INDIVIDUAL FACTORS AFFECTING THE BUSINESS PERFORMANCE OF WOMEN ENTREPRENEURS IN COLOMBO DISTRICT, SRI LANKA

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ABSTRACT

Women entrepreneurs are considered as a significant driving force in every economy since they provide a considerable contribution to the economic development of the country. The purpose of this empirical research is to find out the relationship between individual factors and business performance of women entrepreneurs in the Colombo District, Sri Lanka and put forward the suitable recommendations to enhance their business performance. A theoretical framework is proposed by the authors which includes three main independent variables affecting business performance of women entrepreneurs. Those variables are: human capital, social learning and financial capability. Self-developed structured questionnaires were distributed among 164 women entrepreneurs in the Colombo district and data was analyzed through Pearson correlation analysis and multiple linear regression analysis. Results indicate that there is a positive relationship between the independent variables (human capital, social learning, and financial capability) and the dependent variable (business performance). Social learning is the most influencing factor on business performance of women entrepreneurs in the Colombo district, in Sri Lanka. The study is limited to several individual factors and business performance is measured only in the financial perspective and the scope of the study is narrowed to women entrepreneurs of the Colombo district who were selected through convenience sampling method. The findings suggest promoting entrepreneurial culture in Sri Lanka, improving the

accessibility to finance, augmenting mentorship, advisory and business supportive services in order to intensify the business performance. The study suggests that the successful theoretical model developed in western countries with reference to women entrepreneurship relevantly adopted after conducting field trials and investigated for adoptability in developing Asian countries like Sri Lanka.

Keywords: business performance, financial capability, human capital, social learning and women entrepreneurship

INTRODUCTION

Entrepreneurship is a critical factor for an economy of a country since it leads to generating income locally or internationally and ultimately facilitates economic progression. It emphasizes not only generating income but also increasing living standards of the people and accelerating production, etc. Hence entrepreneurship can be considered as one of the major drivers of economic growth especially for a developing country like Sri Lanka.

Women Entrepreneurship has also attracted the attention of scholars as being one of the crucial factors of economic growth of a country. Sri Lanka needs to pay high consideration on women entrepreneurship since more than half portion of women population. Women entrepreneurship generates new job opportunities to the society, it influences to provide innovative management solutions to the business world.

Even though variety of advantages can be identified, still there are number of barriers associated with woman entering to the business world such as gender discrimination, matrimonial problems, cultural barriers, lack of finance etc (Hisrich 1982).

When focusing on entrepreneur's role and the Sri Lankan economy, past history shows that there is no considerable contribution of women entrepreneurship to the development of the economy of the country. But in recent past the situation has changed and there is a considerable contribution

of women entrepreneurs to the Sri Lankan economy even though the numbers of female entrepreneurs are still relatively low (Hemalatha 2005).

Research problem

By critically reviewing the present context in relation to the selected research scope, women entrepreneurship in Sri Lanka, the research problem of the study is formulated as, "Is there an effect of individual factors namely, human capital, social learning and financial capability on business performance of women entrepreneurs in the Colombo District, in Sri Lanka".

Objectives of the study

The main objective of the research is, to find out the effect of individual factors on the business performance of women entrepreneurs in the Colombo District, in Sri Lanka.

The sub objectives of the research are:

- to find out the relationship between human capital and business performance of women entrepreneurs in the Colombo District in Sri Lanka.
- to find out the relationship between social learning and business performance of women entrepreneurs in the Colombo District in Sri Lanka.
- to find out the relationship between financial capability and business performance of women entrepreneurs in the Colombo District in Sri Lanka.
- to identify which factor (out of human capital, social learning and financial capability) has the most influence on business performance of women entrepreneurs in the Colombo District in Sri Lanka.

Hypotheses of the study

According to the objectives of the study, the following hypotheses were formulated.

- Hypothesis 1: There is a positive relationship between human capital and the business performance of women entrepreneurs in the Colombo District in Sri Lanka.

- Hypothesis 2: There is a positive relationship between social learning and the business performance of women entrepreneurs in the Colombo District in Sri Lanka.

- Hypothesis 3: There is a positive relationship between financial capability and the business performance of women entrepreneurs in the Colombo District in Sri Lanka.

LITERATURE REVIEW

The field of entrepreneurship is a complex study area in modern studies. Nobody can give an exact definition to entrepreneurship as a result. Most of the definitions regarding entrepreneurship are based on characteristics of an entrepreneur, parts of entrepreneurial process and results of entrepreneurial process. Simply, entrepreneurship is, exploiting new profitable business opportunities and creating new organizations by using them (Kearney 2007).

Women entrepreneurship has attracted the attention of scholars from the recent past based on the definitions for an entrepreneur. Women have owned and

operated businesses for decades, but they were not always recognized or given credit for their efforts. According to Hughes (2012), a woman entrepreneur is any female who organizes and manages an enterprise, especially at a business or commercialized level.

According to Cooper (1992), personal and industrial factors such as experience, education, occupation of parents, gender, race, age, and the entrepreneur's goals affect women entrepreneurship. Brush (1991) has stated that there is no significant difference between the performance of businesses when comparing men and women individually and the researchers have identified that the most successful factors are, previous occupational experience, business skills, level of education, and personal factors such as motivation and having a mentor.

Motivations and goals are factors which deal with individuals' intensity, persistence of effort and the direction of achieving a particular goal or an objective. Motivations towards the goals can be measured by using indicators such as achievement motives, independence motives, economic necessity motives and personal goals (Hisrich 1982).

According to Hisrich and Brush (1985), the industrial factors including different structure of opportunities, location, market situation, socio political environment, resource availability can have an effect on the business performance of women entrepreneurs. The concept of network affiliation deals with building up social networks and relationships by an individual person. Furthermore, this can be measured by using measurements such as number of networks, use of advisors, memberships in associations and mentors etc. (Hisrich and Brush, 1985).

According to Hisrich (1982), human capital can be defined as the collection of individually developed supportive skills and capabilities through his or her education and experience. This is based on six dimensions: educational level, educational area, previous occupation, previous entrepreneurial experience, experience in the industry, business skills. Further, Hisrich (1982) identified that there is an effect to the business performance from these human capital factors.

Social learning theory was introduced by Bandura in 1977 and the concept mainly relies on the role of entrepreneurial socialization since it explains the behavioral pattern of the entrepreneurs and leads to career development. Social learning can happen through the observation of the behavior of other people, specially role models. The study also revealed that there is a positive impact from social learning towards the business performance of women entrepreneurs (Bandura 1977).

Brophy (1989) stated that the availability and capability to find sufficient start-up capital are two of the most influencing environment factors which directly affect the business performance of women entrepreneurs. Similarly, if there are sufficient loan facilities and other financial support services for the entrepreneurs, these will also favorably impact the business performance (Bruno and Tybjee 1982). Furthermore, there are discussions and arguments regarding the gender discrimination at accessing those loan facilities.

The study has focused on the business performance of women entrepreneurs as its dependent variable. Performance of a business can be measured by using financial measurements as well as non-financial measurements. Since performance of the business is assessing multiple dimensions, it is very difficult to measure and compare with other business organizations. Chaganti

and Parasuraman (1994) defined business performance as being related with financial performance and documented organizational factors. According to Hisrich (1982), five dimensions, namely, revenue, profits, ability to face competition, business expansion, and business achievements, can be used to measure the performance of a particular business.

RESEARCH METHODOLOGY

The researchers have used a self-developed conceptual framework which indicates human capital, social learning and financial capability as the independent variables while business performance is the dependent variable of the study.

Figure 1: Conceptual Framework
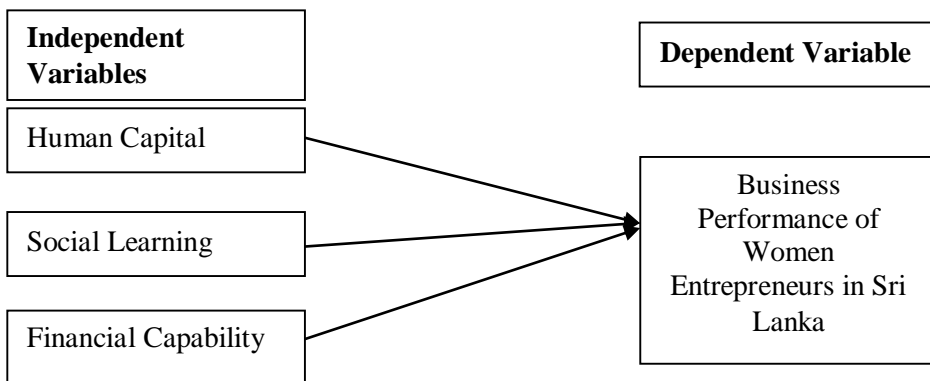
Source: Compiled by the author

The study population of this research is considered as the total number of women entrepreneurs in the Colombo District, in Sri Lanka.

Target population is total number of women entrepreneurs who have registered their businesses at the Small Enterprises Development Bureau (SED), Colombo. According to the statistics provided by SED, there are 313 registered women entrepreneurs.

The study has used convenience sampling method due to the difficulties in randomization of selecting the sample from the population and the time limitations.

According to this study, the sample size was determined by using a sampling calculator with 95 percent of confidence interval and five percent of confidence level. According to the output, the sample size is 173 respondents.

The researchers employed basically the primary data collection method for this study. A structured questionnaire was developed through the literature in order to collect the data on dependent and independent variables as well as the general information of the respondents. Self-administrated questionnaires were filled by the women entrepreneurs at the settings such as meetings and the workshops organized by the SED Bureau, Colombo.

As the secondary data sources, the researchers used previous researches, journal articles, statistics available at the SED Bureau, Colombo etc.
Statistical Package for Social Sciences (SPSS 16.0) has been used for data analysis.

DATA ANALYSIS

A total of 173 questionnaires were distributed with a planned non-response amount of 10. The researchers could collect only 164 questionnaires.

Reliability

Table 1: Reliability of variables

Variable	Code	Number of Items	Cronbach's Alpha	Comment
Business Performance	BP	07	0.944	Acceptable
Human Capital	HC	17	0.717	Acceptable
Social Learning	SL	12	0.837	Acceptable
Financial Capability	FC	10	0.824	Acceptable

Source: Compiled by the authors based on data generated by SPSS version 16.0

Construct reliability is measured by using the Cronbach's Alpha value and variables should meet at least 0.7 or above Cronbach's Alpha value in order to maintain the reliability of the construct.

BP which is the dependent variable is having Cronbach's Alpha value 0.944 and independent variables HC, SL, FC are having Cronbach's Alpha values 0.717, 0.837 and 0.824 respectively. According to the requirements of Cronbach's Alpha test all the variables are meeting the relevant values. Chi-square values are also in a significant level at 95% of confidence level.

As a conclusion of the results, it can be said that there are no inter-correlation issues among the variables of the construct.

Validity
Table 2: Validity of the model

Variable	Items	KMO Value	Factor loading Maximum	Minimum	Bartlett's Text Value
BP	17	0.712	0.944	0.767	0.000
HC	12	0.822	0.968	0.773	0.000
SL	10	0.753	0.980	0.911	0.000
FC	07	0.850	0.943	0.620	0.000

Source: Based on survey data

According to the results of the variables, all satisfied the threshold requirement. Sig value of the Bartlett's Test of Sphericity of all variables are less than 0.05. Finally it can be concluded that all the indicators and dimensions which were used to develop the construct are soundly valid in terms of construct validity and convergent validity.

Correlation analysis

Correlation analysis was done to identify the relationship between the independent variables and the dependent variable.

Table 3: Correlation analysis

Variable	BP
HC	$.329^{**}$
SL	$.437^{**}$
FC	$.382^{**}$

$**p< .01; *p< .05$

Source: Based on survey data

As per Table 3, all three types of correlation coefficients are positive and significant which indicate that all the independent variables namely, Human Capital, Social Learning and Financial Capability are having positive relationships with correlation coefficient of 0.329, 0.437, 0.382 respectively with the dependent variable of Business Performance of women entrepreneurs in the Colombo District. The highest and strongest correlation is between Social Learning and Business Performance.

Hypothesis testing

H1: There is a positive relationship between Human Capital and Business Performance of Women Entrepreneurs.

The Pearson's coefficient of correlation is = 0.329** (P=0.000); which is a positive value. It implies that there is a weak positive correlation between

Human Capital and Business Performance of Women Entrepreneurs. Accordingly, the alternative hypothesis is accepted.

H2: There is a positive relationship between Social Learning and Business Performance of Women Entrepreneurs.

The Pearson's coefficient of correlation is = 0.437** (P=0.000); which is a positive value. It implies that there is a weak positive correlation between Social Learning and Business Performance of Women Entrepreneurs. Accordingly, the alternative hypothesis is accepted.

H3: There is a positive relationship between Financial Capability and Business Performance of Women Entrepreneurs.

The Pearson's coefficient of correlation is = 0.382** (P=0.000); which is a positive value.

It implies that there is a weak positive correlation between Financial Capability and Business Performance of Women Entrepreneurs. Accordingly, the alternative hypothesis is accepted.

Multiple Regression Analysis

Following table shows the summary of the results of multiple regression analysis of the study.

Table 4: Multiple regression analysis

Dependent Variable BP	Coefficient	T	Sig.	VIF
Intercept	.289	.739	.461	
HC	.160	2.292	.023	1.128
SL	.370	5.460	.000	1.069
FC	.311	4.604	.000	1.064
Adjusted R^2	.320			
F	25.837**			
Sig	.000			
N	164			

**p< .01; *p< .05*

Source: Based on survey data

Accordingly, the linear regression model can be formulated as;
BP = 0.289 + 0.16HC + 0.37SL +0.311FC + e1

The multiple regression model with three predictors produced $R^2 = 0.333$, F= 25.837 and 'p value' < 0.05. The standardized coefficients (beta values) were used to explain the relationship between variables. As shown in Table 4, HC, SL and FC have significant positive regression weights, indicating respondents who are having higher scales on these variables were expected to have higher BP.

Since the 'p values' of coefficients of all variables are less than 0.05 the relationship is significant.

The R^2 indicates the overall quality of the prediction and by looking at R^2 value as shown in Table 4.4, it can be identified that the model explains the minority (less than 50 percent) of the total variance. HC, SL and FC together explain 33.3 percent of total variance of BP. 66.7% of the variance of BP is explained by other factors. Further, all the values of independent variables are significant at 95% of confident interval.

Discussions

Findings of the study are mainly discussed referring to the objectives of the study.

The general objective of the research study is to find out the individual factors affecting the business performance of women entrepreneurs. According to the reviewed literature, there are three main variables which describe individual factors. They are Human Capital, Social Learning, and Financial Capability.

According to the sub objectives of the study, the results of the discussion of the relationship between independent variables and the dependent variable are shown in following table.

Table 5: Supported hypotheses of the study

No	Hypotheses	Supported or not
H1	There is a positive relationship between human capital and the business performance of women entrepreneurs	Supported
H2	There is a positive relationship between social learning and the business performance of women entrepreneurs	Supported
H3	There is a positive relationship between financial capability and the business performance of women entrepreneurs	Supported

Source: Compiled by the authors

The study found that there are positive relationships between the dependent variable (Business Performance) and the independent variables (Human Capital, Social Learning, Financial Capability). According to the results of correlation analysis, there is a significant positive relationship between Human Capital and Business Performance with 0.329 correlation coefficient, significant positive relationship between Social Learning and Business Performance with 0.437 correlation coefficient, and a significant positive relationship between Financial Capability and Business Performance with 0.382 correlation coefficient.

According to the final sub objective, the study has identified Social Learning as the most influencing factor among the independent variables since it has a 0.370 coefficient value according to the multiple regression analysis.

CONCLUSION AND RECOMMENDATION

Entrepreneurship is an effective timely solution for most of the economic issues that the country is currently facing such as income disparity, high unemployment rate etc. Because of these reasons empowering entrepreneurs has become a timely need. Addressing this need, this research mainly aims to identify the individual factors affecting the business performance of women entrepreneurs with special reference to the Colombo District, in Sri Lanka.

Findings of the research emphasized that there is a positive relationship between HC and BP, SL and BP as well as FC and BP. Among the independent variables SL was the most influencing individual factor, followed by FC.

As the recommendations for the improvement of the BP of women entrepreneurs in the Colombo District, in Sri Lanka, the researchers suggest to pay attention on improving the entrepreneurial education within the country in order to establish an entrepreneurial culture, establishing industrial and business centres, improving the accessibility to finance by establishing mandated loan portfolio specially for female entrepreneurs, introducing gender sensitive banking practices to the bank officials, improving the financial literacy and awareness of women entrepreneurs, introduce mentorship and advisory services, improve the business development support service packages, easing the legal and regulatory framework burdens for women entrepreneurs etc.

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