

# SUSTAINING MICRO ENTERPRISES OF WOMEN ENTREPRENEURS THROUGH FINANCIAL LITERACY

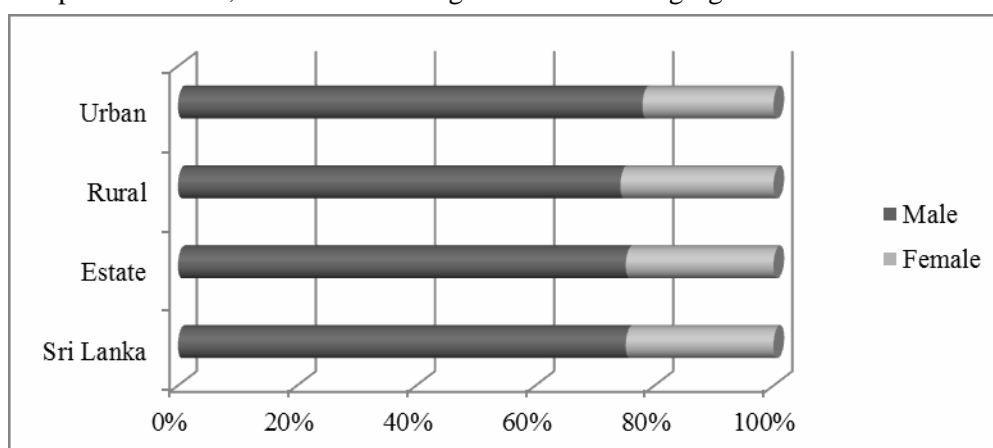
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## INTRODUCTION

Sri Lanka is sailing towards fast-track development after emerging from a 30-year civil war. The country's financial system has been upgraded from many aspects utilizing modern technology as a means for facilitating to on-going development. The asset base of the country's banking system by end of year 2015 is 8.1 trillion (Central Bank of Sri Lanka, 2015). The knowledge level of the members of a financial system is very important for its development (World Bank, 2014). The financial literacy level of Sri Lankan is such a mandatory requirement for proper management of financial institution, financial market, financial instruments and financial infrastructure in Sri Lanka. In shouldering the development pace of the country, active labour force and their level of skills are significant factors. One of an existing issues here is that low level of female participation, when compared to males, in decision making. See the following figure 01.



**Figure 1.** Percentage of Gender of Entrepreneurs  
Source: Department of Census and Statistics, 2014

Women's entrepreneurship and women's participation in the capacity of decision making in the business entities have been recognized during the last few decades as an important untapped source of economic growth. Undoubtedly, economic impact of women is substantial, and therefore, number of women entrepreneurs and women decision makers in an economy is an important indicator for economic policy making (Department of Census and Statistics, 2014).

Women play many key roles just like men in contemporary society, even though the rate of their participation in the capacity of decision making in the business entities is low. According to Cowling (2010), Women make decisions regarding health care providers, personal banking relationships, dining habits, school choices, personal family time and more; they are likely to engage in businesses--especially informal ones. However, women are likely

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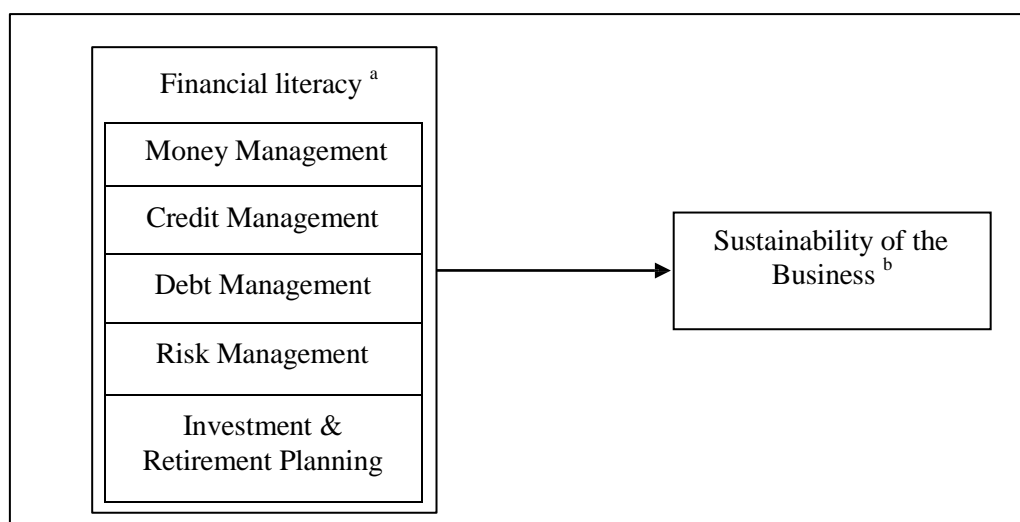
to be more vulnerable than men in their financial behavior (OECD, 2012). Therefore Women's economic empowerment is a prerequisite for sustainable development and pro-poor growth.

### Research gap and research problem

Issues and challenges faced by entrepreneurs have been investigated by many researchers in Sri Lanka and other countries. But the concept of financial literacy of owners as a root cause for issues in the micro business has not been widely researched. Financial literacy level is a measure of the degree to which one understands key concepts and possesses the ability and confidence to manage personal finances through appropriate, short-term decision-making and sound, long-range financial planning, while being mindful of life events and changing economic conditions (Remund, 2010). The first objective of the research is to measure the level of financial literacy possess by women entrepreneurs of micro enterprises. The second objective is to investigate the association between financial literacy and sustainability of micro business run by women entrepreneurs. The third and the final objective is to assess the sustainability of business and analyze issues, intricate financial literacy and business sustainability. Sustainable position of the business is the ability to run a business in the foreseeable future with greater proportion of net assets relative to liabilities of the business. The Organization for Economic Corporation and Development (OECD) and its International Network on Financial Education (INFE) have defined financial literacy as a combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial well-being.

### The Research model

The tested research model is based on the five financial literacy benchmarks of an individual introduced by the Institute for Financial Literacy, USA. The researchers tried to survey significant association between five financial literacy benchmarks of Money Management, Debt Management, Credit Management, Risk Management and Investment Retirement Planning with Business Sustainability.



**Figure 2.** Tested Research model

Sources:

- a. Five financial literacy benchmarks of an individual defined by, The Institute for Financial Literacy, (IFL), USA, 2012
- b. Seven Basic Financial Ratios to measure Business Sustainability, Farries et.al, 2010

Five hypotheses were developed to test the above research model. It was assumed that each of the independent variables has a positive relationship with business sustainability.

## METHODOLOGY

Primary data were gathered through a structured questionnaire from women entrepreneurs of Micro Size Enterprises (MSEs) from July 28, 2015 to October 23, 2015. The research was conducted from a simple random sample of micro enterprises in the Western Province in Sri Lanka. 122 Members of Small Enterprise Development Division (SEDD) were selected for the research. A pilot study was conducted by administering the initial structured questionnaire developed by the researcher. The SPSS 20.0 statistical software was used to analyze the data. Quantitative analysis were conducted so as to ensure the validity of the evidences of the findings. The reliability of the measure was established by testing for both consistency and stability. Pilot survey Cronbach values were higher than 0.7 and final survey values were higher than 0.8. Reliability statistics indicated that overall Cronbach's Alpha is more than 0.8. This is a clear indicator of internal consistency, Walsh (1980).

## RESULTS AND DISCUSSION

**Table 1.** Results of descriptive statistics

Independent/ Dependent Variables	Respondents	Minimum	Maximum	Mean	Std. Deviation
Money Management	122	1.40	5.00	3.9877	± .61866
Credit Management	122	1.82	5.00	4.0306	± .70936
Debt Management	122	2.00	5.00	4.0779	± .70130
Risk Management	122	1.00	5.00	3.7992	± .73009
Invest & retire plan	122	1.50	5.00	3.7992	± .69207
Sustainability of the businesses	122	1.00	5.00	3.6541	± .76311

Note. Survey Data 2015

In order to calculate the association between financial literacy and sustainability position of the businesses, average values and dispersion of the data were calculated. Mean values of all the independent variables are greater than three (03). This indicates that a moderate level of financial literacy exists among women entrepreneurs. The sustainability position of the businesses also shows a mean value of 3.6541, and standard deviation of ±.76311. This signposts potentiality of business sustainability.

**Table 2.** Results of Pearson Correlation Test

	MMgt	CMgt	DMgt	RMgt	Inv plan	BS
MMgt		.520**	.482**	.498**	.565**	.435**
CMgt	.520**		.634**	.496**	.505**	.407**
DMgt	.482**	.634**		.624**	.575**	.432**
RMgt	.498**	.496**	.624**		.742**	.442**
Inv plan	.565**	.505**	.575**	.742**		.613**
BS	.435**	.407**	.432**	.442**	.613**	

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Note. Survey Data 2015

According to the above table all the independent variables are significantly correlated with the dependent variable. It can be seen that investment and retirement planning skills of the women entrepreneurs have highest correlation coefficient value with the sustainability of the business. ( $r = 0.613$ ,  $p < 0.0005$ ) Credit management shows the lowest correlation coefficient of 0.405 However, all variables are significantly correlated to each other. These results are

consistent with findings of (Lusardi & Mitchell, 2007) and (Huston, 2012). However the results of this study are inconsistent with the findings of (Raath, 2013). In addition to the correlation analysis, multiple regression analysis also has been carried out to analyze the association between factors of financial literacy and the business sustainability. Because, in multiple linear regressions two or more independent variables are used to predict the value of a dependent variable. The model summary gives us the R value as 63.3% for assessing the overall fit of the model. The adjusted R square value in this case is 0.375. It reflects that five IVs in the research model account for 37.5% variation in the DV- business sustainability. According to the results investment and retirement planning is the only significant factor that influences on sustainability of the business.

**Table 3.** Results of the Regression Analysis

Hypothesis	Variables	Standardized Coefficients $\beta$	P value
Hypothesis 1	Money Mgt vs a.	.096	.301
Hypothesis 2	Credit Mgt vs a.	.077	.439
Hypothesis 3	Debt Mgt vs a.	.088	.408
Hypothesis 4	Risk Mgt vs a.	-.105	.365
Hypothesis 5	Inv,ret Plan vs a.	.547	.000

\*p<0.01 Two-tailed test

a. Dependent Variable: Business Sustainability

Note. Survey Data 2015

## CONCLUSION AND RECOMMENDATION

From the above analysis, first objective was achieved by concluding that moderate level of financial literacy existed among the women entrepreneurs. As an attempt to achieve the second objective the researcher tried to find out the association between money management, debt management, credit management, risk management, investment and retirement planning with business sustainability. As the results of correlation, it shows the positive and significant association between financial literacy of women entrepreneurs and sustainability of their business. Then, it can be concluded that micro business sustainability has been influenced by financial literacy of women entrepreneurs. However, contradictory results were generated in multiple regression analysis when it was done in order to achieve the third objective. The regression outcome revealed that sustainability of micro enterprises has not been influenced by all the factors of financial literacy of women entrepreneurs. Only the investment and retirement planning have significant association to the sustainability of business. Then it can be concluded that sustainability of micro enterprises has not been achieved by the existing level of financial literacy of women entrepreneurs. Extending the research to a larger sample could be desirable in order to enhance the generalizability of the findings. Because the researcher believes that the area of study is important and may yield important findings. Study suggests enhancing existing level of financial literacy among the women entrepreneurs. It is recommended that women entrepreneurs should regularly review their financial records in order to measure operational performances and financial position of their enterprises. In addition to that financial experts and consultants, service can be obtained to enable women entrepreneurs to choose and access appropriate financial services and products. Thereby increase women's entrepreneurial participation to the valid and solid business decision making in order to achieve sustainability for the micro enterprises.

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