

## A Study of the Applicable Process of Chinese Farmers Starting Businesses in Their Hometowns

SHEN Zhongming<sup>[a],\*</sup>

<sup>[a]</sup>Associate Professor, Department of Business and Trade, Rongchang Campus of Southwest University, Chongqing, China.  
\*Corresponding author.

**Supported by** the Business Management Training Course of the Rongchang Campus of Southwest University (RCQG207001).

Received 18 January 2015; accepted 4 March 2015  
Published online 26 April 2015

### Abstract

In China, farmers starting businesses in their hometowns have become a driving force behind the farmer income increasing, and have enhanced the vitality of rural development. We find and develop an applicable process of farmers starting businesses that are the key to ensure more farmers or rural migrant workers of returning home to start businesses successfully. This paper presents 6 specific aspects for farmers starting businesses in their hometowns: farmers evaluate themselves as entrepreneurs, establish suitable business ideas, the market assessment, determine the business organization and legal form, work out a plan of the start-up capital and profit, and a judgment for the future enterprise. This paper also makes scientific analysis of these specific aspects to hope that more farmers start businesses successfully and promote rural economic development in China.

**Key words:** Chinese farmers; Starting businesses in the hometowns; Applicable process

Shen, Z. M. (2015). A Study of the Applicable Process of Chinese Farmers Starting Businesses in Their Hometowns. *Canadian Social Science*, 11(4), 56-59. Available from: <http://www.cscanada.net/index.php/css/article/view/6690> DOI: <http://dx.doi.org/10.3968/6690>

### INTRODUCTION

China is making an effort to build a moderately prosperous society which is a national dream and

aspiration of more than a hundred years. For achieving this grand strategic goal as soon as possible and perfectly, it is to need the active participation of farmers, who are nearly half of the population, and especially need farmers or rural migrant workers of returning home to start businesses in their hometowns and become entrepreneurs who promote the local social and economic development. Zhu et al. (2014) believe that entrepreneurs are the main engine of economic development, and entrepreneurs use the innovative combinations of factors to promote the economic development. A large number of data show that farmers starting businesses have gradually become the force to change the rural social and economic status because of the rapid and high quality development of the society and economy and the better rural environment in China. Farmers are getting more and more attention of scholars at home and abroad and the relevant departments, and research literature about entrepreneurial farmers has increased in recent years. Jiao et al. (2013) pointed out that, overall, there was more research of regional farmer entrepreneurship, entrepreneurial environment and policies. Obviously, the research of applicable business process of farmers starting businesses is needed now. According to the existing research results and the actual demand, it is an urgent need to find an applicable business process of farmers starting businesses, so that ensure more farmers or rural migrant workers of returning home to start businesses successfully and promote a better and faster social and economic development in the rural area of china.

### 1. THE MEANING OF FARMERS STARTING BUSINESSES IN THEIR HOMETOWNS

From a historical point of view, the analysis of entrepreneurship and entrepreneurial phenomenon of

some foreign countries began in the mid eighteenth century, after more than 200 years, it started to have a rapid development in 1980s. Since 1982 until now, in the comprehensive construction of socialist market economy with Chinese characteristics, entrepreneurship has become a prominent phenomenon in Chinese economic and commercial activities. Especially in the last 10 years, from college students starting businesses to farmers starting businesses, further to farmers starting businesses in their hometowns, entrepreneurship can be described as one of the hottest words. Using the simplest way to describe entrepreneurship, we may say that entrepreneurship is to start a business from scratch. In China, farmers starting businesses in their hometowns refer to the activities, in which, the farmers consider the local nature, economy, population, science, technology, politics, law, society, cultural environment and their own resources, take the market demand as the guidance, and optimally use land, labor, capital, entrepreneurial ability and other factors of production to start businesses in their hometowns.

## **2. THE DEFINITION OF THE APPLICABLE PROCESS OF FARMERS STARTING BUSINESSES IN THEIR HOMETOWNS AND THE SPECIFIC STEPS**

The knowledge of the operational research tells us that doing things needs to have some norms and procedures. So it is easier to be with minimum fuss and maximum efficiency. When farmers start businesses in their hometowns, they need to use their hard-earned money and other resources for the enterprises. So the key is to ensure the businesses to be successful. The reality is that some farmers have successful businesses, and some farmers have failed. The failure of farmers is related to that the peasant entrepreneurs are not clear about or not according to the corresponding process. The applicable process for farmers starting businesses in their hometowns refers to the steps that the peasant entrepreneurs should follow from the evaluating themselves as entrepreneurs to operate enterprises, and these steps are suitable for the farmer entrepreneurs and the environmental characteristics. In the applicable process for farmers starting businesses in their hometowns, there are 6 specific steps: Farmers evaluate themselves as entrepreneurs, establish suitable business ideas, the market assessment, determine the business organization and legal form, work out a plan of the start-up capital and profit, and a judgment for the future enterprise.

## **3. THE SCIENTIFIC ANALYSIS OF THE APPLICABLE PROCESS OF FARMERS STARTING BUSINESSES IN THEIR HOMETOWNS: TAKE A SMALL GOAT FARM AS AN EXAMPLE**

### **3.1 Farmers Evaluate Themselves as Entrepreneurs**

#### **3.1.1 Farmers Should Be Aware of Possible Problems**

The decision of a farmer starting a business is an important decision in his life. There must be some real problems in front of him, such as: His original land can not be cultivated, or his original farming land has been unable to meet the business needs so he needs to increase land so his farming model will change. Farmers have to learn to adapt the new situation, make more efforts and sacrifice more freedom to take care of their own enterprises in order to make a smooth growth. Only in accordance with the expected development, the farmer is possible to get the corresponding economic benefits. If a farmer wants to become entrepreneurs, it is possible that he can not get along with his boss, as the folk saying, "An unlucky boss is better than the workers", and perhaps he becomes a landless peasant. But no matter what are the motivations for entrepreneurship, farmers should remember that they are inevitably accompanied by pain and suffering when they enjoy the benefits of entrepreneurship, so someone has said, "I will work for other people to the end of my career." Farmers starting businesses can change their current situations, bring better economic conditions for their families, and enjoy changes in their identities, status and lifestyle brought by their success; they can control their working time and even realize their dreams. Of course, nothing is perfect in the world. In the beginning, because the enterprise management and operation mechanism are not completely perfect, entrepreneurs often work longer and harder than in the past, as someone describes, "Owners of small businesses work from open eyes to turn off the lights." The majority of Chinese private entrepreneurs work very hard when they start businesses. If businesses have problems, the peasant entrepreneurs may not recover the money, which is their accumulation of wealth by years of hard work. Currently, some bosses run away from their creditors that gave farmer entrepreneurs a vivid lesson. Entrepreneurs must know that a series of problems may arise in entrepreneurship, and they should have psychological and material preparation.

#### **3.1.2 Farmers Should Analyze Their Roles as Entrepreneurs**

For farmers or rural migrant workers, the failure of starting businesses in their hometowns mainly are caused

by the enterprise management problems in the early stage of starting businesses, such as the financial internal control system is not suitable, the implementation of rules and regulations is not in place, the cash management has problems, payments are not in time, idle assets are too much and so on. In the agricultural business and animal husbandry, products do not meet the standards because of ignoring details and natural disasters that often appear. So the farmers should analyze their roles as entrepreneurs. Pay attention to the enterprises to have the high degree of credibility. The farmers should also have good psychological quality and healthy bodies, so they will have the energy and the ability to take care of their enterprises. The farmers should also have suitable family conditions. They need technical skills, such as: The goat breeding technology or others. They need enterprise management skills such as: the goat farm management ability or others. They need related industries knowledge such as: The goat market knowledge or others. These skills, ability and knowledge will support their business projects. From these aspects, the farmers should continue to study the theories, knowledge and skills of animal husbandry management as well as other related business knowledge for starting other businesses in the future, and enhance their business ability.

### **3.1.3 Analyze Possible Resources and Strength**

The farmers should analyze their resources, which are the foundations for the realization of favorite business targets of the farmers. The human resources are that the farmers understand theories of the business operations and have practical operation skills. The farmers should also know what are their available real property and personal property, how long are these resources at their disposal, if cash flow has problems, they will use what kind of resources instead. The farmers should understand all of these problems and have good preparation for these problems. Some rural migrant workers starting businesses in their hometowns are unable to bear the risk of loss of their businesses because they do not have a correct evaluation of their own resources. Some farmer entrepreneurs have broken families and even commit suicide because of their failure. Cases of failure alert farmer entrepreneurs to properly evaluate their strength and resources.

## **3.2 Establish Suitable Business Ideas**

### **3.2.1 Understand the Business Forms and Composition**

Finding a good business project is a key determinant that makes a business success. The farmers should know all kinds of company forms, because different company forms have different requirements for the executive ability and the resources. There are trade, manufacturing, services, agriculture, forestry, animal husbandry, fishery, medical, associated with network enterprises and so on. When a farmer knows the business classification, the

farmer may feel more comfortable for running a type of business, and he will have concentrated. Because various types of enterprises have different characteristics, the farmers should analyze these characteristics more carefully, so that they can understand factors of business success of these enterprises. If a farmer runs a small goat farm, he will analyze factors related with the small goat farm, for example: The land and water, sales of goat, reduce the cost, pasture and forest vegetation restoration, transportation of products, protection of the land and water, environmental hygiene standards and so on. All in all, any enterprise should be “Guided by market demand, having good customer services, and caring workers”.

### **3.2.2 Have a Good Business Idea and Check It**

A good business plan should include the market opportunities and should also include the resources and capabilities which the entrepreneur can use to take advantage of the opportunities. If a farmer entrepreneur founds a small enterprise which has a basic scale of 30 female goats, the entrepreneur should have an in-depth analysis of various resources and conditions around his business, see whether the resources and conditions meet basic requirements for the survival and development of his enterprise, and then further confirm that he has the way and strength to make good use of these resources and conditions, such as: He can bear hardships, work hard, and live in mountains with camping. Then he should check the idea, and he can do the “SWOT” analysis, the strengths, weaknesses, opportunities and threats. The farmer has to have an independent analysis of his business idea, a small goat farm, and have an independent judgment. The farmer also needs to put his idea into his business plan. For example, he may write down the early business project, an entrepreneurial ability enhancement plan which includes his weaknesses and a changing weaknesses plan, a business spending and funding plan, and a SWOT analysis of the project.

## **3.3 The Market Assessment**

An entrepreneur should focus on his customers and competitors. His customers are equal to the market. If there is not the market, his enterprise will go bankrupt. An entrepreneur should evaluate his customers and competitors that can help him to determine whether the project is feasible and avoid the risk of “marketing myopia”. An entrepreneur should make a judgment of his customers’ characteristics, competitors’ advantages and disadvantages, such as the goat’s and goat product’s market demand, price trend, the true scale of breeding and so on in his area and relevant regions. An entrepreneur should develop a detailed marketing plan, at least has plans for the products, channels, prices and promotion, and has a social marketing program, using the table form as possible.

### **3.4 Determine the Business Organization and Legal Form**

An entrepreneur should know what employees he needs. A micro business owner is the entrepreneur himself. If an entrepreneur wants to run a partnership enterprise, he needs to find a good partner. An entrepreneur needs to write down the description of posts which he needs, the job responsibilities and the corresponding people quantity. Different enterprises have different organizational structure. An entrepreneur should determine an organizational structure which is suitable for his business. At the same time, An entrepreneur needs to choose a legal form of his enterprise, the individual industrial and commercial household, sole proprietorship, partnership, limited liability company, Limited by shares, foreign investment company, joint venture enterprises and so on. An entrepreneur should choose the legal form of his enterprise himself. He can listen to other suggestions but he eventually should decide the legal form himself. An entrepreneur should further understand the legal environment of his enterprise and his responsibilities, such as entrepreneurs need to have the industrial and commercial registration and insurance. An entrepreneur should consider the rights and interests of himself, the staff and the enterprise. An entrepreneur should pay taxes in accordance with the law and follow the labor contract law.

### **3.5 Work Out a Plan of the Start-Up Capital and Profit**

An entrepreneur should predict the start-up capital, which includes fixed capital and liquidity. An entrepreneur should predict investment, such as listing detailed spending of a small goat farm (30 female goats) construction in predicting fixed assets as well as predicting the liquidity. At the same time, the entrepreneur should make a profit plan, such as the price and income plan, sales and cost plan. According to the product unit cost plus a percentage of the profit or other methods, the entrepreneur should be able to determine the price of his product and forecast the sales and the profit. The entrepreneur also needs to make the project cash flow plans for a month, quarter and year. And the entrepreneur finally needs to know sources of funding or conditions for applying loans, because money is the blood of enterprise operation and capital management is the nervous system of enterprise.

### **3.6 A Judgment for the Future Enterprise**

When a farmer has a clear business or operational idea, he should write down a business plan, which has an overview, market assessment, company structure, financial management, marketing strategy and so on. If the farmer

entrepreneur has a lower level of education, he should also have a clear framework in his mind. If the farmer entrepreneur starts or runs a company, he needs to list the specific tasks which need to be done. He should adhere to carry out the enterprise's daily activities well, such as the supervision and management of employees, purchase, sales, inventory, production management, customer services, control the cost and price, business records and other daily activities. In particular, enterprises of the breeding of goats are like IT high-tech enterprises, the objects of production and operation management are living animals in enterprises of the breeding of goats, and there are too many uncontrollable factors. The entrepreneurs of these enterprises should attach great importance to the next thing, and think about the next step and the things of tomorrow. Remember that "selling a product in the market, producing a product in the production line, developing a product in the R&D department, and also having a product in mind". So far, an applicable process of farmers starting businesses in their hometowns and the scientific analysis has been presented. If farmers follow the applicable process to learn starting and running their business, they will have good enterprises.

---

## **CONCLUSION**

---

In China, farmers starting businesses in their hometowns refer to farmers take the market demand as the guidance, and optimally use land, labor, capital, entrepreneurial ability and other factors of production to start businesses in their hometowns. The applicable process for farmers starting businesses in their hometowns include 6 specific aspects: "Farmers evaluate themselves as entrepreneurs, establish suitable business ideas, the market assessment, determine the business organization and legal form, work out a plan of the start-up capital and profit, and a judgment for the future enterprise." Farmers and rural migrant workers of returning home should follow the applicable process and the scientific analytical standards of the applicable process, which will help them to be successful in starting businesses in their hometowns.

---

## **REFERENCES**

---

- Jiao, M. C., Li, C. X., & Xue, X. L. (2013). A positive analysis of farmers starting businesses in China. *Journal of Agricultural Economics*, (6), 40-47.
- Zhu, H. G., & Kang, L. Y. (2014). Theoretical and positive analysis of intergenerational transmission of peasants' entrepreneurship—From the evidence of 1,716 samples of 35 counties and cities of Jiangxi province. *Finance and Trade Research*, (4), 48-56.