

Indian Institute of Management Calcutta

Working Paper Series

WPS No 890/ April 2023

ENTREPRENEURIAL COMPETENCIES, BUSINESS SUCCESS AND SUBJECTIVE
WELL- BEING OF BOP ENTREPRENEURS IN RURAL INDIA: AN EMPIRICAL
EXAMINATION

Avinash Kumar *

Assistant Professor, Marketing,
Indian Institute of Management Calcutta, India,
Email: avinash@iimcal.ac.in

Ramendra Singh

A.6(9734 ndr)2.4(a)-Fa)50.6J5*.nne7(t)je-535.1c-ha D2.2(a)0 Td 8 1 9.

ENTREPRENEURIAL COMPETENCIES, BUSINESS SUCCESS AND SUBJECTIVE WELL- BEING OF BOP ENTREPRENEURS IN RURAL INDIA: AN EMPIRICAL EXAMINATION

Avinash Kumar & Ramendra Singh

Indian Institute of Management Calcutta

Rajesh Gupta & Piyush Kumar Sinha

Entrepreneurship Development Institute of India

ABSTRACT

This study examines the role of entrepreneurial competencies, business success encompassing financial and non-financial performance in enhancing the subjective well-being of rural BoP entrepreneurs in India. It draws from the resource-based view, theory of entrepreneurial competency, self-determination theory, and capabilities lens for hypotheses formulation. Grounded in the positivist paradigm, it uses a structured questionnaire to collect data from rural BoP entrepreneurs. It uses co-variance-based structural equation modeling and finds the positive impact of entrepreneurial competencies on the subjective well-being of BoP entrepreneurs is partially mediated by financial and non-financial performance. Besides promoting business success, entrepreneurial competencies also directly contribute to improving the subjective well-being of BoP entrepreneurs. This study adds to the scarce quantitative examination of well-being in rural and BoP contexts.

Keywords: Entrepreneurial competencies, Business success, Subjective well-being, BoP, Rural

Entrepreneurial competencies, Business success and Subjective well-being of BoP entrepreneurs in rural India: An empirical examination

Avinash Kumar*¹, Ramendra Singh², Rajesh Gupta³, Piyush Kumar Sinha⁴

1. Introduction

Entrepreneurship as a means of poverty alleviation enjoys popularity among diverse stakeholders (Bruton, Ketchen, & Ireland, 2013; Sutter, Bruton, & Chen, 2019). It becomes all the more pertinent for developing countries like India, where limited employment opportunities result in a significant number of people pursuing subsistence entrepreneurship (Bruton, Ahlstrom, & Si, 2015; Kumar, Kumra, & Singh, 2022b). These subsistence/BoP entrepreneurs, besides supporting their families and contributing towards well-being enhancement to their communities through employment generation and provisioning of goods and services, also perform valuable value-chain activities for the formal sector (Banerjee & Duflo, 2007; Kumar, Kumra, & Singh, 2022a; Ramachandran, Pant, & Pani, 2012; Sridharan, Maltz, Viswanathan, & Gupta, 2014). However, the initiation, survival, and growth of these subsistence enterprises become challenging due to the presence of multifaceted psycho-social, organizational, and institutional constraints hin

on rural subsistence entrepreneurs become necessary (Mason, Chakrabarti, & Singh, 2013; Venugopal & Viswanathan, 2021; Madhubalan Viswanathan, Sridharan, Ritchie, Venugopal, & Jung, 2012).

Furthermore, research points out the role of entrepreneurial competencies in promoting the business success of subsistence entrepreneurs (Rahman, Amran, Ahmad, & Taghizadeh, 2015) and the positive effect of business success on their subjective well-being (Rahman, Amran, Ahmad, & Taghizadeh, 2016), it fails to elucidate the role of the mechanism behind the effect of entrepreneurial competencies on the subjective well-being of subsistence entrepreneurs. Therefore, this study relies on the theory of entrepreneurial competencies (Bird, 2019; Man, Lau, & Chan, 2002), the resource-based view (Barney, 1991), and the capabilities lens (Sen, 2000) to illuminate the relationship among entrepreneurial competencies, business performance and subjective well-being of rural subsistence entrepreneurs. It focuses on rural subsistence entrepreneurs supported by the Start-Up Village Entrepreneurship Program (SVEP)- a micro-entrepreneurship promotion program of the Indian government.

2. Start Up Village Entrepreneurship Program (SVEP)

The structural transformation over the years in developing countries has resulted in an increasing share of non (and off) -farm incomes in rural areas of developing countries (Chand, Srivastava, & Singh, 2017; Sen, Dorosh, & Ahmed, 2021). The World Bank defines the rural non-farm sector as focused on activities other than primary agricultural production. It encompasses activities such as agro-processing, transport, distribution, retail, household and non-household manufacturing, tourism, construction and mining, and self-employment activities such as handicrafts, mechanics, and kiosks, among others (Independent Evaluation Group, 2016). Rural non-farm enterprises can contribute to rural development and poverty alleviation (S. Haggblade, Hazell, & Reardon, 2007; Pattayat, Parida, & Awasthi, 2022). However, appropriate policy measures become essential for realizing the poverty alleviation

of things helping to characterize individual characteristics and behaviors, competence is the evaluation of the performance of individuals in a specific activity domain (Strebler, Robinson, & Heron, 1997). Competency as underlying individual characteristics such as essential personal traits, skills, knowledge, and motives that enable effective action and/ or superior job performance finds support in the American school. For instance, Bird (1995) considers entrepreneurial competencies in terms of specific traits, motives, knowledge, skills, social roles, and self-images contributing to the birth, survival, and growth of entrepreneurial ventures. Conversely, the UK school adopts a behavioral perspective and describes competence in terms of actions and behaviors demonstrated by individuals working in a particular occupation (Cheng & Dainty, 2003). Competences are distinct from knowledge, skills, and abilities in that they are not only attributes of individuals but also depend on the situation and social definition (Hayton & McEvoy, 2006). Focusing on competence rather than competency confers theoretical and practical advantages as the behavioral and observable nature of competence enables it to offer a stronger relationship between individual differences and various outcomes, including venture outcomes (Bird, 2019). Hence, this study adopts a behavioral approach and focuses on entrepreneurial competencies.

Entrepreneurial competencies can be considered as a specific group of competencies manifesting through the quality of actions taken by entrepreneurs impacting short and long-term venture performance (Bird, 2019). Man and Chan (2002) view entrepreneurial competencies

They also encompass awareness about customer demands whose fulfillment enables entrepreneurs to have more satisfied customers contributing to the non-financial performance of their enterprises (Man & Lau, 2000; Man et al., 2002). Relationship competencies deal with person-to-person or individual-to-group-based interactions enabling entrepreneurs to create connections in pursuit of entrepreneurial opportunities. Conceptual competencies denote the entrepreneurs' ability to innovate, assess risks, and address various issues arising from different sources. Organizing competencies refer to the capabilities of entrepreneurs to organize various internal and external physical, financial, technological, and human resources related to their entrepreneurial pursuits. Strategic competencies relate to the entrepreneurs' ability to develop a vision for their business with clear goals and formulate and implement strategies to realize this vision. Finally, commitment competencies drive entrepreneurs to move ahead in their entrepreneurial pursuits (Man & Lau, 2000; Man et al., 2002). Man, Lau, and Snape (2008), while examining the relationship between entrepreneurial competencies and the performance of small and medium enterprises, divided conceptual competencies into analytical competencies and innovative competencies. They also bifurcated organizing competencies into operational competencies and human competencies (Man, Lau, & Snape, 2008).

Following Hayton and McEvoy's (2006) idea of competencies as interactional constructs dependent on individual differences, situationally defined behavior, and socially defined performance criteria, entrepreneurial competencies can be expected to have a

engagement in daily (business) activities. Entrepreneurial competencies also contribute to positive self-assessment regarding capabilities concerning entrepreneurship and other life domains. Hence, we hypothesize:

H3: Entrepreneurial competencies positively impact the well-

6. Findings

Based on the interdependent nature of entrepreneurial competence dimensions, entrepreneurial competence is conceptualized as a second-order reflective-reflective construct with eight dimensions. These eight dimensions are technical competence (TC), innovation competence (IC), operational competence (OPC), commitment competence (CC), analytical competence (AC), opportunities competence (OC), strategic competencies (SC), and relationship competencies (RC). Three other constructs of the study- financial performance, non-financial performance, and subjective well-being are first-order reflective constructs. Table 2 presents the factor loadings, composite reliability (CR), average variance extracted (AVE), and Cronbach alpha for constructs used in the study (Kline, 2011).

[Insert table 2 about here]

Table 3 presents comparative model fits for the default measurement model of the study and other nested measurement model alternatives. The default measurement model of the study has the best fit among all the models establishing discriminant validity among constructs (Bentler & Satorra, 2010; Black, Babin, & Anderson, 2010).

[Insert table 3 about here]

Table 4 presents model-fit for the path model and other nested models.

[Insert table 4 about here]

Table 5 and 6 present results of the path analysis and bias-corrected estimates of the path-coefficients.

[Insert table 5 about here]

We find support for all hypotheses except hypothesis 2a suggesting positive impact of financial performance on subjective well-being. The impact of financial performance on subjective well-

being while being positive is found to be insignificant at $p=0.05$. However, the impact of financial performance on subjective well-being is found to be positive and significant at $p=0.1$.

[Insert table 6 about here]

7. Discussion

To the best of our knowledge, this study is the first to conceptualize and establish entrepreneurial competencies as a second-

Table 1: Scales used in the study

Construct	Scale
Entrepreneurial competence	(Man, Lau & Snape, 2008)
Financial performance Non-	Ahmad, Wilson & Kummerow (2011); Rahman, Amran, Ahmad & Taghizadeh (2016))

Construct	Indicator/Construct	Factor loading ()	Composite reliability (CR)	Average variance extracted (AVE)	Cronbach alpha ()
	AC4	0.72			
	AC2	0.77			
	AC1	0.73			
<i>Opportunity competencies (OC)</i>			0.79	0.55	0.78
	OC3	0.73			
	OC2	0.75			
	OC1	0.75			
<i>Strategic competencies (SC)</i>			0.83	0.55	0.83
	SC6	0.73			
	SC5	0.75			
	SC4	0.74			
	SC3	0.74			
<i>Innovation competencies (IC)</i>			0.72	0.47	0.72
	IC3	0.64			
	IC2	0.73			
	IC1	0.68			
<i>Relational competencies (RC)</i>			0.73	0.47	0.73
	RC6	0.73			
	RC5	0.70			
	RC3	0.63			
<i>Financial performance (FP)</i>			0.83	0.55	0.83

Construct	Indicator/Construct	Factor loading ()	Composite reliability (CR)	Average variance extracted (AVE)	Cronbach alpha ()
	SWB2	0.74			
	SWB3	0.77			
	SWB4	0.70			
	SWB5	0.78			

Table 4: Model fit for path model and nested models

Model	Chi-square	DF	P value	CMIN/DF	GFI	NFI	IFI	CFI	RMSEA
Default: Model allowing for partial mediation	2561.009	689	0	3.717	0.903	0.912	0.934	0.934	0.045
Full mediation constraining EC to SWB as zero	2999.491	692	0	4.335	0.88	0.897	0.919	0.918	0.05
No mediation (FP and NFP to SWB zero and EC to SWB allowed)	2672.429	692	0	3.862	0.899	0.908	0.93	0.93	0.046

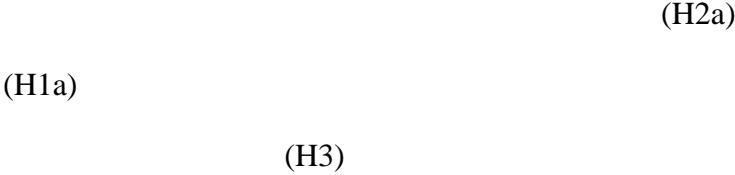
Table 5: Path estimates

Sl. No.	Hypothesis	Path	Path-estimate	Significant at 0.05	Significant at 0.1
1	<i>H1a: Entrepreneurial competencies positively impact financial performance of BoP entrepreneurs.</i>	EC->:FP	0.707	Yes	Yes
2	<i>H1b: Entrepreneurial competencies positively impact non-financial performance of BoP entrepreneurs.</i>	EC->NFP	0.713	Yes	Yes
3	<i>H2a: Financial performance positively mediates the positive impact of entrepreneurial competencies on well-being of BoP entrepreneurs.</i>	EC->:FP->SWB	0.05	No	Yes
4	<i>H2b: Non-financial performance positively mediates the positive impact of entrepreneurial competencies on well-being of BoP entrepreneurs.</i>	EC->NFP->SWB	0.182	Yes	Yes
5	<i>H3: Entrepreneurial competencies positively impact the well-being of BoP entrepreneurs.</i>	EC->SWB	0.583	Yes	Yes

Table 6: Bias-corrected bootstrap results for path model

Bias-correct results at 95% , bootstrap 500				Bias-corrected results at 99%,bootstrap 500		
Path	Total effect (range)	Direct effect (range)	Indirect effect (range)	Total effect (range)	Direct effect (range)	Indirect effect (range)
EC>FP	{0.653,0.750}	{0.653,0.750}		{0.660,0.743}	{0.660,0.743}	
EC>NFP	{0.654,0.765}	{0.654,0.765}		{0.663,0.760}	{0.663,0.760}	
EC>SWB	{0.776,0.847}	{0.494,0.678}	{0.15,0.316}	{0.783,0.841}	{0.508,0.667}	{0.159,0.304}
FP>SWB	{-0.013,0.162}	{-0.013,0.162}		{0.003,0.148}	{0.003,0.148}	
NFP>SWB	{0.138,0.348}	{0.138,0.348}		{0.154,0.333}	{0.154,0.333}	

Figure 1: Conceptual model



Reference

- Asadullah, M. N., & Chaudhury, N. (2012). Subjective well-being and relative poverty in rural Bangladesh. *Journal of Economic Psychology*. <https://doi.org/10.1016/j.joep.2012.05.003>
- Banerjee, A. V., & Duflo, E. (2007). The economic lives of the poor. *Journal of Economic Perspectives*, 21(1), 141–167. <https://doi.org/10.1257/jep.21.1.141>
- Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17(1), 99–120. <https://doi.org/10.1177/014920639101700108>
- Ben Letaifa, S., & Reynoso, J. (2015). Toward a service ecosystem perspective at the base of the pyramid. *Journal of Service Management*, 26(5), 684–705. <https://doi.org/10.1108/JOSM-04-2015-0133>
- Bentler, P. M., & Satorra, A. (2010). Testing model nesting and equivalence. *Psychological Methods*, 15(2), 111.
- Bhuiyan, M. F., & Ivlevs, A. (2019). Micro-entrepreneurship and subjective well-being: Evidence from rural Bangladesh. *Journal of Business Venturing*, 34(4), 625–645. <https://doi.org/10.1016/J.JBUSVENT.2018.09.005>
- Bird, B. (2019). Toward a theory of entrepreneurial competency. In *Advances in Entrepreneurship, Firm Emergence and Growth* (Vol. 21, pp. 115–131). <https://doi.org/10.1108/S1074-754020190000021011>
- Bruton, G. D., Ahlstrom, D., & Si, S. (2015). Entrepreneurship, poverty, and Asia: Moving beyond subsistence entrepreneurship. *Asia Pacific Journal of Management*, 32(1). <https://doi.org/10.1007/s10490-014-9404-x>
- Bruton, G. D., Ketchen, D. J., & Ireland, R. D. (2013). Entrepreneurship as a solution to poverty. *Journal of Business Venturing*, 28(6), 683–689. <https://doi.org/10.1016/j.jbusvent.2013.05.002>
- Chand, R., Srivastava, S. K., & Singh, J. (2017). Changing Structure of Rural Economy of India-

- ventures serving base of the pyramid producers. *Journal of Business Research*, 63(6), 582–594. <https://doi.org/10.1016/j.jbusres.2009.04.025>
- Man, T. W. Y., & Lau, T. (2000). Entrepreneurial competencies of SME owner/managers in the Hong Kong services sector: A qualitative analysis. *Journal of Enterprising Culture*, 8(3), 235–254.
- Man, T. W. Y., Lau, T., & Chan, K. F. (2002). The competitiveness of small and medium enterprises: A conceptualization with focus on entrepreneurial competencies. In *Journal of Business Venturing* (Vol. 17, pp. 123–142). [https://doi.org/10.1016/S0883-9026\(00\)00058-6](https://doi.org/10.1016/S0883-9026(00)00058-6)
- Man, T. W. Y., Lau, T., & Snape, E. (2008). Entrepreneurial Competencies and the Performance of Small and Medium Enterprises: An Investigation through a Framework of Competitiveness. *Journal of Small Business and Entrepreneurship*, 21(3), 257–276. <https://doi.org/10.1080/08276331.2008.10593424>
- Martin, K. D., & Hill, R. P. (2012). Life satisfaction, self-determination, and consumption adequacy at the bottom of the pyramid. *Journal of Consumer Research*, 38(6), 1155–1168. <https://doi.org/10.1086/661528>
- Mason, K., Chakrabarti, R., & Singh, R. (2013). What are bottom of the pyramid markets and why do they matter? *Marketing Theory*, 13(3), 401–404. <https://doi.org/10.1177/1470593113489193>
- Nikolaev, B., Boudreaux, C. J., & Wood, M. (2020). Entrepreneurship and Subjective W

<https://doi.org/10.1016/J.JBUSVENT.2018.09.003>

Sen, A. (2000). *Development as freedom*.

Wiklund, J. (1999). The Sustainability of The Entrepreneurial Orientation Performance Relationship. *Entrepreneurship Theory and Practice*, (1992), 37–48.