

# Factors Affecting Success of Entrepreneurship in Agribusinesses

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Entrepreneurship and innovation are the fuel of economic growth. Understanding the motivational factors that lead to the success of entrepreneurs in agribusiness can be useful in affecting the degree of successful investment that accelerates development and economic growth in the agriculture sector. Entrepreneurship experience, risk-taking behavior, interest rates, and initial capital have a significant impact on the probability of entrepreneurship success and entrepreneur's profits. Policies that could improve the skills of entrepreneurs, provision of initial capital requirements, and financial market efficiency had an effective role in increasing entrepreneurship and innovation in the agribusiness sector. Entrepreneurs in the field of agriculture could consider these factors to have better choices while entering or continuing with their agribusinesses.

Keywords: sustainable entrepreneurship ; innovation ; business strategy ; agribusinesses

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## 1. Introduction

More than one billion people in developing countries live in poverty. The main source of income and livelihood for many poor people in rural areas comes from agricultural activities. The agricultural sector is one of the most important sectors in developing countries in need of sustainable entrepreneurship. The excessive use of chemical fertilizers, insecticides, and frequent use of pesticides and other chemicals in agriculture, especially in the developing countries, have led to environmental crises, resulting in increased soil, water, and air pollution and reduction of agricultural productivity and profitability <sup>[1]</sup>. Sustainable entrepreneurship in the agricultural sector is one of the solutions that can both help the growth and development of the agricultural sector and significantly reduce environmental crises <sup>[2]</sup>. The development of agricultural businesses and entrepreneurship is essential and an important policy goal to reduce poverty, induce higher economic development, address environmental concerns, and achieve food security <sup>[3]</sup>.

Sustainable entrepreneurship in the agricultural sector is a form of business that, while meeting the income needs of agricultural actors and farmers, also addresses environmental concerns <sup>[4]</sup>. Sustainable agricultural entrepreneurship must be explored as a contributor to the flexibility of the global secure food supply chain <sup>[5]</sup>. Entrepreneurship is a concept in which the entrepreneur identifies new opportunities and markets with innovative ideas and proper use of resources to create new businesses, products, and processes <sup>[6][7]</sup>. This process associates itself with numerous risks but often leads to the introduction of new products or services that increase the profitability and productivity of entrepreneurs <sup>[8]</sup>. This type of entrepreneurship can create jobs, increase energy efficiency, preserve and protect natural resources, and minimize environmental degradation. Big parts of the developing world are rural facing chronic unemployment, and among the goals of entrepreneurship development in the agricultural sectors of developing countries is the creation of new jobs and employment in rural areas <sup>[9][10]</sup>. However, rural areas remain at a disadvantage because of poor communication and transportation infrastructure, which encourages the migration of skilled labor to urban centers. Policies that support the improvement of infrastructures, such as better roads and broadband internet access, represent important enablers for innovation and entrepreneurial activities in rural areas <sup>[11]</sup>.

Entrepreneurship, innovation, and creativity are the fuel of the engine of modern economies <sup>[12]</sup>. Entrepreneurship is a combination of innovation, solutions, and risks that leads to business growth and development. The entrepreneurial spirit of an entrepreneur is reflected in the ability of an individual to combine capital, labor, and natural resources to innovate and organize a business for higher profits, even in the face of high risks <sup>[13]</sup>. Different incentives are effective in entrepreneurship behavior; among those mentioned in the literature are the creation of jobs, income and wealth, reduction of poverty, enhancement of nutrition and health, gaining reputation and consumer loyalty, the need for independence <sup>[14]</sup>, cultural characteristics, information flow, institutional development, and favorable business environment <sup>[15][16]</sup>. Entrepreneurs take change as a natural phenomenon and are always positively looking forward to, showing reaction to,

and considering entrepreneurship as an opportunity <sup>[17]</sup>. Investigation of trends of human social life development shows that entrepreneurship has had an important role in the development of societies <sup>[18]</sup>.

Entrepreneurship helps generate overall food security. Entrepreneurs have an important role in economic growth in terms of innovation, efficiency, job creation, competitiveness, productivity, and formation flow of new companies; hence, entrepreneurial revolution and innovation are necessary for economic growth and development <sup>[19]</sup>. It is a source of opportunity and is closely linked to the economic and social prosperity of countries and is an indicator of development in the developed countries <sup>[20]</sup>. Entrepreneurs play an important role in economic development cycles; they are the sources and catalysts of development <sup>[21]</sup>. The emergence and development of entrepreneurship is an important phenomenon in modern economies <sup>[22]</sup>.

Since entrepreneurs have such an effective role in economic growth and development, recognition of motivational factors for their success is important. Since the agribusiness sector plays a vital role in socio-economic development in the areas of job creation and employment, food production, and development, identifying the factors affecting the success of entrepreneurship in the agricultural sector is crucial; scholars in developed and developing countries have considered and paid close attention to these factors <sup>[23]</sup>.

There is a positive relationship between investment in the infrastructure and agribusiness growth and entrepreneurship development <sup>[24]</sup>. Engaging in agribusiness entrepreneurship improves households' incomes and economic well-being, especially in underdeveloped areas with high poverty rates. Agribusiness entrepreneurship has the potential to generate value-added benefits, diversify incomes, reduce poverty, and provide employment and entrepreneurial opportunities. Even though entrepreneurship has received plenty of attention in developed countries since the late 1970s <sup>[25]</sup>, in many developing countries, entrepreneurship is a new concept that has recently entered their academic and administrative institutions in the last 20 years. Since economic forecasts indicate the worsening of unemployment in many developing countries, this has led to more attention paid to entrepreneurship development in many of those countries, especially in the agricultural sector, because entrepreneurship has positive effects on employment in the short and long run <sup>[26]</sup>. A shortage of young farmers is one of the structural problems encountered in developing countries with agricultural history. Active entrepreneurship is considered an important stimulus for business expansion, encouraging agricultural students to engage in agribusinesses. Agricultural-related social enterprises are seen as a vital solution to the challenges ahead and have gradually become part of the core business in underdeveloped areas <sup>[27]</sup>.

## **2. Important Factors**

The success of a business depends on innovation, entrepreneurship, and the business environment. In addition, the fight against poverty, frustration and depression with employment and education, enthusiasm for business, and concerns about social participation affect an entrepreneurial career <sup>[28]</sup>. Entrepreneurial success is defined in terms of two main goals: financial and subjective or non-financial goals <sup>[29]</sup>. The entrepreneurs are considered successful based on their financial performance, such as profits or income <sup>[30]</sup>, and the non-financial aspect of performance that comprises factors such as customer satisfaction, personal development, and entrepreneurs' awareness <sup>[31]</sup>.

Occupational qualifications, family resources, and work environment are the main determinants of the decision to become an entrepreneur <sup>[32]</sup>. Moreover, entrepreneurs with managerial experience and skills, an impressive entrepreneur in the family, practical knowledge, and having workers with unique skills obtain higher scores in the general index of entrepreneurial success <sup>[33]</sup>. Variables such as the total amount of investment, education, and government support policies have positive effects on the entrepreneurial success <sup>[34]</sup>. Microcredit financing is another factor that has a major impact on the success of entrepreneurial activities <sup>[35]</sup>.

In many developing countries, government plays an important role in the success of entrepreneurs. Government incentives and support policies in many ways are those, such as financial and technical assistance, training programs and workshops, development and consultancy, and information resources <sup>[36]</sup>. Entrepreneurship is an important factor in economic growth, and favorable government programs can encourage entrepreneurship via programs that provide favorable financial access for entrepreneurs. Government programs that reduce barriers to entry, support growth and development, and provide better access to credit encourage entrepreneurial opportunities. Governments can enhance opportunities by improving access to capital, reducing barriers to new investment, and continuing to support entrepreneurs beyond the initial startup phase through development programs <sup>[37]</sup>.

Lack of infrastructure, political environment, market access, and related skills and experiences have a significant effect on the success of entrepreneurs <sup>[38]</sup>. Moreover, business and managerial knowledge and skills, personality traits (such as

flexibility, risk-taking, discerning, etc.), and entrepreneurial experience are positively correlated with entrepreneurial success <sup>[39]</sup>. Furthermore, education of entrepreneurs, demand for the products or services, the availability of physical space for business development, and the availability of sufficient financial resources have a positive impact on micro-entrepreneurship growth <sup>[40]</sup>. Educational support for entrepreneurship development has had a positive effect on entrepreneurial self-efficacy <sup>[41]</sup>. Professional experience and education are essential success factors for entrepreneurship and have a great impact on the development of entrepreneurial skills and self-employment <sup>[42]</sup>.

Motivational factors such as achieving a better business environment and common factors such as having competitive products/services are among the motivations of entrepreneurs in starting new businesses <sup>[43][44]</sup>. Entrepreneur performance depends on factors such as type of business, ability to take risks, customer service, human capital, and quality of goods sold <sup>[45]</sup>. Developing entrepreneurial capacities, innovation, risk-taking, financial, and infrastructural capacities by entrepreneurs in the agricultural sector were considered a priority <sup>[46]</sup>. Entrepreneurship promotion is supported by access to financial resources, entrepreneurial culture, taxes, regulations, coordinated training, and support in all areas mentioned by specialized organizations such as entrepreneurial associations and clubs, government agencies, and business centers. Empirical studies identify factors affecting entrepreneurship such as technology, culture and institutions, level of economic development, demography, government spending, individual characteristics, characteristics of the social environment, education, and ease of access to financial resources <sup>[47]</sup>.

Levels of entrepreneurial activity vary by gender, age, and educational attainment. In general, men are more likely to start new businesses, younger people are also more likely to do so, and graduates are more likely to start a new business. The four specified motivations for entrepreneurship are: to make a difference in the world, to build a high income, to continue a family tradition, and to earn a living when jobs are scarce. Moreover, there are many reasons to exit a business. The most obvious relates to insufficient sales or profitability, the burden of taxation or bureaucracy, the failure to access resources, including finance, or changes in personal circumstances <sup>[48]</sup>.

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