

Women Entrepreneurship: Can it be A Driver of Economic Growth in Sri Lanka?

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Abstract

The Labour Force Participation of women in Sri Lanka is low compared to men in spite of the country's remarkable achievement in social development. Various measures are prescribed to remove the gender differentials and thereby to promote economic growth; women entrepreneurship is considered as one of the tools to achieve both goals. This study is intended to explore the push and pull factors of Labour Force Participation by women in Sri Lanka in general and in particular women entrepreneurial success. Specifically, it tries to establish the reasons for low labour force participation of women by giving global evidences and also analyses whether Sri Lankan women possess the necessary qualities to become entrepreneurs. In addition, it tries to give an understanding of possible impediments of those women entrepreneurs, when they start up their enterprises as their strategy of entering into labour force. Mixed method research is used in this study as the fundamental aim is to establish the links between gender, entrepreneurship and economic growth. Evidences from literary search as well as primary data aided to achieve the first and second objectives of the study. To achieve the third objective, this study analysed the competencies of 105 women entrepreneurs in Jaffna district empirically, by hypothesising that their entrepreneur competencies lead them towards their organizational success which in turn helps to growth. By applying correlation and regression techniques, it is concluded that women entrepreneurs' achievement, planning and power competencies are highly correlated with their organizational success, but the planning competency is the only one which contributed significantly for success in this study. This study concludes that to overcome the barriers encountered by women entrepreneurs their competencies should be assessed in order to apprehend their specific requirements. Based on the findings, suggestions are given which could help to develop an entrepreneurial culture among women entrepreneurs.

Key words: Entrepreneurial competencies, Gender Gap, Labour force participation, Women entrepreneurship.

Introduction:

To accelerate economic growth and to alleviate poverty, employment is often considered as an important tool. Higher labour force participation could provide income-earning opportunities through wage employment or self-employment for poor women and men to overcome poverty. However, women across the developing world enjoy limited access to fair and decent work compared to men because of the presence of five key gaps, or gender differentials, which disadvantage women: in unemployment, in employment, in labour force participation, in vulnerability, and in-sectoral and occupational segregation (ILO, 2012).

To remove these gaps, two main approaches are presented in current debates on women and economic empowerment: The rights-based approach focuses on increasing women's job opportunities and their freedom to work in security and dignity. The economic approach emphasizes women's economic capacities and potential contribution to economic growth (Elisabeth et al, 2009). The economic argument draws on the fact that women tend to reinvest their income in improved nutrition, health and education for household members, thus increasing living standards and reducing "non-income poverty" in the long term. The Decent Work agenda of the ILO supports both arguments by combining the poverty reduction agenda with the fundamental right to work in freedom through the four pillars: opportunities, rights, protection, and voice. Because of these arguments, UN Secretary General, Ban Ki Moon correctly stated that "investing in women is not only the right thing to do; it is the smart thing to do" (2008).

In addition to the above, the sustainable development goals for the year 2030 emphasize ending poverty everywhere in all forms. It also insists on empowering all women and girls to achieve gender equality. In this context, women in Sri Lanka and their role in the labour force will become a key driver in sustained economic growth. As demographics change and an ageing population slows down the number of entrants in the labour force, ensuring active participation of women in the labour market is a must. However, in 2017, out of the total 'economically inactive population' of the country, 63 per cent were females. If this untapped resource is utilized, that would be useful for the individual, and the society as a whole, given the fact that the majority of the population in Sri Lanka is female. As per 2017 data, the Female Labour Force Participation Rate (FLPR) remains low at 37 per cent, compared to 75 per cent for men (CBSL, 2017). It is noteworthy that the FLPR languishes around 50 per cent of the male labour force participation rate. Despite their high levels of educational achievements, unemployment amongst women is high at 6.5 per cent compared to a rate of 2.9 per cent for men (Sri Lanka Labour survey, 2017). Even though Sri Lanka has almost achieved gender parity in primary education, the unemployment rate for women is more than twice the rate for men. According to the country report 2008/2009 of NECD on Millennium Development Goals, the unemployment rate of educated women is three times as high as men. In 2017, in the case of educated females (G.C.E.A/L and above), the unemployment rate was 11.3 per cent compared to 5 per cent for men (Labour force survey, 2017). In fact, the labour force participation rate of female degree holders are on par with that of males with degrees. All these facts emphasize the presence of gender differentials and the need to address it. Therefore, the next section explores the literature for identifying the factors contributing to or preventing women from labour force participation as it is the main objective of this study. Global evidences of gender and development, prevalent business start-up impediments are also highlighted in order to fulfil the specific objectives of this study.

Literature Review:

Available literature on women enterprise development is in two directions: one is saying that the general assumption and theories on which the current entrepreneur research is built is enough to explain women entrepreneurs' motives and behaviour. The second direction stresses that to uncover the special circumstances that influence female entrepreneurship, other frameworks of understandings are needed (Gamage, 2005). The second direction assumes that female entrepreneurs differ from their male counterparts in a number of sexually determined, psychological variables. Recent studies noted that environmental and personal factors should be paid greater attention in addition to family background and upbringing. In the above sense, there is a huge gap in the existing knowledge in the case of entrepreneurial competencies and organizational development of Sri Lankan women entrepreneurs with gender sensitivity.

Gender is the social differentiation between men and women, through process which are learned, change over time, and vary within and between cultures. At the economic level, gender appears as a sexual division of labour in which some types of work are strongly associated with women, and some types with men. The costs and benefits of sexual division of labour are unequally shared between men and women to the disadvantage of the latter (Elson, 1993). Gender as a conceptual tool, is used to highlight various structural relationships of inequality between men and women as manifested in the households, in labour markets, in personal relationships, in ideologies, and in socio – political structures. Traditional perceptions and beliefs of gender segregate productive, reproductive, and community roles between men and women, and allocate responsibilities accordingly which results in gender gaps.

The gender gap that exist in human and physical capital endowments, in economic opportunities, and in the ability to make choices to achieve desired outcomes (agency) matter in the development process. World Development Report (2012) argues that they do for two reasons: First, gender equality matters intrinsically, because the ability to live the life of one's own choosing and be spared from absolute deprivation is a basic human right and should be equal for everyone, independent of whether one is male or female. This argument points out gender equality as a valued goal in itself, an essential aspect of human dignity and social justice. Second, gender equality matters instrumentally, because greater gender equality in valued resources and opportunities contributes to economic efficiency and the achievement of other key development outcomes.

Gender, Development and labour force participation:

Research on gender inequality in the labour market has shown that eliminating gender discrimination in job opportunities and pay could increase not only women's income, but also national income (Elson et al, 1997). It has been estimated that raising female employment levels to that of male levels could have a direct impact on GDP, for example, of 5 per cent in the USA, 9 per cent in the Japan, 12 per cent

in the UAE, and 34 per cent in the Egypt (Aguirre et al 2012, cited from State of the Economy, 2013).

Ensuring gender equality contributes in the development process in three main ways: firstly, greater productivity gains by removing barriers that prevent women having the same access as men to education, economic opportunities, and productive inputs. Secondly, through improved development outcomes for women and for their next generations by enhancing women's absolute and relative status. Thirdly, it operates by empowering women as economic, political and social actors through the creation of more opportunities for representation in decision-making.

Global indices, such as, Women's Economic Opportunity Index compiled by Economic Intelligence unit measures the enabling environment for women economic participation in 128 countries ranked Sri Lanka as the 84th in the year 2017. The Third Billion Index (World Economic Forum, 2012) ranked Sri Lanka as 96th out of 128 countries respectively. Further, the Global Gender Gap Report (2012) indicates that Gender gap is widening since 2006. Gender equality in Sri Lanka is not satisfactory as its achievements in other development indicators (IPS / UNDP 2012). Sri Lanka is ranked as 74th among 187 countries in the ranking according to Gender Inequality index (GII), which is calculated by using reproductive health, empowerment, and labour market participation of women. The divergence between Sri Lanka and the rest of the world is shown in Table 01.

Removing these constraints is necessary for women to participate actively in economic activities and for an inclusive growth and development. For example, utilization of female labour can act as a signal of more investment in education and health and hence results in an inter-generational effect. However, from the latter part of 1990s, female labour force participation has stagnated between 30 to 37 per cent (Sri Lanka labour force survey, 2017). Gender norms and household responsibilities, skill mismatch in the labour market, discriminating weaker networks are quoted as reasons for the stagnation. The State of the Economy (2013) also state that an M shaped curve is emerging, in relation to 20- 24 and 30 -39 being the two peaks age groups. It is implied that women in 25 – 29 age group quit their jobs due to familial responsibilities and re-join later. Labour force participation rates are high in their twenties and rise in their thirties and forties and decline only after fifties, due to competition for jobs and the high costs of interrupted participation. It could also be due to rising unemployment and underemployment, women found ways to combine family responsibilities with market work (United Nations, 2000), in spite of role incompatibility exists.

Table 01: Gender Inequality Index and other Indicators

Countries	GII	Maternal Mortality Rate (2008)	Adolescent Fertility Rate (2011)	Seats in Parliament (% Female 2011)	With Secondary Education (% Ages ≥25 in 2010)	Labour Force Participation Rate (% Female 2009)
Very high human development	0.224	16	23.8	21.5	82.0	52.8

High human development	0.409	51	51.6	13.5	61.0	47.8
Medium human development	0.475	135	50.1	17.3	41.2	51.1
Low human development	0.606	532	98.2	18.2	18.7	54.6
World	0.492	176	58.1	17.7	50.8	51.5
Sri Lanka	0.419	39	23.6	5.3	56.0	34.2

Source: UNDP (2011), Human Development Report 2011.

Women who engaged in wage employment are likely to face greater role incompatibility, than self - employed or unpaid contributing family worker. The available information suggests a declining trend in the proportion of employees and a consequent increase in other type of employment statuses where role conflict is less (ILO 2001). This trend could continue as women find it difficult to get decent employment opportunities in the formal sector and seek informal sector. Even among the wage and salaried works, women are hired in less valued, insecure temporary works. Due to globalization, subcontracting in production and telecommuting offer non-regular work opportunities to women. In this context, women entrepreneurship becomes a panacea for many countries.

Women Entrepreneurship and economic growth: push and pull factors

Literature provides two ways of viewing women entrepreneurship: macro and micro, based on their intentions for being in business. Macro level intentions focus on ‘profit and growth’, whereas micro level intentions emphasize on ‘earning an income for survival’. Most of the women owned SMEs are falling into the second category, and a few develop themselves as Growth Oriented Enterprises (Seelanathan, 2013).

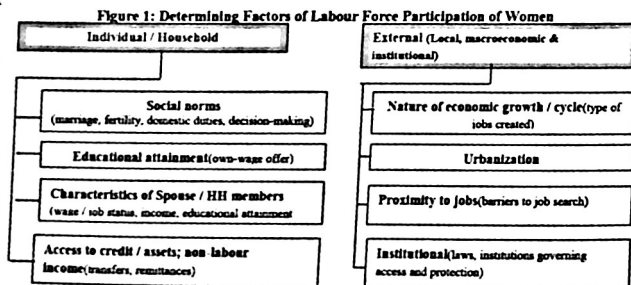
Women entrepreneurs have been designated as ‘the new engines for growth’ and the ‘rising stars of the economies in developing countries to bring prosperity and welfare,’ yet women entrepreneurship remains as an ‘untapped resource’ of economic growth and development (Vosenberg, 2013). Women seek entrepreneurship for many reasons. While some women start a business because of an idea or innovation, others do so because of their past negative work experiences, such as unsatisfactory, demanding and inflexible work environment. Some others are compelled to start their own business due to forced unemployment. This is true in case of women headed households in the Jaffna district. Research on women entrepreneurship identified that access to financial resources, inadequate training and access to information, work – family interface, women’s safety and gender based violence, lack of societal support, and legal barriers and procedures are the main hindrances for females to start up and operate their own business (Vosenberg, 2013).

Evidences show that women entrepreneurship could play a vital role in Sri Lanka as female operated SMEs could contribute to the demands of rising middle class in the country. However, out of the total number of employers in Sri Lanka,

only 12.7 per cent are women. When the percentage is calculated on the total employed persons, it is merely 1.1 per cent (Labour force survey, 2017). It has also been estimated that women led SMEs are only ten per cent in Sri Lanka (State of the Economy, 2013).

In Sri Lanka, a majority of women entrepreneurs are in micro enterprises, a large number of them are operating in informal economy, and they tend to group themselves into certain sectors such as food processing and textile (Attygalla et al 2014). For this inequality, Staermose (2009) point out socio cultural restrictions as reasons: household work burden, limited mobility after dark and concern about reputation, better knowledge and skills of men, superior physical strength of men places women at a secondary position compared with men. The other growth inhibitors to enterprise development found by Attygalla et al (2014) are lack of access to finance, lack of adequate financial literacy, negative norms and attitudes towards entrepreneurship as a career option, limited mobility, lack of access to networks and communication, an unequal share of family and household responsibilities, and no maternity protection. Additionally, there are invisible structural barriers in the form of traditional customs, domestic and social expectation that restrict the mobility of women and prevent them from taking on the role of entrepreneur. In general, rural women’s work patterns are marked by change and continuity as well as flexibility and rigidity (Gurung, 2005). In agriculture most of the women are employed as workers in household farms owned or tenanted by their families or as waged workers. The labour force survey 2017 identified 79% of contributing family workers are women.

The role of women in the cultural context of Sri Lanka has always been misconceived. Constraints faced by the women in Sri Lanka are deep rooted in cultural values, normative patterns and customs, most of which are without religious and ethical sanctions. As per the labour force survey (2017), reported reason by 60.2 per cent of women for being economically inactive was ‘engaged in household work’. Hill (1983) also supports this claim by highlighting the followings as determinants of female labour supply: woman’s market – wage rate, her husband’s wage offer, family non - earning income, her schooling, work experience, number of children, and other family background. In addition, formal and informal sectors of the labour market, rural- urban differences and transportation costs also affect the choice between work at home, work at market and leisure (Tiefenthaler, 1994). All these are summarized in Figure 1



Source: Verick, S. (2013). Cited from State of the Economy 2013, IPS.

Table 2 gives the picture of employment status of women in Sri Lanka. Accordingly, increasing labour force participation can be done in two ways: first is by attracting more women into the labour force as ‘employees’ and the second are by encouraging women to act as employers/ entrepreneurs.

Table 2: Employed population by employment status and gender – 2017

Employment status	Total	Male	Female
Total	100	64.3	35.7
Employee	100	65.5	34.5
Employer	100	87.3	12.7
Own account worker	100	70.9	29.1
Contributing family worker	100	21.1	78.9

Sri Lankan Labour Force Survey, 2017

Despite the benefits from the enterprise development, gender biases are also prevalent in SME sector, where women start up their career as entrepreneurs. Since income generating activities are prescribed to alleviate poverty among women headed households in the Northern Sri Lanka, it has to be assessed whether women possess such entrepreneurial characteristics.

Competencies of women entrepreneurs: results of empirical evidence.

As Stainer and Solem (1988) indicate that organizational development depends on the characteristics of an entrepreneur, it is uncertain that the extent to which the Sri Lankan women entrepreneurs inherently possess such qualities. Being a high – achieving entrepreneur is not that easy. An entrepreneur should have several special characteristics that help them to become a successful businessperson. A woman entrepreneur should be a risk taker; she should be innovative, self-confident, goal setter, hard worker, and accountable person (Siropolis, 1997), in order to face the challenges during the initialization and expansion stages of their enterprises.

These challenges could arise from various factors, such as demographic, situational, contextual, and personal factors, which inhibit woman entrepreneurs’ potentiality to become successful entrepreneurs. However, this study is looking into the personal factors (necessary competencies) contribute to women entrepreneurship and enterprise development. Studies of this kind are of current need as issues related to promotion of women entrepreneurship and the gendered impact on enterprise development are gaining importance in Sri Lanka as women constitute 50.7 percent of the population and considered to be a valuable resource potential. As poverty alleviation programmes prescribe entrepreneurship development as an effective vehicle for the upliftment of socio economic status of women, this study would help to formulate and implement policy measures related to women enterprise development with gender sensitivity.

To achieve the objective to analyse whether the necessary competencies are possessed, 105 women entrepreneurs were selected randomly from the registered list of the Jaffna municipality, involved in various sectors (Commodities, Food and Beverages, Textiles, Agro Products, Services, Miscellaneous). Three competencies, namely, Achievement competencies (dimensions: Seeking opportunity, Persistence, Commitment to work contract, Demand for quality and efficiency, Risk taking), Planning competencies (dimensions: Goal-setting, Information seeking, Systematic planning and monitoring), Power competencies (dimensions: Persuasion and networking, Self-confidence) were measured as explanatory variables and the dependent variable is the Organizational Development (dimensions: Quality, Expansion and profit). Based on the variables and their dimensions, questionnaire was prepared and selected entrepreneurs were asked to put score to appropriate case in the questionnaire. To measure data, 5 point Likert scale from strongly agree to strongly disagree was used. SPSS (Statistical Package for Social Science) version 14.0 was used to analyse the responses obtained from questionnaires.

After testing the reliability of the questionnaire (Cronbach's alpha was 0.777) the correlation matrix was obtained which shows that no correlation exceeds 0.6 and all competencies are positively and significantly correlated to organizational development. The correlation of 0.441 ($p < 0.000$) between achievement competencies and organizational development substantiates the positive relationship between them. The positive correlation of 0.557 ($p < 0.000$) between planning competencies, and organizational development indicates that as planning competencies improve there are chances for the organization to develop. The correlation of 0.314 ($p < 0.001$) between power competencies and organizational development also substantiates the positive but weak relationship between them. As per the results of the correlation analysis, it could be summed up, that achievement competencies, planning competencies, power competencies are positively and significantly correlated with organizational development. As such, greater the competencies of women entrepreneurs, the higher the chances are for the development of their organization.

Table 3. Correlation coefficients between the study variables

Competencies		Competencies		
		Planning	Power	
Achievement				
Planning competencies	Pearson Correlation	.652(*)		
Power competencies	Pearson Correlation	.343(*)	.378(*)	
Organization development	Pearson Correlation	.441(*)	.557(*)	.314(*)

* significant at 1% level.

(source: output from the data analysis)

To test whether that achievement competencies, planning competencies, power competencies are able to significantly explain the variance in the dependent variable Organizational development, the three entrepreneurial characteristics

were regressed against the dependent variable. The results, which are shown in the Table 4, indicate that the R2 value of 0.331 at a significant level of $p < 0.000$ with degree of freedom (3), confirms that 33% of the variance in the dependent variable organizational development is significantly explained by the three competencies. Through the findings and discussions it is affirmed there is direct relationship between the characteristics of the entrepreneur and the development of the enterprise, though the planning competencies alone has the significant contribution.

According to the model, achievement competencies and power competencies are insignificantly contributing to organizational development. So other factors may be of more influence with organizational development.

Model			B	SEB	Beta	T	Significance
	R ²	0.331					0.000
	Constant		1.637	0.253		6.467	0.000
Competencies	Achievement		0.106	0.098	0.118	1.089	0.279
	Planning		0.364	0.091	0.440	4.002	0.000
	Power		0.061	0.051	0.107	1.205	0.231

Table 4: Model summary of study variables

Source: output from the study

Factors such as personal background, institutional support, government trade policies, environmental factors, infrastructure facilities can have an impact on women entrepreneurial development. Contribution of these factors could be evaluated by further researches by incorporating those variables.

Conclusions and Recommendations:

The results of the study revealed that women entrepreneurs have many constraints during the initialization and expansion periods. If Sri Lanka is to have a benefit from its demographic dividend it has to ensure that, more females participate in the labour force. As women remain as an untapped reservoir of human resource, enabling policy environment could achieve the target. When compared with other developing countries Sri Lankan women are literate, comparatively more educated and healthy, but their economic participation levels are not satisfactory. Removing the barriers that prevent women’s economic participation is pivotal in addressing this dilemma.

Findings of Karunaanithy and Sathyakala(2013) revealed that male as well as female entrepreneurs of small business enterprises have problems in developing their enterprises related to social factors such as secondary socialization agents. Secondary socialization agents are referred to those agents outside of the home which mostly

students are involved in them after attending in school, such as peer and media. To lessen the negative effect of these agents on entrepreneurial behavior, there is the need to introduce entrepreneur literacy programmes at school level and expand practical subtitles. An efficient programme must teach not only the basic knowledge and techniques but also ways to enhance self-efficacy, stress management, problem solving and life skills as well, and methods for the wise and even righteous use of resources.

The stagnant Female Labour Force Participation rate suggests a point of saturation has been reached. As females are constrained from labour market activities due to their 'caring' responsibilities, interventions by the Government in the form of regulating and monitoring are needed. Provision of an allowance to working mothers (as in Australia and Canada) would bring down the work related costs of working mothers and thus encourage them to remain in employment. Community mobilization along with Government interventions is critical in making women more participatory in the process of economic development.

By providing business development services with the partnership of private and government sector and to make women entrepreneurs aware of these services is an urgent need. Facilitating women entrepreneurs during their initialization period through mentoring scheme, in a gender sensitive manner would help to form Business Networks which would develop in a way to meet the demands of women entrepreneurs as the existing ones are more fit into the male business owner stereotype.

Financial Institutions should accept women entrepreneurs as important client base and need to fine tune their agendas and move more towards innovative solutions to suit their needs. This would be very much beneficial to women entrepreneurs in the North and East of Sri Lanka, who find it difficult to fulfil the collateral requirements due to war and death of their life partners. In addition, cultural barriers of the community in which women entrepreneurs live should be taken care of when providing support services to them. As women are still considered as care givers, Providing Childcare facilities to women entrepreneurs could ease the work – life balance as out of school child care is still insufficient. This would encourage women to enter, and expand their businesses. Further, Entrepreneurship development programmes should focus on inculcating skills necessary for effective women entrepreneurs. Training modules could target competencies in which women entrepreneurs show weaknesses.

In conclusion, it is evident that there is an opportunity for the stakeholders to promote entrepreneurship culture among women in Sri Lanka. Easing the obstacles faced by women entrepreneurs and investing on existing opportunities thereby further encourage women entrepreneurship is utmost importance (is especially important in North and East of Sri Lanka). With ageing population and slowing or stagnating labour force growth, improving the use of female talent becomes even more important

for reducing inequalities, driving innovation and sustaining economic growth.

Considering the high contribution by the SME sector to the country's economy and the potential the sector has in increasing gender equality through employment generation for women, the Government's economic policy, "Vision 2025" identified several remedies to address the low female labour force participation and impediments to entrepreneur culture. Despite the positive progress compared in the past Sri Lankan experiences, it is still under progress as reflected by the Doing Business Index (2017) and Global Competitiveness Index (2016/2017). Therefore, a national level policy intervention is required to create conducive working environment for women and specially the female entrepreneurs.

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