

ORIGINAL RESEARCH

Women Entrepreneurship in North Central Province of Sri Lanka: An Exploration of Problems and Prospects

P.M.B Jayathilake

*Department of Business Management, Faculty of Management Studies
Rajarata University of Sri Lanka, Mihintale, Sri Lanka.*

bandulapmb@yahoo.com

Abstract

Historically, the concept of entrepreneurship has been identified as a tool to promote enterprises for economic and social development in both developed and developing countries. The recent economic and global changes geared up womens' roles in economic activities including entrepreneurial venturing. This expansion is being led by the government supportive policy interventions aimed at promoting women entrepreneurship. However, these attempts towards sustainable entrepreneurship development have not accomplished the standards required and lag far behind its developmental and growth potentials. Therefore, this study focuses to explore profile of women entrepreneurship in terms of problems that they encounter in their venture for development. Data for the study were collected from 120 small business owners in North Central Province of Sri Lanka. Descriptive statistical analysis followed by structural equation modeling helped to identify the underline phenomena. The study found that fostering of women entrepreneurship is hindered by various factors including lack of managerial skills, resource capabilities and infrastructure facilities. The study stresses the importance of instantaneous policy interventions at the local and national context to address these obstacles.

Keywords: Entrepreneurial skills, Infrastructure facilities, Managerial skills, Resource capability, Women entrepreneurship.

Introduction

In early years, men played key roles in economic activities while women were engaged to a little extent and paid more attention to the activities relating to their families such as childcare and domestic works. However, recent global challenges and economic reforms highly influenced the early system and encouraged women participation in higher education and economic activities including business venturing. Thus, the role of women in today's economic activities is widely recognized and acknowledged. The role of women entrepreneurs contributing to modernization of developing economies as well as facilitating enterprise development in transitional economies is of increasingly importance¹.

The process of entrepreneurship can be identified into four distinctive phases namely; conception, gestation, infancy and adolescence². The conception phase of entrepreneurship is occupied by opportunity seeking ³. The lack of interest of many people in the developing countries to seek opportunities has been identified as one of the major issues ⁴. The choice between startup and wage employment largely depend on an individual entrepreneurial ability, rate of return of entrepreneurship as well as obstructions and entry barriers and factors that influence the opportunity cost of becoming a self employer.

Entrepreneurship is facilitated by linkages between aspiring entrepreneurs resources and opportunities⁵. According to that view, the presence or absence of networks such as access or membership in association, plan a role in influencing performance. Perceptual variables such as opportunity perception, risk tolerance, self confidence are highly correlated to the decision to start a new business^{6, 7}. Entrepreneurs' self confidence is vital to distinguish entrepreneurs from general public. Confidence in one's own skills, knowledge, ability to start a new business increase entrepreneurial alertness and lead to the creation of more new business ⁸.

Constraints and barriers faced in entrepreneurial activities are assumed to be common for both male and female. Some evidence however shows that those factors are very critical to women than men. Accordingly⁹ show that business environment in South Asian countries characterized with psychological, socio-cultural, religion, economic, and educational factors make significant disadvantages for women entrepreneurs than men. The common problem faced by the women entrepreneurs include the low access to capital, lack of access to land and property, lack of access to modern technology, lack of personal security, sever competition from organized units, low level of social confidence, responsibilities for household work, restrictions on mobility¹⁰

In developing countries three types of women entrepreneurs can be identified in conception phase; chance, forced and created entrepreneurship. Chance entrepreneurs are defined as those who start a business without any clear goal or plan. These businesses probably evolved from hobbies to economic enterprises over time. Forced entrepreneurs are those who are compelled by circumstances such as death of a spouse or family difficulties. Created entrepreneurs are developed through entrepreneurship programs.

Entrepreneurship literature reveals that micro factors such as opportunity identification, motivation, financial strategies and performance have significant effect on women entrepreneurship. Opportunity identification is recognized as an important entrepreneurial skill for creating competitive advantages in the market ¹¹.

The micro factors concern, studies note, that the level of entrepreneurial activities can be seen as embedded in a country's economic, social and cultural and legal environment ⁶. Studies have shown that human capital including education, work experience is a significant variable in the opportunity identification ^{12,13,14}.

Studies followed by the resource based view noted that assets and resources and their application are the key determinants of the women entrepreneurship¹⁵. Chandler and Hanks¹⁶ stated that higher level and broader variety of resources capitalized is

significantly correlated with venture performance. Strategic capabilities that are built on the firm tangible and intangible assets are key determinants of entrepreneurial success¹⁷. Intangible assets include innovativeness, idea generation and human relations. Pickle and Abrahamson¹⁸ show that intangible assets are highly significant in women own enterprises in achieving performance as women owned business are more set up in service oriented industries.

The roles and behavior of small firms heavily depend on owner's skills and always all decisions are taken by the owner. Thus, owner's skills significantly impacted on performance of the small firms. Studies have shown that small firms which characterized with good planning tend to perform well over the firms so not planned^{19,20}. Owner's skills which shapes the all important decisions in the organization has been identified as a critical asset in the organization and in creating organizational competitiveness and performance. Hood and Young²¹ highlighted that skills such as accounting, marketing, sales, and financial management are very important for small firms since they are being operated under various constraints. Hisrich and Brush²² (found that US women entrepreneurs tend to be more innovative and well in human resource handling but weak in the marketing, sales, planning and financial controlling .

Sri Lanka is one of the developing countries where more attention is been given for achieving economic growth and prosperity, through fostering business enterprises and entrepreneurship. After the economic reforms in 1978, the country has focused its' economic policies towards private sector development through foreign direct investment and domestic entrepreneurship development. With these changes, more and more women entered into higher education and the workforce. Moreover, fast faced competition and social changes in the period forced women to enter the income earning activities other than childcare and domestic work. This revolution makes a positive trend in the entrepreneurship by increasing women participation in entrepreneurial activities^{23,24}. This expansion has led to the government supportive policy interventions aimed at fostering women entrepreneurship. These interventions, such as credit programs, industrial park programmes, marketing support, technical support as well as entrepreneurial development programs, are aimed basically at strengthening enterprises through an improvement of the direct business environment²⁵. However, these attempts and events failed to accomplish the expected outcomes and lagged far behind its developmental and growth potentials. Thus, this study aims to examine current status of women entrepreneurship in the North Central Province (NCP) in Sri Lanka in order to explore constraints and challenges that women encounter in their business activities. The specific objectives of the study were; (a) to identify the entrepreneurial capabilities of women entrepreneurs in the NCP (b) to explore the factors that restrict and hinder women entrepreneurship in the region and (c) to identify and propose corrective directives to foster women entrepreneurship in the region.

Materials and Methods

In this research influence on women entrepreneurship was studied under four key factors; entrepreneurial skills, managerial skills, resource capability and infrastructure facilities. Women entrepreneurship was measured on 12 items related to various performance indicators five point Like scale ranging from 1- extremely dissatisfied to 5 - extremely satisfied. Ten items construct on Like type five scale ranging from 1 completely disagree to 5 - completely agree was utilized to measure entrepreneurial skills. Managerial skills including strategic planning, marketing skill and financial management were identified with 15 item inventory on a scale similar to previous construct. Resource capability and infrastructure facilities were also measured with eight items and twelve items scales respectively.

In this data were collected from 120 women entrepreneurs in the North Central Province (NCP) of Sri Lanka. A survey method was administered in this purpose by using purposive sampling. In data analysis, descriptive statistics were initially used to identify the profile of women entrepreneurship. Structural Equation Model (SEM) was then used to examine the influences of various contextual factors on women entrepreneurship.

Results and Discussion

Demographic profile

The majority of entrepreneurs in the sample were in middle age where the mean was 39.9 \pm 3.4 years s.d. It was revealed that most women have had good formal educational background. The sample comprised of 78 manufacturing firms and 42 service firms. Those have been operating as sole proprietorship (60%) and partnership (40%). Ninety percent of respondents stated that they had started their ventures as start-ups while only 10 percent of respondents inherited the business from their parents.

Contextual Factors of Women Entrepreneurship

Table 1 presents descriptive statistics for the variables of entrepreneurial skills, management skills, resource capability, infrastructure facilities and entrepreneurship perceived by the selected respondents. The result of ANOVA that examines the influence of formal education qualification of respondents on selected variables is also presented in the same table.

Table 1. Descriptive statistics and result of ANOVA

Variable	Mean	Std. Dev	F	p
Entrepreneurial skills	3.24	0.543	1.904	0.130
Management skills	2.15	0.451	0.261	0.853
Resource capability	2.21	0.512	0.242	0.867
Infrastructure facilities	2.86	0.487	0.226	0.879
Women Entrepreneurship	3.54	0.576	1.198	0.312

Entrepreneurial skill that captured mean of 3.2 reveals that selected group of female demonstrates skills such as opportunity exploration and exploitation at the modest level. Result of ANOVA further indicates that formal education obtained by the respondents had made no significant influence over their entrepreneurial skills ($F=1.904$, $p<0.05$). Lack of management skills of the respondents is evident by the mean ($\bar{x}=2.15$) ($M=2.015$) of the variable. In fact, management skills including strategic planning, marketing management and financial management have not well been developed among the selected entrepreneurs. Similarly, mean of 2.21 for resource capability indicates that the entrepreneurs' internal resources and entrepreneurial networks which are considered as fundamental and strategic assets in reaping competitive advantages are at a deficient level. Inadequacy of infrastructure facilities for entrepreneurial activities is further evident by these results ($\bar{x} = 2.86$) (here place the mean symbol). However, it is evident that selected entrepreneurs could be able to accomplish a better outcomes ($\bar{x}= 3.54$) from their endeavors under various constrains including lack of resources, infrastructure facilities, etc.

Drivers of Women Entrepreneurship

How women entrepreneurship is driven by contextual factors in various dimensions was examined by path model of SEM. Figure 1 depicts the path diagram.

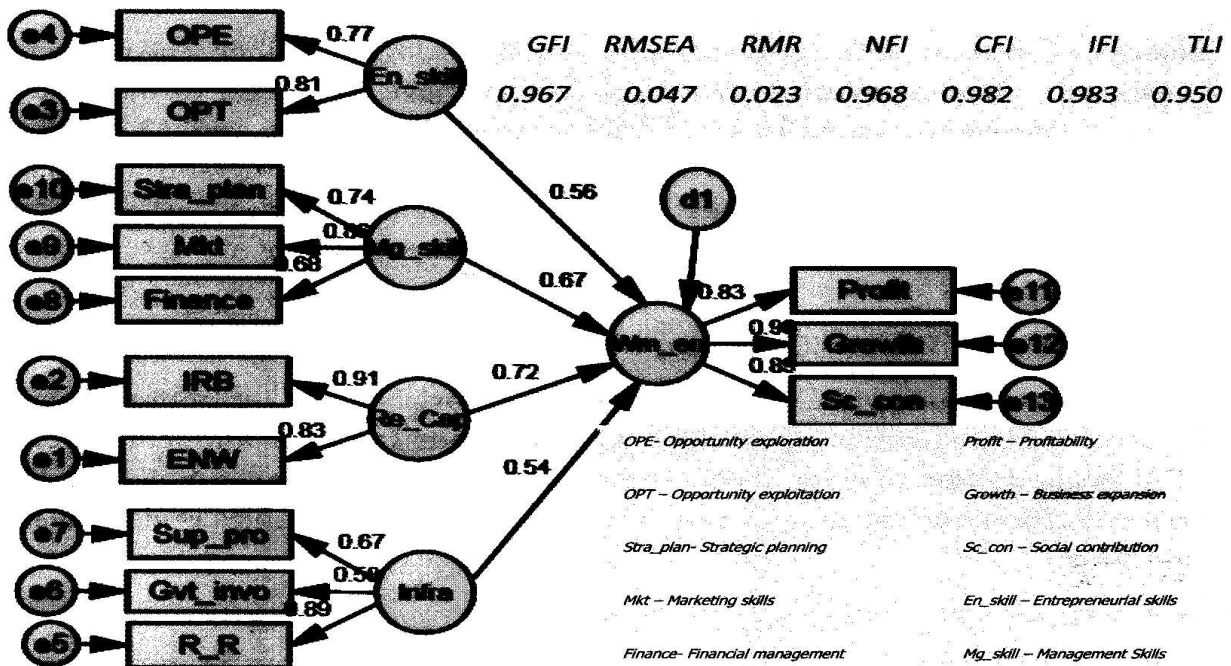


Figure 1. Structural model of challenges and prospects for women entrepreneurship

The model fit indices as summarized in Figure I indicate that the estimated model is a better fit to the data as absolute and incremental fit indices are well over the general

criteria. In fact, GFI value of 0.967, as an absolute fit, signifies that the model has higher predictive capacity. Moreover, absolute fit indices of RMSEA and RMR are reported as 0.047 and 0.023 respectively and indicate that the model is reasonably fit to the data. In addition, incremental indices of NFI and CIF are reported as 0.968 and 0.982 respectively. All these values are well above the general cutoff criteria of 0.95 and confirm that model fit is reasonable. Other two indices, IFI and TLI also received decent values (0.983 and 0.950) over 0.95 and further confirm the significance of other indices.

Table 2. Result of structural model

Path			SRW	p
Wm_en	<---	Mg_skill	.672	.002
Wm_en	<---	Re_Cap	.725	.008
Wm_en	<---	Infra	.549	***
Wm_en	<---	En_skill	.566	.004

Wm_en – Women entrepreneurship
Mg_skill – Managementgirial Skills
Re_Cap – Resource capabilities

Infra – Infrastructure facilities
En_skill – Entrepreneurial skills

Table 2. reproduces the path estimates along with respective associated p-values. P-statistics associated with standardized estimates show that path estimates are significant at a minimum 0.05 level. The path from managerial skills in terms of strategic planning, marketing skills and financial management to women entrepreneurship (Mg_skill → Wm_en) gained standardized regression weight (SRW) of 0.672 with p<0.01. According to the resultant model, entrepreneurial skills including opportunity exploration and exploitation make a positive and significant influence on women entrepreneurship (SRW=0.56, p<0.01). Women entrepreneurship is further driven by resource capabilities including internal resources and entrepreneurial networks (SRW=0.725, p<0.01). The path from infrastructure to women entrepreneurship indicates that supportive programs, government involvement and favorable rules and regulations have a positive impact on women entrepreneurship (SRW=0.549, p<0.001).

Conclusion

Entrepreneurship literature reveals the fact that women entrepreneurship has not well been developed especially in the developing countries. This study attempted to uncover the barriers for women entrepreneurship in North Central Province in Sri Lanka. A survey directed to 120 female entrepreneurs has shown that although they have good entrepreneurial skills in terms of opportunity exploration and opportunity, full potential of such skills are constrained by internal factors such as lack of managerial skills and lack of financial and physical resources and network capabilities. It was further revealed that lack of infrastructure facilities such as lack of supportive programs, government involvement and favorable policies and regulations do discourage women entrepreneurial activities in the region. Thus, the findings of the study stress the importance of corrective measures in order to encourage women entrepreneurship in the region. Indeed, entrepreneurship development programs should be shaped at promoting managerial skills of entrepreneurs in early stage of the business ventures and of the potential individuals to the field. Assistance and programs which focus entrepreneurship development should be monitored closely to ensure such initiatives bestow the maximum to the entrepreneurs. These directives would help women entrepreneurs to build their confidence and capabilities which make women economically productive.

Acknowledgement

Author is grateful to Research Publication and Higher Degrees Committee of Rajarata University of Sri Lanka for providing financial assistance to conduct the study.

References

1. OECD. Women Entrepreneurs in Small and Medium Enterprises. Proceedings OECD Conference, Paris, OECD, 1998.
2. Reynolds PD, Storey DJ, Westhead P. Cross national comparison of the variation on the new firm formation rates. *Regional Studies*, 1994; 28 (4): 443-56.
3. Blanchflower D, Meyer B. A longitudinal analysis of the young self-employed in Australia and the United States. *Small Business Economics*, 1992; 6(1):1-20.
4. Gifford S. Limited attention and the role of the venture capitalists. *Journal of Business Venturing*, 1997; 12: 459-82.
5. Aldrich HE, Zimmer C. Entrepreneurship through social networks. In: Sexton D, Smilor R. (Eds). *The Art and Science of Entrepreneurship*, New York: Ballinger, 1986; 3-23.
6. Arenius P, Minniti M. Perceptual variables and nascent entrepreneurship. *Small Business Economics*, 2005; 24: 233-47.
7. Koehler DJ, White CM, Grondin R. An evidential support accumulation model of subjective probability. *Cognitive Psychology*, 2003; 46(2): 152-97.

8. Verheul I, Van Stel A, Thurik R. Explaining female and male entrepreneurship at the country level. *Entrepreneurship and Regional Development*, 2006; 18: 151-83.
9. Singh, SP, Singh RG, Muhammad S. A gender-based performance analysis of micro and small enterprises in Java, Indonesia. *Journal of Small Business Management*, 2001; 39(2): 174-82.
10. Asian Development Bank. *SME Development Program*, Sri. Manila: Asian Development Bank , 2001.
11. DeTienne D, Chandler G. The role of gender in opportunity identification. *Entrepreneurship Theory and Practice*, 2007; 31(3): 365-86.
12. Carter N, Brush C. Gender. In: Gartner W, Shaver K, Carter N and Reynolds P (Eds). *Handbook of Entrepreneurial Dynamics: The Process of Business*, CA: Sage Thousand Oaks, 2005: 12-25.
13. Carter NM, Williams ML. Comparing social feminism and liberal feminism the case of new firm growth. In: Butler JE (Ed). *New Perspectives on Women Entrepreneurs*. Greenwich: Information Age Publishing, 2003: 25-50.
14. Boden RJ, Nucci A. On the survival prospects of men's and women's new business ventures. *Journal of Business Venturing*, 2002; 15(4):347-62.
15. Grant RM. The resource-based theory of competitive advantage: implications for strategy formulation. *California Management Review*, 1991; 33 (3): 114-35.
16. Chandler G, Hanks S. Founder competence, the environment, and venture performance. *Entrepreneurship: Theory and Practice*, 1994; 18(3): 77-89.
17. Bracker JS, Keats BW, Pearson JN. Planning and financial performance among small firms in a growth industry. *Strategic Management Journal*, 1988; 9: 591-603.
18. Pickle HB, Abrahamson RL. *Small Business Management*. New York: John Wiley and Sons, 1990.
19. Gibson CB, Birkinshaw J. The antecedents, consequences, and mediating role of organizational ambidexterity. *Academy of Management Journal* , 2004; 47: 209-26.
20. Schwenk CR, Shrader CB. Effects of formal strategic planning on financial performance in small firms: A meta-analysis. *Entrepreneurship Theory and Practice* , 1993; 17(3):53-64.
21. Hood JN, Young JE. Entrepreneurship's requisite areas of development: Survey of Top executives in successful entrepreneurial firms. *Journal of Business Venturing*, 1993; 8: 115-35.
22. Hisrich RD, Peters MP. *Entrepreneurship*. New York: McGraw-Hill, 2002.
23. Lakshman WD, Vidanagama SS, Senanayake SS, Kaluarachchi S, Wettasinghe A. Changes in the industrial structure and the role of small and medium industries in developing countries: The case of Sri Lanka. *Tokyo: Institute of Developing*, 1991.
24. Dasanayaka S. A brief note on Sri Lankan SMEs." *Paradigm Research Journal*, 2007; 10 (1): 69-76.
25. Ministry of Enterprise Development. "National strategy for SMEs in Sri Lanka". Colombo, Sri Lanka: Ministry of Enterprise Development, 2002.