accepted the fourth hypothesis (H4). Their high motivation to start a business could have led to passions and efforts to carry out activities necessary to success. Also, higher motivations could boost their ability to face difficulties during the early stage of enterprise development. In the agreement, a study noted that entrepreneurial motivations such as finance, employment creation and self-fulfilling were essential factors of enterprise development [31, 37]. In Bhutan, the program such as farmers' study tour provides farmers with the opportunity to visit

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successful entrepreneurs [38]. Thus, we recommend relevant agencies to continue such practices because it motivates aspiring entrepreneurs after seeing the successful entrepreneurs.

3.6 Entrepreneur's Age

The result in Table 1 shows a significant but weakly negative relationship between the success of SAEs and entrepreneur's age ($r = -.11$, $P = .05$). Thus, we did not accept the fifth hypothesis (H5). This result also agrees with the young entrepreneurs outnumbering the older ones because it shows that younger ones are performing better. Unlike other studies who reported a positive relationship [18, 31, 39], the current study found a negative relationship. In the agreement, a study in Bangladesh reported that age has less and negative influence on the enterprise success [16]. It could be because young entrepreneurs are comparatively energetic, motivated and can afford to take risks. Studies showed that young people were open minded, energetic, have the drive and willingness to adapt to the unfamiliar environment [40, 41]. Efficiency, productivity, creativity and innovative strategies were also part of young people [42-44]. Also, older people characterized by declined cognitive skills, information processing capabilities, productivity, physical and mental stamina and decision-making abilities [44, 45]. However, as we noted only a weak relationship, the future researcher can replicate and confirm the relationship.

Table 1. Relationship between entrepreneurial factors and success of SAEs

	1	2	3	4	5	6
1. Education	1					
2. Training	-.02	1				
3. PECs	.19**	.14*	1			
4. Motivation	.09	.15**	.61**	1		
5. Age	-.39**	.08	-.06	.61**	1	
Success	.33**	.21**	.94**	.80**	-.11*	1

Note: $N = 320$; ** $P = 0.000$; * $P = 0.05$.

4. CONCLUSION

This study examined the relationship between entrepreneurial factors and the success of SAEs in Bhutan. We found a significant and positive relationship with entrepreneurial factors: education, training, PECs and motivations. However, entrepreneur's age was a negatively related. To this end, we recommend relevant authorities to support entrepreneurship education and training programs to motivate and build their PECs. A limitation of this study was that responses were self-reported result can be slightly flawed. Moreover, we could not include larger agro-enterprises and other entrepreneurial factors such as gender, leadership experiences, etc. Therefore, researchers can replicate this study using other entrepreneurial factors and larger agro-enterprise in the future.

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