

Factors Influencing Business Performance of Small and Medium Enterprises: A Case Study in Sri Lanka

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Abstract

This study aims to investigate variables affecting the business performance of Muslim women entrepreneurs in Sri Lanka. A multi-dimensional analysis was proposed with five potentially defined antecedents of business performance which included psychological characteristics, human capital, social capital, industrial factor, and cultural factor. Data was collected from 286 respondents through the use of a self-administered questionnaire. The results of structural equation modeling indicate that the model meets the goodness-of-fit indices and that generally, all five factors have significant positive relationships with business performance. Amongst the dimensions of psychological characteristics, only risk-taking had a notable effect on business performance. Amongst the dimensions of human capital, two of the three dimensions (business experience and business skills) were significantly associated with business performance; in the case of social capital, one of the two dimensions (non-familial affiliations) was significantly associated with business performance; and in the case of industrial factor, resource accessibility was significantly associated with business performance. A strong positive correlation with business performance has also been demonstrated by the cultural factor which was a new concept to the paradigm as a whole. This study has broadened the understanding of existing literature on Muslim women entrepreneurship and contributed practical implications to government, policymakers and other related agencies, chambers of commerce, the general public, as well as the Muslim women entrepreneurs themselves.

Keywords: Women Entrepreneurs, Business Performance, Small and Medium Enterprises, Sri Lanka

JEL Classification Code: L26, C12, G41

1. Introduction

Both men and women are motivated to entrepreneurial activities in any nation, and entrepreneurship is deeply rooted in Islam. There are many successful Muslim entrepreneurs worldwide as Islam encourages its followers to be innovative and enterprising (Anggadwita et al., 2015). Muslim women are highly honored in Islam as evident by

many of its laws that lean towards the protection of women (Anggadwita et al., 2015). Muslims have attitudes about Islamic values that encourage competitiveness through entrepreneurial practices, and that women are not excluded from entering business (Akhter & Subhani, 2016). Muslim men and women are spiritually equal although their worldly duties vary; Prophet Muhammed (PBUH) also used to address men and women in the same regard. Islam bestows the highest rights for women and allows women entrepreneurship as long as the Islamic rules are observed to protect them (Ullah et al., 2013). For example, a Muslim woman needs to seek the approval of her family or husband in making decisions as they may have a more far-reaching view of how the decision would affect the family. Muslim women must also prioritize their household and children and abstain from activities that would jeopardize their obligations as Muslims (Ilhaamie, 2017).

Besides, Muslim women are bounded by certain rules when doing business. They are particularly prohibited from mingling freely with the opposite gender as such an act would lead to slander and even adultery whereas these restrictions

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are not applicable to non-Muslims. This rule primarily aims to protect the dignity of the Muslim woman so that she will be respected. As such, Muslim women are commanded to dress modestly i.e. by wearing the *hijab*. It is also apparent in *Shari'a* that Muslims are prohibited to deal with paying or getting interest, which is called *riba* for the loan or capital used in the business. Because of this, mostly Muslim women entrepreneurs seek loans for their businesses from only Islamic banks. This is also one of the many special characteristics which differentiate Muslim from non-Muslim entrepreneurs.

Sri Lanka is a country where Muslims live as minorities and where business representation is consistent with the proportion of ethnic groups in Sri Lanka (74.9% Sinhalese, 15.2% Tamil, and 9.2% Muslim) and among the nine provinces in Sri Lanka, the majority of Muslims make up the 3-district Eastern Province, accounting for almost 40% (DCS, 2019). The presence of Muslim women in Sri Lanka's Chambers of Commerce and Industry is only 7% amongst Muslim businessmen, whilst their gender is higher than their counterparts. Amongst the female entrepreneurs in the Eastern province, the involvement of Muslim women entrepreneurs in any sort of chambers is only 12%, which is very low compared to other ethnic groups (DCS, 2019). This reflects the under-use of Muslim women's entrepreneurial ability. Research on this is very crucial in developing Muslim women's entrepreneurship in Sri Lanka where Muslims live as an ethnic minority group.

Since women comprise almost half of the workforce, they experience difficulties in working, as they have to sacrifice their time for their families. Muslim women have been given certain guidelines from the Quran for doing business, which are prioritizing families first as women are the carers, while men act as the breadwinner (Alina, 2013; Ullah et al., 2013). It is a practice and a tradition in many Asia-Pacific countries as well as in developing countries, man serves as the head of the family, while the woman is their subordinate (Ilhaamie, 2017). This is also expressed in women's participation in entrepreneurship. In particular, Muslim women show a lack of involvement in the business sector (only 15.9%), which is far behind what the Malaysian government had targeted as they face unique challenges in Malaysia (Ilhaamie et al., 2014). Moreover, Ullah et al. (2013) agreed that Islam supports the highest rights of women to participate in entrepreneurship whilst adhering to their security laws which can be seen from the Al-Quran (Holy Book for Muslims). Islamic law, however, permits women to work in Islamic conditions, such as the work not requiring the woman to violate Islamic laws, and that she maintains her modesty while she performs any work outside her home. Islam puts a strong focus on trade and commerce, including women as entrepreneurs.

In Sri Lanka, Muslim women face great obstacles because of family values and customs (Swati, 2018); this restricts their

participation. Hence, this study attempted to examine the features contributing to the business performance of Muslim women entrepreneurs in Sri Lanka in a contextualized multi-dimensional study which was not evident in Sri Lanka. Before the paper ends with potential research direction, the theoretical and practical consequences resulting from this study are addressed.

2. Literature Review

2.1. Theoretical Foundation

Business performance was extensively discussed in earlier studies (Rusliati et al., 2020) and the necessity of having a business model for the enterprises (Lee, 2020). The following sub-section discusses the summary of the factors influencing the business performance of the Sri Lankan women Muslim entrepreneurs for the development of a theoretical framework and set of hypotheses for testing.

2.1.1. Psychological Characteristics and Business Performance

Given that religion plays an essential part in the psychological characteristics of Muslim women entrepreneurs, and that entrepreneurship is permitted in Islam (Mat & Mansor, 2010), its impact along with the psychological characteristics of Muslim women entrepreneurs should be studied in terms of their business performance. Psychological characteristics influencing the activity of successful Muslim women entrepreneurs were identified by researchers such as the need for achievement (Anggadwita & Dhewanto, 2016; Nurwahida & Manaf, 2011; Rani & Norashidah, 2017), risk-taking, and locus of control (Anggadwita & Dhewanto, 2016; Fatimah-Salwa et al., 2013) in countries like Indonesia and Malaysia. In addition to those psychological factors, being independent in one's decisions and actions is another main factor influencing women to be involved in entrepreneurship. Hence, it is predictable that female Muslim entrepreneurs in Sri Lanka who have the psychological characteristics will accomplish better business performance. Hence, the hypothesis below is proposed:

H1: *Psychological characteristics have a significant impact on the business performance of Muslim women entrepreneurs in Sri Lanka.*

2.1.2. Human Capital and Business Performance

Specifically, McIntosh and Islam (2010) highlighted human capital as a significant variable for the successful fundraising and business operations of Muslim women

entrepreneurs in Muslim nations, such as Bahrain and Bangladesh. Further, they found that females with higher education levels prefer to work outside rather than inside their homes. Besides, their knowledge, experience, and skills enhance their prospects of achieving business success. Some studies indicate that the Muslim women entrepreneurs' formal education and experience are correlated to the prospects of their business performance (McIntosh & Islam, 2010). Lerner et al. (1997), however, discovered no substantial association between experience and business performance in Iran, again suggesting the uncertain findings in this field. Similarly, business skills especially in generating business ideas and having keen insights on customers and market and management of finance were also found to have an association with business performance (Lerner et al., 1997). This is because Islam advises a woman to choose the business that is relevant and suitable with her expertise (Ullah et al., 2013) and other abilities that are essential to survive in business. Based on the literature, it is expected that the human capital of Sri Lankan female Muslim entrepreneurs is linked to their business performance and the hypothesis derived as follows:

H2: Human capital significantly influences the business performance of Muslim women entrepreneurs in Sri Lanka.

2.1.3. Social Capital and Business Performance

Social capital in the form of networking has been discussed in earlier studies (Sanyal et al., 2020). Most of the Islamic values have a habit of limiting women's independence and a woman's ability to appeal to people from outside the home (McIntosh & Islam, 2010). They further suggested that women who wear the *Hijab* have greater networking, contributing to better business performance. Dechant and Lamky (2005) cited that Muslim women entrepreneurs commonly depend on close relatives to introduce them to prospective leads. Al-Quran (49:13) says: "*Oh! Mankind! We created from you a single (pair) of male and female and made you into nations and tribes that you know each other.*" This also stressed that the need for affiliation to succeed in any endeavors. It is therefore anticipated that the social capital of Sri Lankan Muslim women entrepreneurs will influence their business performance. The following hypothesis is thus proposed.

H3: Social capital significantly influences the business performance of Muslim women entrepreneurs in Sri Lanka.

2.1.4. Industrial Factor and Business Performance

Many studies have been carried out on industrial factors in developing entrepreneurship development (Samadi, 2019). Nevertheless, Muslim women, entrepreneurs face obstacles

including restricted access to financial aid (Ahamed, 2011), demand, and location problems (Ilhaamie et al., 2014). Likewise, Muslim women entrepreneurs lack institutional support (Al-Sadi et al., 2011), as conservative Islamic culture continues to limit women's ability to access these tools and institutional support. Their mobility to access resources and interaction with the opposite gender in accessing some kind of business support can help the Muslim women entrepreneurs being successful in their businesses (Roomi & Harrison, 2010). Also, many Muslim women entrepreneurs rely on loans, especially from Islamic banks, and obtain institutional assistance to run their businesses since Islam prohibits charging interest called *riba* (Rashid et al., 2015). Therefore, it is expected that the Sri Lankan female Muslim entrepreneurs' business performance is also influenced by the industrial factor. Thus, the hypothesis below is proposed:

H4: Industrial factor significantly influences the business performance of Muslim women entrepreneurs in Sri Lanka.

2.1.5. Cultural Factor and Business Performance

Mueller and Thomas (2006) studied women entrepreneurs and found that social and cultural factors significantly contribute to their business performance. Specifically, customs such as religion and family traditions have been found to be an important factor for women's business success (Wube, 2010). Further, McIntosh and Islam (2010) pointed out that Islamic traditions are significantly influential on women. In conservative Islamic families, women are concealed by the veil in their daily activities. Women are not often permitted for mobility or mix with males independently to access resources and to create networks (Roomi & Harrison, 2010) even though Islam has given ample freedom even to women (Ullah et al., 2013). Today, female entrepreneurs can overcome these barriers and play prominent roles in various economic activities. Familial and household-related activities are considered as a social duty instead of economically-related.

Sri Lankan Muslim women no longer typically stay at home as the household income is now generated by both the husband and wife. Hence, moral support and positive attitudes from members of the family, accurate understanding of Islamic values (such as regarding the *Hijab*), their ability to access resources, and their interaction with the male society can drive their success in business (Roomi & Harrison, 2010). It is therefore expected that cultural factors will influence the Sri Lankan female Muslim entrepreneurs' business performance. Hence, the hypothesis below is proposed:

H5: Cultural factor significantly influences the business performance of Muslim women entrepreneurs in Sri Lanka.

3. Research Methods and Material

3.1. Sample and Data Collection

This research focused on Muslim women entrepreneurs who have registered with Chambers of Commerce in the three Districts of East Province of Sri Lanka, namely Ampara, Batticaloa, and Trincomalee. Data from 286 respondents was obtained using a self-administered questionnaire based on a stratified simple random sampling technique. The data were analyzed and the findings, both theoretical as well as practical implications, were discussed. Sample characteristics of the respondents are shown in Table 1.

3.2. Scale Development of Measures

The survey in this study is performed by using a set of structured questionnaires gathered from prior researches. The questionnaire items were tested and validated. The inter-item consistency reliability was measured using Cronbach's coefficient alpha. The convergent validity and discriminate validity were ascertained by means of performing inter-item correlation and factor analysis before running CFA. Hence, the questionnaire developed for this study has achieved construct validity. The instrument was developed in English and then translated into the local language 'Tamil' which is spoken by most of the Muslims in this Eastern region. The face validity of these scales was appraised in consultations between research members, several Muslim women entrepreneurs, academic scholars, and experts before survey administration. Together with the dependent variable of business performance, a Likert scale of 1 to 5 was used to measure each item whereby 1 denotes disagreement and 5 means agreement to the statements.

3.2.1. Measuring Psychological Characteristics

Psychological characteristics denote the personal attributes which can be defined as the individual psychological factors such as intensity, direction, and persistence towards achieving the goals. Four dimensions operationalize the concept of the psychological characteristics according to the framework by Hisrich and Brush (1985) as adapted by Lerner et al. (1997). These four dimensions are the need for achievement (7 items), risk-taking (5 items), internal locus of control (5 items), and independent motives (5 items). The scale designed by Angaddwita and Devanto (2016) was used with little modification to suit the Sri Lankan context. Sample items include, "I have the intention to create new business opportunities in my business", "I intend to increase sales revenue every year" avoid riba (interest) as one of my risks in my business operations", "I believe that my efforts will bring success to my business", I like to work independently".

Table 1: Sample Characteristics

Demographic Variables	Frequency	Percentage
District		
Ampara	108	37.8
Batticaloa	97	33.9
Trincomalee	81	28.3
Age		
Below 30 years	29	10.1
30–40 years	56	19.6
40–50 years	120	42.0
Above 50 years	81	28.3
Marital Status		
Married	147	51.4
Unmarried	32	11.2
Widowed/Divorced	107	37.4
Education Level		
Below G.C.E. (O/L)	139	48.6
G.C.E.(O/L)	58	20.8
G.C.E.(A/L)	66	23.1
Degree and above	23	8.0
Business Type		
Manufacturing	67	23.4
Craft and Arts	45	15.7
Services	70	24.5
Retail/Wholesale business	57	19.96
Agribusiness	47	16.4
Others	0	0
Number of Employees		
Below 10	187	65.4
11–50	84	29.4
51–200	15	5.2
Business Experience		
3–6 years	36	12.6
7–10 years	147	51.4
More than 10 years	103	36.0
Parent as an entrepreneur/s		
Yes	142	49.7
No	144	50.3
If yes		
Father	111	38.8
Mother	21	7.3
Both	10	3.5
Husband as an entrepreneur		
Yes	150	52.4
No	136	47.6

3.2.2. Measuring Human Capital

Human capital entails individual skills attained via education and experience. This concept is based on the three dimensions based on the models proposed by Lerner et al. (1997) and McIntosh and Islam (2010). The scale designed by Lerner et al. (1997) has been adapted to the sub-variables of education (5 items) and experience (5 items), while the scale designed by Maharati and Nazemi (2012) has been adjusted to evaluate the sub-variable of business skills (5 items) with little modification to match Sri Lankan context. Sample items include, “*My education level contributes to the business operations in my current business*”, “*The education area I obtained contributing to my business performance*”, “*My previous experience in starting-up my business contributes to my business performance*”, “*I can prepare budgeting plan for my business every year*”, “*I can organize my resources efficiently and effectively.*”

3.2.3. Measuring Social Capital

Social capital entails the summation of authentic and prospective sources through durable networks arising from familial and non-familial resources. The concept of social capital is conceptualized using two dimensions (Dechant & Lunkky, 2005; McIntosh & Islam, 2010). These two dimensions are (1) familial sources (6 items) such as parent(s), and/or husband or other family members; role model and her childhood economic status and (2) non-familial sources (5 items) including business partners and trade associates. Social capital instruments developed by McIntosh and Islam (2010) were minimally modified to suit the study context. Sample items include, “*My parent(s) view(s) my business positively*”, “*I follow someone in my family as a role model in my business life*”, “*I participate in a number of professional associations*”, “*I often take advice from mentors to improve my business.*”

3.2.4. Measuring Industrial Factor

Industrial factors refer to the differential structures of opportunity, location as well as economic and political factors. Industrial influence is conceptualized using two dimensions developed by Lerner et al. (1997) and Rashid et al. (2015). These dimensions include resource accessibility (5 items), and institutional support (6 items). The scale developed by Lerner et al. (1997) was minimally modified to suit the study context. Sample items include, “*Location of my firm is a strength for attracting customers*”, “*I have access to adequate raw materials*”, “*I am satisfied with the financial services given by government institutions such as banks*”, “*Government institutions provide me the facilities*

for my business development (training, mentoring, business fairs, etc.”

3.2.5. Measuring Cultural Factor

Cultural factor refers to the belief of the norms and traditions adhered to in the business practices of the female Muslim entrepreneurs. It also entails the favorable attitude of the society towards entrepreneurial activities. The concept of cultural factor is conceptualized based on two dimensions developed by Angaddwita and Devento (2016) and Ranasingha (2008). These dimensions include family culture and religion. The scale developed by Angaddwita and Dhrwento (2016) was adapted to measure the cultural factor (7 items) with little modification to the Sri Lankan context. Sample items include, “*I have the freedom to go out and handle business matters*”, “*I experience a healthy balance between home and work domains*”, “*The society views my involvement in business positively.*”

3.2.6. Measuring Business Performance

In this research, Muslim women entrepreneurs engaged in SMEs reported the business performance rate subjectively rather than qualitatively after having been in business operations for at least 3 years, which is the business performance rate. These subjective measures include an increase in sales, increase in profit, employment growth, assets expansions, growth of business in customer expansion, and expansion of product/service adapted from Walker and Brown (2004). 6 items were used to measure business performance and sample items include, “*I am experiencing sales growth from my current business over the past three years*”, “*My profitability from my current business is increasing over the past three years*”, “*I have since increased the number of employees from the day I started this business.*”

3.3. Analytical Approach

The Structural Equation Modelling (SEM) together with AMOS 23.0 was performed at the levels of the Confirmatory Factor Analysis (CFA), measurement model, and structural model analysis. Hair et al. (2010) suggested indices to establish model fit and the recommended fit indices to include relative chi-square, (X^2/DF), Root Mean Square Error of Approximation (RMSEA), and any one or two from the goodness-of-fit index (GFI), adjusted goodness-of-fit index (AGFI), comparative-fit-index (CFI), normal-fit-index (NFI) and Tucker-Lewis index (TLI). Conventionally, relative chi-square is recommended to be less than 5.0, whereas GFI, AGFI, CFI, IFI, NFI, and TLI should be greater than 0.90. Similarly, RMSEA and RMR are considered to be a good fit when the indices are less than 0.08

(Hair et al., 2010). Further, Hair et al. (2010) suggested that if any three to four of the above goodness-of-fit indices are within the stipulated threshold, then the structural model is fit and further analysis can be made to test the hypotheses constructed. Accordingly, the measurement model and structural model ensured the goodness of fitness indices in this study.

3.3.1. CFA of the Measurement Model

The measurement model included six constructs as shown in Figure 1. The results showed a fit in the

measurement model with χ^2 (df = 233) = 595.302; $p = 0.000$; $\chi^2/df = 2.555$; GFI = 0.861; AGFI = 0.882; CFI = 0.922; IFI = 0.923; and RMSEA = 0.074. In addition, the RMSEA was 0.074, which was less than 0.08. Hence, it met the goodness-of-fit threshold levels.

Table 2 shows that the composite reliability (CR) was between 0.723 and 0.946. Besides, the average variance explained (AVE) showed the values of factor loadings were above 0.50, which are considered to be acceptable (Hair et al., 2010). The results provided evidence of an acceptable level of reliability of the scale used.

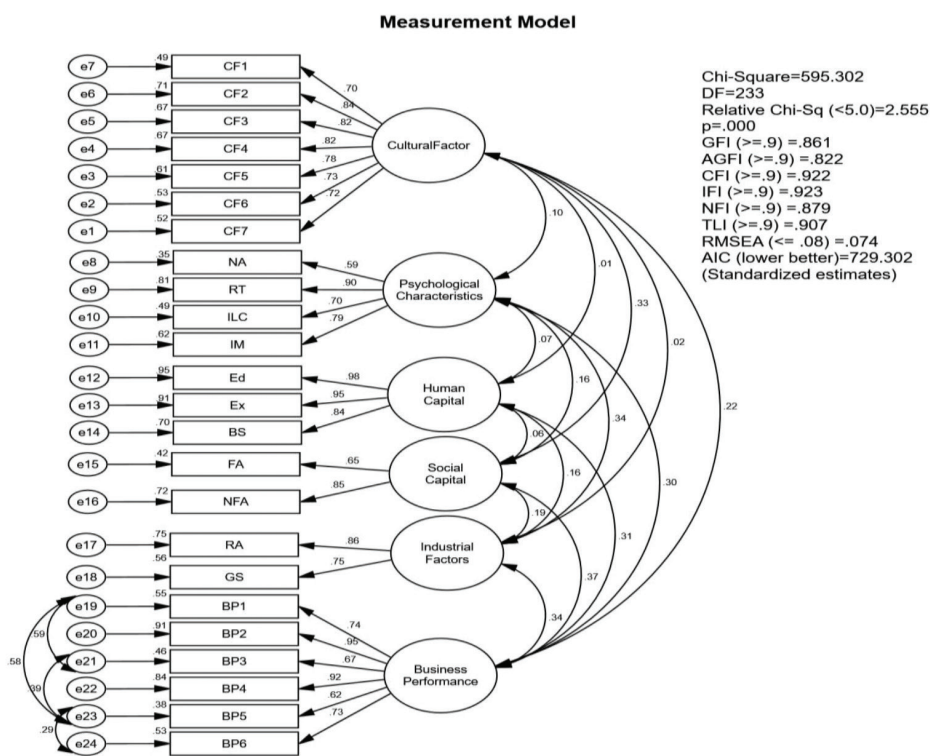


Figure 1: Integrated Measurement Model

Table 2: Construct and Discriminant Validity

Factors	CR	AVE	MSV	MaxR (H)	IF	CF	PC	HC	SC	BP
Industrial Factor	0.787	0.650	0.118	0.806	0.806					
Cultural Factor	0.912	0.595	0.108	0.918	0.018	0.773				
Psychological Characteristics	0.838	0.570	0.113	0.882	0.336	0.102	0.755			
Human Capital	0.946	0.854	0.095	0.971	0.162	0.008	0.071	0.924		
Social Capital	0.723	0.571	0.139	0.768	0.192	0.328	0.157	0.063	0.756	
Business Performance	0.903	0.613	0.139	0.952	0.344	0.220	0.297	0.309	0.373	0.783

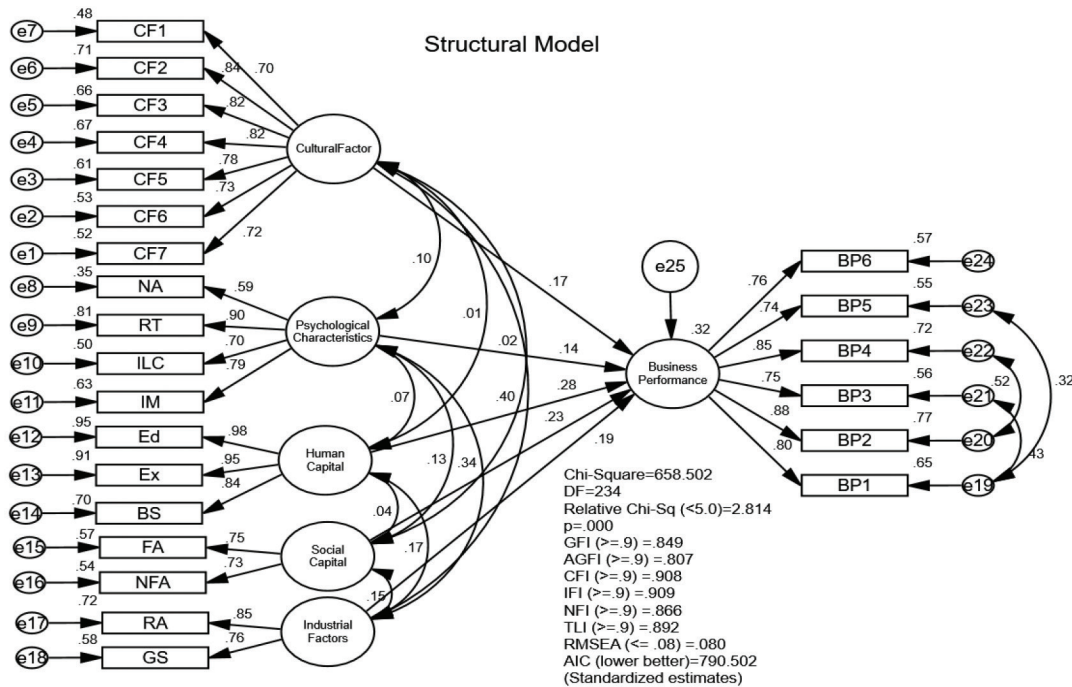


Figure 2: Structural Model of the Study with Standardized regression Weights

Further, discriminant validity was tested by examining the AVE of each construct against squared correlations between the constructs in the research model. Table 2 shows that the square root of AVE for each construct was more than each of the correlations between the constructs. Hence, the discriminant validity was adequate for all of the constructs. The correlations between the latent variables ranged from 0.018 to 0.373. These values are below the threshold of 0.85, and that the squared correlation was less than the square root of the AVE by indicators, explaining the good discriminant validity between these constructs and it was used for further analysis and testing of hypotheses.

4. Results and Discussion

In this research, an attempt has been made to broaden the comprehension of the association between the factors such as psychological characteristics, human capital, social capital, industrial factor, cultural factor, and business performance of Muslim women entrepreneurs. Accordingly, five hypotheses were developed based on literature related to accepted concepts.

The structural model in this study fits the goodness-of-fitness indices to be used for further analysis as shown in Figure 2 since the chi-square was significant with χ^2 (df = 234) = 658.502; $p = 0.000$; χ^2/df (CIMIN) = 2.814, which

was below the threshold of 5; GFI and AGFI were 0.849 and 0.81, respectively, which were above the cut-off of 0.80; with CFI = 0.908 and IFI = 0.909, which were above the cut-off of 0.90 and RMSEA = 0.08, which was at the same threshold level.

Accordingly, regression weights in the hypothesized path model were obtained to investigate the path analysis, the result of which is shown in Table 3.

The first hypothesis examined the relationship between psychological characteristics and business performance. The analysis of the structural model showed that psychological characteristics significantly contributed to business performance ($\beta = 0.141, p = 0.029 < 0.05$), confirming H1. Need for achievement ($\beta = -0.079, p = 0.284 > 0.05$), internal locus of control ($\beta = -0.099, p = 0.278 > 0.05$) and independent motives ($\beta = 0.155, p = 0.170 > 0.05$) did not show significant relationships with business performance. However, risk-taking had a direct significant impact ($\beta = 0.276, p = 0.044 < 0.05$) on business performance under the construct of psychological characteristics. The result is in accordance with prior studies in Indonesia concerning Muslim women entrepreneurs (Anggadwita & Dhewanto, 2016) and Israeli women entrepreneurs (Lerner et al., 1997).

However, only risk-taking was found to be significantly related to the business performance of Muslim women entrepreneurs in Sri Lanka after a deeper study. Whilst the

Table 3: Regression Weight in the Hypothesised Path Model

Path	Std. Reg. Weights	Unstd. Reg. Weights	S.E.	C.R.	P	Result
BP ← Psychological Characteristics	0.141	0.184	0.084	2.183	0.029	Significant
BP ← Need for Achievement	-0.079	-0.057	0.053	-1.072	0.284	Not Significant
BP ← Risk Taking	0.276	0.251	0.124	2.014	0.044	Significant
BP ← Internal Locus of Control	-0.099	-0.079	0.073	-1.086	0.278	Not Significant
BP ← Independent Motives	0.155	0.108	0.079	1.371	0.170	Not Significant
BP ← Human Capital	0.280	0.235	0.049	4.785	***	Significant
BP ← Business Skills	0.167	0.224	0.086	2.618	0.009	Significant
BP ← Business Education	-0.058	-0.042	0.044	-0.965	0.334	Not Significant
BP ← Experience	0.184	0.130	0.044	2.951	0.003	Significant
BP ← Social Capital	0.226	0.244	0.083	2.920	0.003	Significant
BP ← Familial Affiliation	-0.065	-0.055	0.060	-0.917	0.359	Not Significant
BP ← Non-Familial Affiliation	0.383	0.311	0.061	5.090	***	Significant
BP ← Industrial Factor	0.194	0.243	0.087	2.790	0.005	Significant
BP ← Institutional Support	0.057	0.050	0.052	0.950	0.342	Not Significant
BP ← Resource Accessibility	0.289	0.237	0.052	4.531	***	Significant
BP ← Cultural Factor	0.172	0.192	0.073	2.613	0.009	Significant

finding contradicts previous studies (Nurwahida & Manaf, 2011; Rani & Norashidah, 2017), it provides new perspectives of how the Muslim women entrepreneurs perceived the psychological characteristics, particularly in Sri Lanka. It can be observed in Sri Lankan Muslim families, especially in the Eastern region, Muslim women are protected and are discouraged from doing things on their own throughout their lives. Many Muslim women are dependent on their male family members since childhood. These may be the reason for the non-significance results obtained for the need for achievement, internal locus of control, and independent motives. However, risk-taking had a direct significant impact on business performance under the construct of psychological characteristics. This is despite psychological characteristics as a whole had a significant association with the business performance of Muslim women entrepreneurs in Sri Lanka.

The second hypothesis examined the relationship between human capital and business performance and the results show that human capital contributed significantly to business performance ($\beta = 0.280, p = 0.000 < 0.001$), confirming H2. Among the three dimensions, business education did not show significant impact on the business performance ($\beta = -0.042, p = 0.334 > 0.05$) whereas business experience ($\beta = 0.184, p = 0.003 < 0.05$) and business skills ($\beta = 0.167, p = 0.009 < 0.05$) showed significant impact

on the business performance. This is despite that human capital as a whole had a significant association with the business performance of Muslim women entrepreneurs in Sri Lanka. The result is in accordance with the overall mean score of this construct and those reported in previous studies (Lerner et al., 1997), validating the importance of human capital. However, out of the three sub-variables of education level, experience, and business skills, only business skills and experience have a notable effect on the business performance of Muslim women entrepreneurs.

Corresponding to the previous findings on the relationship between business performance and experience (Mathew, 2010) and business skills (McIntosh & Islam, 2010), the results imply that many of them who have been in business perceived that their business skills and experience are the major contributing factors to their business success. However, business education did not show a significant impact on the business performance of Muslim women entrepreneurs in Sri Lanka. This is expected as the majority of the Muslim women entrepreneurs possess only secondary qualifications, i.e. below the G.C.E. (O/L). In most Muslim families especially in the Eastern region of Sri Lanka, female children are not allowed to go for further studies where their parents prefer early marriage for them instead. However, Al-Quran does provide a guide on permissible and non-permissible actions which serves as knowledge on general

education to the women entrepreneurs. At the same time, Muslim women entrepreneurs would have received guidance from their parents and/or husbands. To some extent, they would have assisted their parents in their business operations and hence, developed some business skills and experience. The finding, taken together with the mean scores obtained for business skills and experience, suggest the important roles of policy, training, and development, as well as the support received from parents and/or husband for better honing of their business skills and experience through learning from other Muslim women entrepreneurs.

The third hypothesis was to examine the relationship between social capital and business performance. The analysis of the structural model showed that social capital significantly contributed to business performance ($\beta = 0.226$, $p = 0.003 < 0.05$), confirming H3. However, among the two dimensions of social capital only non-familial affiliations are significantly associated with business performance ($\beta = 0.383$, $p = 0.000$). This is despite social capital as a whole had a significant association with the business performance of Muslim women-owned entities in Sri Lanka. The finding is hence in line with the literature (Akhter & Subhani, 2016; Alam et al., 2011; Ondiba & Matsui, 2019).

Taking a deeper look, however, only non-familial affiliations are significantly associated with the business performance of the Muslim women entrepreneurs. The result is not surprising since earlier researches have also shown a substantial relationship between the non-family association and business performance (McElwee & Al-Riyami, 2003). While the family association scored higher factor loads and mean score, the analysis found no significant connection with business performance, which contradicted previous literature (Alam et al., 2011) Due to the traditions of Muslim families, men are seen as breadwinners whilst women are responsible to take care of the family. Although Muslim women entrepreneurs are involved in the business, their priority should be given to close family members. To some extent, the findings can also be inferred to the three non-significant psychological characteristics of need for achievement, independent motives, as well as internal locus of control. It can be interpreted from the standpoint that it is the non-familial affiliations such as participation in business networks and associations that the Muslim women entrepreneurs are looking forward to as manifested in the mean score. Such participation enables them to know other women entrepreneurs, learn new or enhance their skills, as well as learn from the experience of their counterparts. The finding will have implications on policy in overcoming the social stigma faced by the Muslim women entrepreneurs in Sri Lanka.

For the fourth hypothesis, the analysis of the structural model showed that industrial factors significantly contributed to business performance ($\beta = 0.194$, $p = 0.005 < 0.05$) and the result confirmed H4. Although industrial factor as a

whole is significantly associated with business performance, an analysis of the sub-variables found that only resource accessibility was significant ($\beta = 0.289$, $p = 0.000 < 0.001$), with institutional support showed no significant relationship ($\beta = 0.057$, $p = 0.342 > 0.05$). The result confirmed H4 is in line with the results from previous studies (Lee et al., 2012; Lerner et al., 1997). Although the industrial factor as a whole is significantly associated with business performance, an analysis of the sub-variables found that only resource accessibility was significant and institutional support showed no significant relationship.

The finding is consistent with the higher factor loading and means score achieved by resource accessibility over institutional support. Consistent with previous studies (Lerner et al., 1997; Roomi & Harrison, 2010), women entrepreneurs need access to resources such as the market, adequate raw materials, human resources, and finance. In the context of Muslim women entrepreneurs, these resources are viewed as critical to their business performance in any form of government or non-government support. This is more so when many of them are engaged in micro-scale, conventional businesses such as services, retail, or wholesale and manufacturing business on a micro-scale, where many businesses are conducted at home. Financial support mostly comes from close family members and hence, there is little reliance on government or non-governmental support. The finding can be interpreted together with the role played by networks and business associations in enabling the Muslim women entrepreneurs to seek out the resources they need.

The fifth hypothesis examined the relationship between the cultural factor and business performance and the results showed that cultural factor significantly contributed to business performance ($\beta = 0.172$, $p = 0.009 < 0.05$), confirming H5. Thus, cultural factors substantially contributed to business performance, corroborating the results of previous researches (Al-Sadi et al., 2010; Angadwitta et al., 2017; Wube, 2010) who found that socio-cultural support enhances the victory of Muslim women entrepreneurs. This is consistent with the agreement provided by the respondents that the cultural norms such as the way they make decisions by adhering to their male family members and/or advice from their families, maintaining a healthy balance between home and work, wearing a *hijab* to show their Muslim identity and the positive views from the society on their roles as entrepreneurs are as important to their business success.

Taken together, the five determinants of business performance contribute 32% of the variance in business performance. The standardised regression weight estimates, led by human capital ($\beta = 0.280$), social capital ($\beta = 0.226$), industrial factor ($\beta = 0.194$), cultural factor ($\beta = 0.172$) and psychological characteristics ($\beta = 0.141$) provide useful indicators on how to prioritise on the recommendations to be made. From the practical perspective, the findings enabled

more directed practical recommendations to be derived at where the government, policymakers, community, and entrepreneurs themselves can play an essential part. The implications of the study and recommendations are discussed in the following section.

5. Conclusion

The research represents an attempt on multiple levels of analysis as an individual, organizational and environmental. In their relations to the business performance of the Muslim women entrepreneurs. Much of the available studies tend to focus on the individual or psychological characteristics which explained only a small portion of what determines business performance. This study has hence addressed a significant gap. Perhaps another significant gap addressed by the study in the context of the study itself, which was on the Muslim women entrepreneurs in Sri Lanka. The limited studies on Muslim women entrepreneurs and the non-existence of such a study in a developing country such as Sri Lanka enabled the findings obtained from advanced statistical analysis to be illuminated, enriched, and documented, as well as to spur future studies in this important area. Based on the empirical findings, the study also recommends the following practical implications for the government, policymakers, business networks or associations, and even the Muslim women entrepreneurs themselves.

The government of Sri Lanka, and also non-governmental decision-making authorities, could use the findings to develop policies that will assist and encourage women entrepreneurs, particularly Muslim women entrepreneurs in capacity building such as organizing training and capacity building programs and in designing Business Development Support (BDS) services for them separately. Besides, the policymakers may consider redefining the SME policy framework and Enterprise Sri Lanka-2025 to create equal opportunities for Muslim women such as those provided to Muslim men entrepreneurs.

The findings will also enable the District Chambers of Commerce and Industry to develop strategies to promote the participation of Muslim women entrepreneurs in the chambers so that they may extend their network affiliations. Since most Muslim women entrepreneurs are hesitant to enter and register with the chambers, the chambers can consider separating the window only for Muslim women entrepreneurs as there is a language barrier in Sri Lanka between Muslims and non-Muslims. The majority of Sri Lankans speak Sinhala while the Muslims speak Tamil as their primary language. If there is a separate window for Muslim women entrepreneurs, this will enable them to feel more comfortable as the language used may inspire them to participate in the chambers and create more networks.

The study's findings will also serve as a guide for nascent and help potential Muslim women entrepreneurs to develop their weak points based on what the study has identified. For example, being risk-takers, the Muslim women entrepreneurs would take responsibility for all of their business activities, being enthusiastic in doing things differently, be able to face challenges, and avoiding *riba* (interest). Similarly, improvement in human capital by means of enhancing business skills such as planning skills, interpersonal relationships with customers, employees, and suppliers, marketing skills, organizing skills, and experiences obtained in the previous businesses would lead them to better performance. Besides, since non-familial affiliation significantly contributes to business performance, Muslim women entrepreneurs can utilize these findings to improve their business networks outside their homes, and also strengthen their business performance. Under the industrial factor, focusing more on access to resources is apparent from the statistical analysis. The Muslim women entrepreneurs might focus on finding a better location for their business, ensuring adequate raw materials and human resources, as well as ensuring the availability of internal finance for better business performance. Similarly, Muslim women entrepreneurs may opt to follow certain cultural practices such as listening to the advice given by their parents and or spouses, maintaining a healthy balance between work and family, and maintaining the *hijab* (dressing method) to enhance their business performance.

Finally, the findings will help to reinforce the recommendations in terms of the positions of family members and partners, as well as the community's social stigma of developing educational campaigns for both men and women and society at large to allow society to recognize Muslim women entrepreneurs' contributions. The important support from parents and/or husband will enable the Muslim women entrepreneurs to grasp business opportunities for better business performance. However, the study is restricted only to Muslim female entrepreneurs registered with the District Chamber of Commerce and Industry in the three districts of Sri Lanka's eastern province. This, therefore, disregarded Muslim women entrepreneurs who were not registered with the District Chamber of Commerce and Industry. It can be taken into account by potential researchers when extending the study. Furthermore, this study only considered the Muslim women entrepreneurs in the Eastern province of Sri Lanka. Potential studies can take into account relevant research with other ethnic groups or regions, and also across countries.

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