

Assessing the determinants of net profit from the enterprises in West Bengal

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ABSTRACT

In such a research niche wherein rural entrepreneurship is the need of the hour, the present study has undertaken to analyse the socio-psychological, socio-personal and communication related determinants of the net profit from the rural enterprise which directly contribute to the rural entrepreneurship development and management. The present study was conducted in Cooch Behar district of West Bengal. Purposive, multistage and random sampling procedures were followed for to select the respondents. The net profit from the rural enterprises is considered as the consequent variable for the study and the sixteen other variables were considered as antecedent variables for the study. The data were collected with the help of structured interview schedule through personal interview method. The collected data were processed into statistical analyses like coefficient of correlation, multiple regression and factor analysis. The variables annual income, land holding, material possession, house type, management orientation, risk orientation and social participation are positively and significantly associated with the net profit from the rural enterprises. The variable family size is negatively and significantly and the variable annual income is positively and significantly contributing towards characterizing the net profit from the enterprise. The sixteen predictor variables put together have explained 37.30 per cent variation embedded with the predicted variable, net profit from the rural enterprises. The five factors namely economic and social competency, family and farm interaction, educational exposure, capacity orientation and personal trait are identified which reflect the conglomeration of predictor variables in explaining the variations embedded with the net profit from the enterprises.

Keywords: Entrepreneurship development and management, management orientation, material possession, risk orientation

The changed global scenario arouses the ultimate requirement for fulfilling the need of grown up global market demand. The concept of 'entrepreneurship development' is becoming global phenomenon today not only because of industrial growth and business ventures but also a solution of unemployment and for the socio-economic prosperity of the community (Adhikary *et al.*, 2010). The rural entrepreneurship development and management implies the development and management of small scale enterprises which can play a pivotal role towards value added market led economy, augmentation of rural earning and generation of rural employment. Rural development is more than ever before linked to entrepreneurship. Institutions and individuals promoting rural development now see entrepreneurship as a strategic development intervention that could accelerate the rural development process. Further, more institutions and individuals seem to agree on the urgent need to promote rural enterprises; development agencies see rural entrepreneurship as an enormous employment potential; politicians see it as the key strategy to prevent rural unrest; farmers see it as an instrument for improving farm earnings; and women see it as an employment possibility near their homes which

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provides autonomy, independence and a reduced need for social support. To all these groups, however, entrepreneurship stands as a vehicle to improve the quality of life for individuals, families and communities and to sustain a healthy economy and environment (Petrin, 1994).

As an aftermath of globalization and free trade liberalization the entrepreneurial activity is playing a swashbuckling role in socio-economic development of the nation. In the ever developing countries like India, for uplifting the standard of living of the populace in the backward region, the policy making, planning and implementation of entrepreneurial development programmes are very much in need because of their over dependence of agriculture for employment and business. Consequently the entrepreneurship development in the rural areas emerges to be the best possible alternative to find employment opportunities and income augmentation for the rural population. Although the fast growing economies generated new private non-farm wage jobs at high rates, household enterprises generated most new jobs outside agriculture. Household enterprises should be seen as part of an integrated job and development strategy (Fox and Sohnesen, 2012). Not only that but also the development of

entrepreneurship depends on state aid and the entrepreneurs themselves (Markevicius and Griskeviciute, 2007). The successful innovation for entrepreneurship development demands both strong personal characteristics such as will and determination, good cooperation with others, both within and outside the business, and an emphasis on an environment that promotes knowledge development and the establishment of a variety of networks and support from many other parties (Gotvassli, 2008). The market opportunities and uncertainties facing by farmers; the link between rural entrepreneurship and sustainable land use; farmer empowerment; and the facilitation of rural entrepreneurship are the primary concern for rural entrepreneurship development (Maatman and Schrader, 2009).

To improve and promote issues of rural entrepreneurship development and management the need of the hour is to rethink the activities and determinants associated with the concepts and operationalisation of rural entrepreneurship development and management. The entrepreneurship development process is scientific and judicious blend of innovativeness of the entrepreneur, profit

maximisation of the enterprise and risk bearing capacity of the entrepreneur. In such a research niche the present study has undertaken to analyse the Entrepreneurship Development and Management Index (EDMI) and the relation of the same with the socio-psychological, socio-personal and communication related determinants associated with the enterprise.

MATERIALS AND METHODS

The present study was conducted in three villages namely Kalarayer Kuthi, Basdaha Natibari and Sajherpar Ghoramara under Cooch Behar-II block of Cooch Behar district of West Bengal. Purposive as well as multistage sampling and random sampling procedures were followed for the selection of the respondents. In totality the hundred numbers of respondents were selected for the present study. The net profit from the rural enterprises is considered as the consequent variable for the study and the sixteen other variables were considered as antecedent variables for the study. The net profit is conceptualised and operationalised as the profit over the cost accrued for rural enterprise development and management. The data were collected with the help

Table 1: Distribution of the respondents according to their net profit from the enterprises (Y)

Category	Score	Frequency	Percentage	Statistics
Low	1-4	92	92	Mean = 2.48, S.D= 1.60, Range= 1-10 C.V= 64.52%
Medium	5-8	5	5	
High	9-12	3	3	

Table 2: Correlation co-efficient of net profit (Y) of enterprise with sixteen causal variables

Variables (X)	Co-efficient of correlation (r)
Age (X ₁)	-0.033
Education (X ₂)	0.057
Family size (X ₃)	-0.111
Family education status (X ₄)	0.074
Primary occupation (X ₅)	0.142
Annual income (X ₆)	0.465**
Land holding (X ₇)	0.329**
Material possession (X ₈)	0.221*
House type (X ₉)	0.326**
Adoption leadership (X ₁₀)	0.007
Management orientation (X ₁₁)	0.276**
Risk orientation (X ₁₂)	0.252*
Social participation (X ₁₃)	0.221*
Cosmopolitanism (X ₁₄)	0.156
Training exposure (X ₁₅)	0.107
Mass media exposure (X ₁₆)	0.153

Note: *, ** Significant at 5% and 1% level of significance, respectively

of structured interview schedule through personal interview method. The collected data were processed for statistical analyses like coefficient of correlation, multiple regression and factor analysis.

RESULTS AND DISCUSSION

Table 1, presents the distribution of the entrepreneurs in the selected study area under Coochbehar district of West Bengal according to their net profit from rural enterprises. The result shows that majority of the respondents are under the group 1-4 (92%) as far as their net profit is concerned, followed by 5-8 net profit group (5%) and 9-12 net profit group (3%) respectively. The mean score of total distribution is 2.48 and standard deviation of the distribution is 1.60. The coefficient of variation value within the distribution 64.52% signifies the low consistency level of the distribution for the variable 'net profit'.

Table 2, presents the person's co-efficient of correlation among the enterprises' net profit with sixteen causal variables. The result shows that the variables annual income, land holding, material possession, house type, management orientation, risk orientation and social participation are positively and significantly associated with the enterprises' net profit at 5.0 per cent and 1.0 per cent level of significance.

Annual income and net profit of the enterprise

Annual income reflexes the financial situation of an individual in a social system. The higher annual income is always giving impetus to live in a financially affluent manner. It helps in making an individual risk taker, information seeker, venturesome and network developer through different type of communication approaches. All this attributes are very much responsible for maximising the profit of a rural enterprise. For increasing the profitability of an enterprise there is a need to make an entrepreneur a good organiser, risk bearer, innovative and efficient decision maker. These are the good traits of an entrepreneur for maximising the profit of his own enterprise. The earning or the annual income of an entrepreneur contributes directly for the development of these traits and it increases the optimum working capital investment in an enterprise. Consequently the net profit of the enterprise accelerates with the increased rate of annual income. The two terms annual income and net profit are mutually exclusive in niche of entrepreneurship development and management. That is why the variable 'annual income' is positively and significantly associated with the net profit of the enterprise in the rural areas.

Land holding and net profit of the enterprise

In the rural social system, land holding is the indicator of social prestige and esteem and also it is directly associated with the risk bearing capacity of the entrepreneur. In case of enterprise development and management there is an upmost need of capital investment. In agro-based enterprises land is one of the capitals invested for developing and managing the enterprise. Not only that, but also higher land holding status people substitutes the adverse effect of sick enterprise than others through their experience, resource and managerial ability. Consequently, land holding status helps in case of maximizing the profit of an enterprise. That is why variable 'land holding' is positively and significantly associated with the net profit of the enterprise.

Material possession and net profit of the enterprise

In any rural social system material possession is always treated as the indicator of the social status. The person possesses a good number of sophisticated materials are enjoying the better social status than any other person. The member of the community are giving due importance to those person in case of any decision making procedure. The better management of livelihood enterprises contributes to the possession of materials, so, the person with high level of material possession can manage their livelihood enterprise in an efficient manner. As the study area entrepreneur who possessed the high value material, are managing the enterprise efficiently. That is why the variable material possession is positively and significantly associated with the net profit of the enterprise.

House type and net profit of the enterprise

House type is the social status indicator of the rural social system. The individual possessing a better quality of house indicates his resources endowment in the rural area consequently the resources rich individual always prepares their attitudes to take risk for increasing the profit of his own enterprise. Always it is true for the innovative and venturesome rural people actually the profit of the enterprise. In other words helps the entrepreneur to build a good quality house. That may be plausible reason behind the significant and positive association between the house type and net profit of the enterprise.

Management orientation and net profit of the enterprise

Management orientation is the psychological pursuit of individual to orient him for managing his

enterprise in effective manner. Management orientation is a goal directed psychological attribute of an individual and a goal is the effective management of the enterprise. Ultimately, the efficient management of the enterprise contributes to the net profit and sustainability of enterprise through appropriate planning, efficient organizing the activities, coordination among the stake holders, proper authority delegation and efficient controlling of uneven incidence within the enterprise. That is why the variable management orientation is significant and positive association between the net profits of the enterprise.

Risk orientation and net profit of the enterprise

Risk orientation is the psychological orientation of the individual to take risk and bear the risk for development of any new enterprise and management of such enterprise for the sustainability. For an entrepreneur risk taking ability is one of the characters in case of developing and managing the enterprise. The individual with high level of risk orientation has the capability to promote his enterprise to a peak through maximizing the net profit of the enterprise which ultimately contributes to further sustainability of the enterprise. So risk orientation and profit maximization are mutually exclusive with each other. That may be possible reason behind the significant and positive association between the risk orientation and net profit of the enterprise.

Social participation and net profit of the enterprise

Social participation is the variable related with the information seeking, sharing and experience gathering attributes of an individual. Social participation reflects the participation within the organization for seeking knowledge, information sharing to gather experience. So, the variable, social participation contributes to share and seek information, build capacity, increase exposure, gather experience for knowledge intensive management of own experience. Consequently the profit of the enterprise uplifts upto a maximum level. That is why the possible reason behind the significant and positive association between the social participation and net profit of the enterprise.

Table 3, reflects the multiple regression analysis of the predicted variable *i.e.* net profit with sixteen predictor variables. From the table it is observable that the variable family size is negatively and significantly and the variable annual income is

positively and significantly contributing towards characterizing the net profit from the enterprise.

Family size and net profit of the enterprise

Family size is the indicator of the number of family members of a family. For an entrepreneur to be successful, it is necessary that each and every member of his family cooperate in proper management and development of the enterprise which ultimately leads the enterprise towards maximisation of profit. But in the present study it is found that with the increase in number of family member there is a conflict among the family members in making sound decision. This conflict causes poor management of the enterprise, which ultimately decreases the net return from the enterprise. That is why the variable family size is negatively and significantly contributing in case of characterizing the net profit of the enterprise. The variable family size is directly contributing 29 per cent in case of characterizing the net profit of the enterprise. One unit change of the family size is delineating the 0.939 unit change in the predicted variable, net profit.

Annual income and net profit of the enterprise

Annual income is the economic indicator of an individual. It also helps to acquire respect and values in the society. These people are economically sound and have the capability to take risk to administer their enterprise in a successful manner. In the present study it is found that the high annual income group gained profit from their enterprises ultimately. The high income group entrepreneurs can invest more to make profit in the extreme limit. That is why the variable annual income is positively and significantly contributing in case of characterizing the net profit of the enterprise. The variable annual income is directly contributing 55.70 per cent in case of characterizing the net profit of the enterprise. One unit change of the variable annual income is delineating the 0.071 unit change in the predicted variable, net profit. The R^2 value being 0.373, it is to infer that the sixteen predictor variables put together have explained 37.30 per cent variation embedded with the predicted variable net profit of the enterprise. Still 62.70 per cent variable embedded with predicted one is unexplained. Thus it would be suggested that inclusion of some more contextual variables possessing direct bearing on the net profit of the enterprise could have increased the level of explicability.

Table 4, presents the factor analysis for an intrinsic conglomeration of different predictor variables to form a homophiles group of predictor

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variables/ factors. The minimum level of factor loadings (> 0.550) is considered to have conglomeration. It is found that the association of variables of factor I has been comprised of annual income (X_6), material possession (X_8), house type (X_9), management orientation (X_{11}), risk orientation (X_{12}), cosmopoliteness (X_{14}), mass media exposure (X_{16}) and the factor can be renamed as “economic and social competency”. The per cent of variance

explained by this factor has been 25.606 and the eigen value is found 4.097. The factor II has encompassed two factors viz. family size (X_3) and land holding (X_7) and can be renamed as “family and farm interaction”. This has explained 15.825 percent of variance with eigen value 2.532. The factor III has reticulated with two variables viz. Education (X_2), Family educational status (X_4) and can be renamed as “educational exposure”. It has explained 10.323 per

Table 3: Multiple regression analysis of net profit of the enterprise (Y) with sixteen predictor variables

Variables (X)	()	B	S.E of 'b'	t-value
Age (X_1)	-0.046	-0.006	0.014	-0.451
Education (X_2)	-0.106	-0.153	0.174	-0.881
Family size (X_3)	-0.290	-0.939	0.341	-2.756**
Family education status (X_4)	0.110	0.198	0.205	0.968
Primary occupation (X_5)	0.006	0.008	0.170	0.051
Annual income (X_6)	0.557	0.071	0.028	2.562**
Land holding (X_7)	-0.018	-0.003	0.046	-0.086
Material possession (X_8)	-0.121	-0.049	0.047	-1.040
House type (X_9)	0.180	0.366	0.237	1.542
Adoption leadership (X_{10})	-0.067	-0.041	0.065	-0.627
Management orientation (X_{11})	0.109	0.045	0.050	0.889
Risk orientation (X_{12})	-0.025	-0.009	0.047	-0.198
Social participation (X_{13})	0.067	0.114	0.189	0.605
Cosmopoliteness (X_{14})	0.042	0.021	0.073	0.284
Training exposure (X_{15})	0.124	0.060	0.047	1.292
Mass media exposure (X_{16})	-0.039	-0.018	0.065	-0.272

Note: $R^2=0.373$, *, ** Significant at 5% and 1% level of significance, respectively

Table 4: Factor analysis of the predictor variables through principal component analysis

Factor	Variable(X)	Factor loadings	Eigen values	% of variance	Cumulative % of variables	Rename
I	Annual income (X_6)	0.677	4.097	25.606	25.606	Economic and social competency
	Material possession (X_8)	0.649				
	House type (X_9)	0.554				
	Management orientation (X_{11})	0.633				
	Risk orientation (X_{12})	0.675				
	Cosmopoliteness (X_{14})	0.635				
II	Mass media exposure (X_{16})	0.659				
	Family size (X_3)	0.558	2.532	15.825	41.431	Family and farm interaction
III	Land holding (X_7)	0.652				
	Education (X_2)	0.790	1.652	10.323	51.754	Educational exposure
IV	Family education status (X_4)	0.735				
	Training exposure (X_{15})	0.763	1.174	7.337	59.091	Capacity orientation
V	Age (X_1)	0.597	1.023	6.394	65.485	Personal trait

Note: Factor loadings >0.550

cent variance with eigen value 1.652. The factor IV has preferred to go solitary with single variable training exposure (X_{15}) which may be renamed as “capacity orientation”. It has explained 7.337 per cent variance with an eigen value 1.174. The last factor has gone solitary with single variable age (X_1) and it may be renamed as “personal trait”. This factor has explained 6.394 percentage of variance with eigen value 1.023.

The rural Indian economy now a day suffering from the bottle neck like the unreasonable price of agricultural commodities and lack of developed supply chain of market channels. The only way to promote and strengthen the rural economy is through establishing and managing the rural agro-enterprises in an effective manner. The extension paradigm should be shifted from production led venture into market led venture in agriculture. The small scale agro based enterprises are day by day losing its importance due to the negligence from the part of the rural entrepreneur and lack of market intelligence. But in the era of trade liberalization there is an ample opportunity to go along with the global market through appropriate management and development of rural enterprise for uplifting the livelihood status of the rural enterprise.

So, the present study was designed to explore the determinants of entrepreneurship development and management, where the net profit, innovativeness, decision making ability and attitude of the entrepreneur towards entrepreneurship development and management have been operationalized and identified as well as the interaction between the performance of the enterprise with the socio-personal, socio-economic, socio-psychological and communication factors of the entrepreneurs has been

delineated to justify the importance of these components in entrepreneurship development and management. In case of developing any policy for the development and management of enterprise in the study locale there is a need to frame the capacity building programme of the rural poor in case of developing their skill endowed knowledge for managing an enterprise efficiently.

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