

## Constraints Facing Women Entrepreneurs in Sri Lanka: The Case from Kurunegala District

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### ABSTRACT

Micro, small and medium enterprise sector is an important source of economic growth of Sri Lanka that contributes to reduce unemployment, inequality and poverty. Women entrepreneurs are an important untapped source of economic growth of the country and fostering women towards entrepreneurship can contribute to economic growth as well as for the social wellbeing. Lower active participation of women entrepreneurs in the economy than men is a key issue in micro, small and medium enterprises. The study was aimed to identify most affecting constraints for women entrepreneurs that limit the business success and to examine relationship of identified constraints with business success. Primary data were collected by means of focus group discussions and a semi-structured questionnaire based survey carried out in the Kurunegala district with 122 women entrepreneurs. An index was developed to measure the level of each identified constraint and the business success through 5 point Likert scale statements. Spearman rank correlation analysis and multiple linear regression were performed to examine the impact of each constraint on the business success of women entrepreneurs. It was revealed that self-barriers of women entrepreneurs, problems of marketing, mobility and networking and problems of access to finance significantly and negatively correlated with business success. It is recommended that government and business development service providers should pay more attention on supporting women entrepreneurs for improving their knowledge and skills, creating new business linkages and easy accessing credit schemes for women entrepreneurs.

**KEYWORDS:** Business success, Constraints, Lower active participation, Micro Small and medium enterprises, Women entrepreneurs

### INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) are acting as specialist and soul of economic growth in Sri Lanka. The government of Sri Lanka recognizes MSMEs as the backbone of the economy as they account for more than 75% of the total number of enterprises, provide 45% of the employment and contribute to 52% of the Gross Domestic Production (GDP) (Anon, 2015a).

Women entrepreneurs in Sri Lanka have been recognized as an important untapped source of economic growth and development of the country. Empowering women for the economic development can have positive impact on areas such as generating employment opportunities and enhancing economic growth; in addition, it improves the social, educational and health status of women (Attygalle *et al.*, 2014).

A key issue in the MSME sector in Sri Lanka is that the active participation of women in the economy is very low with compared to men, although women constitute more than half of the population in Sri Lanka. It is found that out of the total number of employers in Sri Lanka only 10% are women and it is corresponding to the total employed population (as of 2011) is at around 0.9 percent. Sources

indicate that about 80% of the economy is driven by SMEs, out of which women led SMEs are only about 10% (Anon, 2016). It has been estimated that out of the total economically inactive population of the country, 75.7% are female and even of those who are economically active, the number of women in the workforce (35.5%) remains far below that of men (64.5%) (Anon, 2015b).

Women entrepreneurs have to face specific problems at the time of entering the business and economic activities and survival due to social, attitudinal and economic barriers. Although, numbers of studies have been carried out by researchers on women entrepreneurship and their problems, less active participation of women in the economy is still a problem that needs a proper solution. Focus Group Discussions (FGDs) with women entrepreneurs and literature suggest the key issues faced by women entrepreneurs are relatively low access to finance, family and social barriers, self-barriers, marketing, mobility and networking problems and problems of getting support from government and other institutions.

Access to finance is a key issue for women entrepreneurs. Although several credit schemes are available for women, there are some bottlenecks and gaps in accessing credit for

women to start and run an enterprise because of the multiplicity of credit schemes. Women often have less opportunity than men to gain access to credit for various reasons, including lack of collateral, unwillingness to accept household assets as collateral and negative perceptions of female entrepreneurs of loan officers (Rao *et al.*, 2012). Women entrepreneurs often have to face problems in securing personal security for bank loans where guarantors are not willing to sign on their behalf. This is different to when male entrepreneurs require guarantors for bank loans, and appears to be an unconscious gender bias (Attygalle *et al.*, 2014).

Sri Lankan women are more likely to be identified as homemakers rather than entrepreneurs. Women entrepreneurs lack agency and their husbands often stifle the growth of their business or the growth of themselves as entrepreneurs (Attygalle *et al.*, 2014).

Most of the failing enterprises run by women are caused by the self-barriers such as not having a proper business plan, lack of business experience, lack of proper training and low knowledge of the business environment.

The problem of access to market is a common problem to all MSMEs. Women entrepreneurs face difficulties in breaking into new markets, lack of information on commercial opportunities in the existing markets and having weaker business networks than men (Anon, 2015c).

The objectives of this study are to identify the specific constraints encountered by the women entrepreneurs in Sri Lanka that limit their business success and to examine the relationship of identified constraints with the business success. Further, the study suggests strategies to overcome those identified constraints.

## METHODOLOGY

### Data Collection

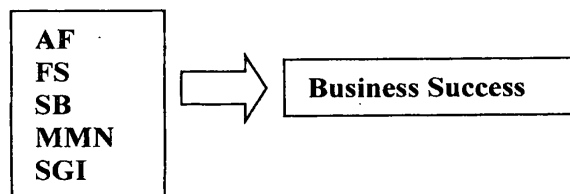
The primary data were collected from women entrepreneurs in Kurunegala district through Focus Group Discussions (FGDs) and a questionnaire based survey with face-to-face interviews. Sample survey was carried out with the help of development officers of the National Enterprise Development Authority with one hundred and twenty two respondents from 30 divisional secretariat divisions in the Kurunegala district. Data were collected from micro and small scale women entrepreneurs. Enterprises were categorized as micro and small based on the number of employees of the enterprise according to the dimensions used by the Department of Census and statistics on Non-

agricultural economic activities in Sri Lanka (Anon, 2014).

The questionnaire was consisted of questions that were intended to collect women entrepreneurs' general information, business information and information on problems faced by women entrepreneurs at the time of starting the business and continuing the business. Five point Likert scale statements were included in the questionnaire to understand women entrepreneurs' perception with relate to the most affecting problems for running the business successfully based on their experience so far.

### Theoretical Framework

The study used women entrepreneurs perceived business success as the dependent variable. The perception of women entrepreneurs on business success implies whether the business is sustainable and at the growing stage. Problems on access to finance (AF), family and social barriers (FS), self-barriers (SB), marketing, mobility and networking problems (MMN) and problems on having support from government and other institutions (SGI) were considered as independent variables to explore the research objectives (Figure 1).



**Figure 1. Theoretical framework.** AF- Problems on access to finance, FSB- Family and social barriers, SB-Self barriers, MMN- Mobility and networking problems, SGI- problems on having support from government and other institutions.

### Empirical Model

Multiple Linear regression model can be expressed as;

$$Y = \beta_0 + \beta_1 AF + \beta_2 FS + \beta_3 SB + \beta_4 MMN + \beta_5 SGI + \epsilon \quad [1]$$

Where;

Y=Index for business success of women entrepreneurs

$\beta_0$ - $\beta_5$ =Regression coefficients

AF=Index for problems on access to finance

FS=Index for family and social barriers

SB=Index for self-barriers

MMN=Index for marketing, mobility and networking problems

SGI=Index for problems on getting support from government and other institutions

$\epsilon$ =Error term

**Development of Indices**

An index was developed from the scores given by the respondents for five point Likert scale statements with relate to each problem and business success; ranging from Strongly Disagree to Strongly Agree.

$$Index = \frac{\sum_{i=1}^i A_i}{MaxS \times n} \quad [2]$$

Where;

$A_i$ =Sum of scores given by  $i^{th}$  respondent

MaxS=Maximum score that could be given by a respondent

n=Number of statements

**Data Analysis**

Data were analyzed using both descriptive and inferential statistics with the Statistical Package for Social Science (SPSS) 16.0 version. Descriptive analysis was performed to have an overall idea about the sample of the study and their businesses and to have an overall idea on problems faced by women entrepreneurs at the time of starting the business and problems they face at present. Spearman rank correlation analysis and Multiple Linear Regression Analysis were applied to determine to what extent the problems faced by women entrepreneurs impact to limit the business success. Inferential statistics was applied for all enterprises and agriculture sector businesses separately.

**RESULTS AND DISCUSSION**

**Descriptive Analysis**

As depicted in the Table 1, majority of the respondents were from Agriculture sector businesses (64.8%). Ninety six percent of the sample was micro enterprises and remaining were small enterprises. Most of the respondents indicated that the current business is their first business start-up (86.1%). About 14% of the women entrepreneurs had a previous business experience, out of which only 53% were successful as a new business start-up. More than sixty two percent of the sample, used their own money as the source of capital for starting their businesses.

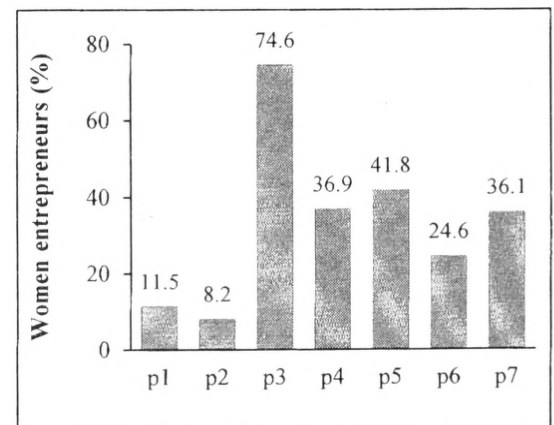
The results showed that most of the women entrepreneurs were educated up to G.C.E Ordinary Level (48.4%). Majority of the women entrepreneurs are married (97.5%) and out of them 95% of women entrepreneurs had children.

The results of the study revealed that most of the women had the problem of raising capital at the start of their business (74.6%; Figure 2). It was found that most of the women entrepreneurs have the problem of marketing

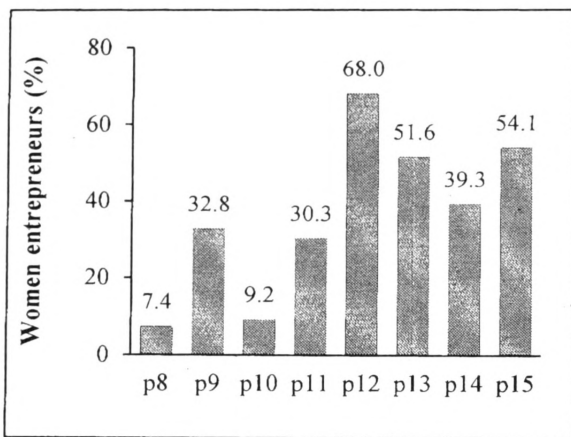
when continuing the business (68.0%; Figure 3).

**Table 1. Descriptive statistics of the women entrepreneurs and business**

Parameters	Frequency	Percentage (%)
<b>Level of education</b>		
Up to Grade 5	5	4.10
Up to O/L	59	48.36
Up to A/L	54	44.26
University	4	3.28
<b>Family</b>		
Married	119	97.54
Children	113	94.95
Unmarried	3	2.46
<b>Number of employees</b>		
1-4 employees	117	95.90
5-9 employees	5	4.10
<b>Annual Income(Rs.)</b>		
<100,000	79	64.75
100,000-500,000	38	31.15
500,000-1million	3	2.46
>1million	2	1.64
<b>Previous business experience</b>		
Had a previous business	17	13.93
No previous business	105	86.07
<b>Origin of the business</b>		
Own business	115	94.26
Inherited	6	4.92
Bought	1	0.82
<b>Source of capital</b>		
Own money	76	62.30
Joint venture	1	0.82
Family investment	16	13.11
Loan from bank	28	22.95
Loan from a non-financial party	1	0.82



**Figure 2. Problems faced by women entrepreneurs at the start of the business. p1-No obstacles, p2-A question of self-confidence p3-Financial questions (raising capital), p4-Lack of information, p5-Selecting a viable business opportunity, p6-Finding the right contact for the business venture, p7-Combining family and work life, p8-No obstacles**



**Figure 3. Problems faced by women entrepreneurs when continuing the business.** p8-No obstacles, p9-Combining family and work life, p10-Problems of getting family support, p11-Gaining the acceptance/respect of people, p12-Marketing problems, p13-Technical problems, p14-No time for training/ upgrading skills, p15-Liquidity and other financial problems

**Results of the Spearman Rank Correlation Analysis**

The correlation between the business success and constraints for women entrepreneurs were examined using the Spearman rank correlation analysis (Table 2). Analysis was employed for all sectors and agriculture sector separately.

**Table 2. Spearman rank correlation analysis of business success with constraints**

Factor	Correlation Coefficient	Probability
<b>AF</b>		
All sectors	-0.186*	0.040
Agriculture	-0.286*	0.016
<b>FSB</b>		
All sectors	-0.011	0.900
Agriculture	0.048	0.674
<b>SB</b>		
All sectors	-0.383**	0.000
Agriculture	-0.390**	0.000
<b>MMN</b>		
All sectors	-0.327**	0.000
Agriculture	-0.299**	0.007
<b>S GI</b>		
All sectors	0.062	0.499
Agriculture	0.014	0.903

Note: \*Correlation is significant at the 0.05 level (2-tailed), \*\*Correlation is significant at the 0.01 level (2-tailed). AF-.Problems on access to finance, FSB- Family and social barriers, SB-Self barriers, MMN- Mobility and networking problems, SGI- problems on having support from government and other institutions.

The results showed that the business success of all sectors and agriculture sector were significantly and negatively correlated with problems on access to finance at correlation coefficients (r) of 0.186 and 0.286 respectively at 0.05 significance level. Business

success of women entrepreneurs was significantly and negatively correlated with the self-barriers (r = -0.383) and marketing, mobility and networking problems (r = -0.299) at 0.01 significance level for all enterprises. Business success of women entrepreneurs in agriculture sector was significantly and negatively correlated with the self-barriers (r = -0.390) and marketing, mobility and networking problems (r = -0.299) at 0.01 significance level. This indicates that, problems of access to finance, marketing and self-barriers have highly affected to limit the business performance of women entrepreneurs and these problems are common to both the whole and to agriculture sector.

**Results of Multiple Linear Regression**

Impact of problems faced by women entrepreneurs on their business success was examined by using multiple linear regression for all sectors collectively and for agriculture sector (Table 3).

**Table 3. Multiple linear regression analysis of business success with constraints**

Predictor	Coefficient	Probability
<b>AF</b>		
All sectors	-0.101	0.289
Agriculture	-0.175	0.149
<b>FSB</b>		
All sectors	0.106	0.234
Agriculture	0.159	0.146
<b>SB</b>		
All sectors	-0.268*	0.006
Agriculture	-0.304*	0.012
<b>MMN</b>		
All sectors	-0.213*	0.047
Agriculture	-0.112	0.391
<b>S GI</b>		
All sectors	0.103	0.255
Agriculture	0.017	0.883

Note: \*Significant at the 0.05 level. Note: AF-.Problems on access to finance, FSB- Family and social barriers, SB-Self barriers, MMN- Mobility and networking problems, SGI- problems on having support from government and other institutions.

The results revealed that the regression model was significant at the probability value of 0.000 for all enterprises and significant at probability value of 0.003 for agriculture sector. Self-barriers and marketing, mobility and networking problems have a significant negative relationship with business success of women entrepreneurs at significance level of 0.05 for all enterprises. Although problems of access to finance showed a significant negative correlation with business success, their relationship was not significant in multiple linear regression. However, it did not mean that finance problems had not affected business success. The negative effects of the results

suggested that relationship was existing between finance problems and business success, but not much significant as problems of marketing and self-barriers.

Results of multiple linear regression depicted in the Table 3 reveals that, only the relationship between self-barriers and business success is significant in the agriculture sector. The negative relationship between problems on access to finance and marketing problems indicate that they also negatively affect the business success of women entrepreneurs in agriculture sector, but they were not significant as much as self-barriers.

### CONCLUSIONS

The findings of the study revealed that the business success of women entrepreneurs in Kurunegala district is highly constrained by self-barriers of women entrepreneurs, marketing, problems of mobility and networking and problems of access to finance. It was also discovered that at the time of starting the business most of the women face the problem of raising capital and when continuing the business marketing problems were aroused. The failure rate of women entrepreneurs who had a previous business experience were considerably high that only 52.96% of them were running their first enterprise successfully and others were went out of the business.

It is recommended that the government and Business Development Service (BDS) Providers should further involve in arranging special programmes for women entrepreneurs to deliver sufficient business knowledge for women entrepreneurs on how to make a business plan, to improve their leadership qualities and to give proper trainings relative to their businesses.

The study also revealed that there is a crucial need of supporting women entrepreneurs on their problem of marketing, mobility and networking. It suggests that support of BDS providers are needed by women entrepreneurs to arrange business stalls, to create an online business environment and to direct women entrepreneurs to create new business linkages by directing them to different trade associations.

Women face more difficulties than men in accessing finance. It is suggested that there is a need of gender sensitive credit schemes for MSMEs, and banks should not insist more on

collateral or guarantor securities when granting loans for women entrepreneurs. Further, financial institutions should give more concern on increasing the awareness of their credit schemes for women entrepreneurs through advertisements, promotion campaigns and other means of promotion.

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