

Impact of Individual Factors of Women Entrepreneurs on Business Performance of SMEs in Gampaha District

by

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DECLARATION OF THE STUDENT

The work described in this Thesis was carried out by me under the supervision of Dr. (Mrs.) M.D. Pushpakumari and a report on this has not been submitted in whole or in part to any other university or any other institution for another Degree/ Diploma.



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ABBREVIATION

AMP - Austrian Market process

APCC – Asian Pacific Coconut community

CEOs - Chief Executive Officers

CRIB - The credit information bureau

DSA - Divisional Secretariat Areas

GDP - Gross Domestic Production

HIES - Household Income and Expenditure Survey

IPS – Institute of Policy Studies

NAITA – National apprentice and industrial training

NGOs – Non-governmental organizations

OECD – Organization for Economic Corporation for Development

OXFAM – Oxford Committee for famine relief

PRDA - Peoples' rural development association

SBDD - Small Business Development Division

SMEs – Small & medium enterprises

UNECE – United Nations Economic Commission for Europe

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**IMPACT OF INDIVIDUAL FACTORS OF WOMEN
ENTREPRENEURS ON BUSINESS PERFORMANCE IN SMES IN
GAMPAHA DISTRICT**

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ABSTRACT

The number of women engaged in entrepreneurial activities has gradually increased over the last two decades since gender difference becomes no longer a barrier to run a business. Entrepreneurship among women is very important for Sri Lanka, since women constitute to more than half of the population of the Country, whereas their active participation in the economy is only 35 percent. Thirty years of civil war of Sri Lanka steadily increased in the number of women-headed households in the country and a large number of widows require assistance to start livelihood for the survival of them and their children. Hence, women entrepreneurship is vital for Sri Lanka for the sustainable economic and social development.

Previous studies were limited to examine the impact on business performance by one individual factor or few individual factors along with few organizational and external factors. Accordingly, there is a theoretical and empirical gap in examining impact of all individual factors collectively and each separately for business performance of women owned enterprises. In Sri Lanka, most of the available studies on entrepreneurs are based on male entrepreneurs with limited coverage on females. Hence, this study would be a value addition to the existing local and international knowledge.

Due to the empirical nature of the study, data was mainly gathered from primary data sources through a self-administrated questionnaire. The unit of analysis was woman entrepreneur in SME sector of Gampaha district and the sample was drawn using simple random sampling covering all 13 divisional secretariat areas of Gampaha district. Reliability and the validity were tested by conducting a pilot survey in which 38 respondents had participated. 391 respondents were included in the final survey

achieving 82% of response rate, and the data was analyzed as univariate, bivariate, multivariate and qualitative analyses. It was tested whether the individual factors of women entrepreneurs positively affect the business performance of SMEs or not. Demographic characteristics, human capital, network affiliation, psychological characteristics and social learning factors were considered as individual factors to test impact on business performance. All the factors had positive relationships with business performance except demographic characteristics which had no relationship. These five main variables were divided into 19 sub variables to conduct an in-depth analysis. Out of those 19 variables, number of children and number of dependents had negative relationships and ICT knowledge, membership in association had no relationships, while all the other independent variables had positive relationships with business performance. Further, three main variables were identified as most influential, significant and predictable factors of business performance by using Regression model. Hence, it can be concluded that individual factors of women entrepreneurs positively affect the business performance of women owned SMEs in Gampaha district.

Accordingly, individual factors can be tested separately in developing countries to examine the differences in developed and developing countries as future research directions. Government, private organizations and NGOs should take necessary actions to enhance the business skills of women, provide more occupational opportunities, provide better entrepreneurial background, promote ICT, offer programs to attract and retain the women entrepreneurs for the formal networks, provide gender specified financial solutions, services and promote entrepreneurship as a career choice to cultivate the women entrepreneurship in Sri Lanka.

Key words: Women entrepreneurs, individual factors, business performance

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Today in the knowledge economy, brainpower of human beings is considered as the immutable resource of any organization. Organizations depend on human capital in order to succeed in today's economy (Nakamura 2003), while uplifting the lives through innovation, invention which match with dynamic needs and wants of the people. According to Stam and Garnsey (2007), knowledge is an absolute source of entrepreneurship in today's world, where it can generate entrepreneurial opportunities, new firm formation and growth of existing firms. Entrepreneurship can be explained as an economic activity which is undertaken by an individual or group of individuals to organize all the factors of production by undertaking risks, and generating employment, ultimately satisfying the dynamic needs of the society. Most of the researchers suggest that definition of entrepreneurship has never been differentiated on the basis of gender; hence it could be extended to women entrepreneurs without any restrictions.

According to Das (2007 cited in Mahamud & Ali 2013), women started business simply as an economic necessity, an internal motivation, a leisure time activity, educational - professional achievements etc. These intentions were categorized into pull and push factors by Robinson (2001). Throughout the history, women had played an invisible role for the socio economic development as subservient to the dominant economic work of men, especially in the developing countries (Bock 1994; Sauge`res 2002; O'Toole & Macgarvey 2003 cited in Koutsou 2009). However, today many countries try to attract female labour force for the economic development of the country by making necessary policy reforms that supports the enhancement of women entrepreneurship (Kazakopoulos & Gidarakou 2003 cited in Koutsou 2009). Conversely, the Globe is challenged by the increasing female population along with changing the attitude towards the predominant role of the women in the society (United Nations Statistics Division 2015). Information Communication Technology (ICT)

empowered women to achieve their economic and social development during last two decades. According to Tominc and Re bernik (2003) other than contributing for the Gross Domestic Production (GDP), women entrepreneurs have the ability to change the perception towards women in the business community, general public, officials and the media. Furthermore, with the challenges of demographic changes and aging population, the role of women in the labour force will become a key driver of sustainable high economic growth. Approximately 126 million women in 67 countries were starting or running new businesses and a further 98 million of female were running businesses which were already established (VanderBrug 2013). However, the rate of females engaged in entrepreneurship varies from 1 % to 40 % globally and in the South East Asian region, 18%-30% of self-employed workers were women in Indonesia, Malaysia, The Philippines, Singapore, and Thailand (Licuanan 1992). Thus, women entrepreneurs' impact on innovation and job creation differ worldwide (Kelley et al. 2012).

Small and Medium scale Enterprises (SMEs) are the main sector in which women entrepreneurship can be seen (Ganewatta & Rathnayake 2008). On the other hand, SMEs are the backbone of developing nations, since they help to achieve the socio-economic development of a country by contributing to generation of employment, generation of income and poverty alleviation. Striving for the growth and competitiveness of the SME sector in Sri Lanka has often been identified as imperative in order to provide more employment, bridge regional growth disparities and to ensure that post-war growth is inclusive and widespread. In Sri Lanka, SMEs contribute to 50 per cent of the GDP and employ 26 per cent of the labour force (The Institute of Policy Studies of Sri Lanka and Oxfam International, Sri Lanka 2014).

Sri Lanka is a developing country and the female labour force participation is not on par with other development indicators of the country. The Sri Lankan literacy rate of females is 91.1% while female labour force participation is just 34.4% (Central Bank 2014). Promoting female entrepreneurship can be regarded as an effective way of attracting more females into the labour force and also an appealing career path for females. Though the women have been improved in several sectors, women representation in corporate management, senior officers and as legislators was low,