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ENTREPRENEURIAL SUCCESS THROUGH MICROFINANCE SERVICES AMONG WOMEN ENTREPRENEURS IN SRI LANKA AND EFFECT OF THEIR ETHNICITY

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ABSTRACT

There is a clear opportunity for researching the entrepreneurial success of women utilizing microfinance services and to evaluate the degree of influence exerted by each of these services on the entrepreneurial success of Sri Lankan women entrepreneurs who are mostly poor (Bernard, 2015). Further, it is observed that there is a strong belief among microfinance practitioners and experts in Sri Lanka that there is an effect of ethnicity on the relationship between microfinance services and entrepreneurial success of these women. This research studies the influence of microfinance services on the entrepreneurial success of Sri Lankan women of low income categories. Five microfinance services namely, microcredit, micro-savings, micro-insurance, business support and skills development programmes have been identified through literature among other services (Bernard, 2015, Bruton *et al.*, 2011; Khavul *et al.*, 2013). Rankin (2001) states that as an example, women of South Asian countries, show that caste, ethnicity, and class are social distinctions that might preclude them from viewing their interests with other women. Since, solidarity group concept is one key attribute in microfinance, it could be expected that ethnicity would exert some influence on entrepreneurial success of women using microfinance services. Therefore, this study has also tested whether there is any moderating effect of ethnicity of these women on the relationship between microfinance services and their entrepreneurial success. The results have discovered that microcredit, micro-savings and skills-development have a positive relationship with entrepreneurial success of women, while micro-insurance and business support have not shown a significant relationship. Further, ethnicity of these women entrepreneurs has shown a moderating effect on the relationship of women belong to Tamil ethnic group between micro-insurance and entrepreneurial success compared to that of women belong to Sinhalese ethnic group (Sinhalese, Tamil and Moors (Muslims) are the three major ethnic groups in Sri Lanka). Further, moderating effect on this relationship between micro-insurance and entrepreneurial success is positive.

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INTRODUCTION

Naturally, finance institutions were not particularly concerned about poor target groups of customers. However, the microfinance movement has exploited new contractual structures and organizational forms that has reduced the

riskiness and costs of making small, un-collateralized and cheap loans (Khavul, 2010). These new developments resulted in developing a market driven mechanism through microfinance using direct engagement with poor to stimulate economic growth which is in contrast to the common approach. The term 'microfinance' refers to small scale financial services, primarily credit and savings to the economically active low income clients to produce goods and provide services (Kabeer, 2005). In addition to credit and savings, some micro-finance institutions (MFI) provide other financial services such as micro money transfer and micro

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insurance. Further, these MFIs also provide social intermediation such as development of social capital through groups formation, training in financial and enterprise management and development of management capabilities and external support services (Aheeyar, 2007). The common features of microfinance are, small size of the loan not based on collateral, group guarantee, compulsory and voluntary savings, informal appraisal of borrowers and investments and access to repeat and bigger loans based on repayment performances (Cooper, 2014).

Literature Review

After the Second World War and into the 1970s, approach to reduce poverty of the developing world have been considered within the purview of large intergovernmental organizations where donors and recipient governments formulated strategies to facilitate economic growth (Easterly, 2006; Sachs, 2005). Hence the development finance institutions were not particularly concerned about poor target groups of customers. However, this view shifted after the realization of the fact that massive amounts of foreign trade invested in large projects did not necessarily lead to the "trickledown effect" which had been expected (Robinson, 2001) resulting in micro-finance movement exploiting new opportunities to offer small, un-collateralized and cheap loans to the poor. These new developments resulted in developing a market driven mechanism through microfinance using direct engagement with poor to stimulate economic growth which is in contrast to the previous approach (Khavul, 2010).

Microfinance provides these services to lower income clients who have been denied of such services by the formal banking and financial institutions (Khavul, 2010), generally communities, with the aim of supporting economic development through the growth of entrepreneurial activity (Bruton *et al.*, 2011; Khavul *et al.*, 2013). Microfinance has been a strategy for many poverty alleviation initiatives (Khandker, 2005) and targeted almost one third of the world population who live on less than \$2 a day (Khavul, 2010). Furthermore, microfinance has been considered as a tool for poverty alleviation according to research studies conducted in a wide cross section of countries with a focus of developing entrepreneurial activities of poor women. Although, in these studies conducted both in Sri Lanka and abroad, a positive relationship between microfinance and expansion of existing enterprises facilitating entrepreneurial success has been established, some other studies have found a negative relationship between these two variables (Roodman, 2012; Karlan and Zinman, 2011).

Further, the findings of such empirical studies are inconclusive, and the focus on underlying mechanisms which may explain how microfinance influences entrepreneurial activity, is limited (Newman *et al.*, 2014). Further, the nature of inconclusiveness on the outcome of microfinance as a modus operandi for women to achieve entrepreneurial success at the enterprise level can be observed from the empirical research findings related to the subject. Facilitating women for entrepreneurial activities would lead to improve their living standards and that of their families (Bernard, 2015). This would in turn pave way for economic development of the country. Hence, given the controversy as to whether microfinance services contribute to entrepreneurial activity and limited coverage on underlying mechanisms, management

scholars have called for an increased attention on how and why some microfinance clients create successful enterprises while others did not (Ahlstrom *et al.*, 2011; Bruton *et al.*, 2010). Hence it is evident that there is a division of opinion about the effectiveness of microfinance services through which women achieving entrepreneurial success according to research conducted in many countries as shown above. It is also difficult to find any evidence of empirical research conducted as to whether microfinance services influence the entrepreneurial success of women in Sri Lanka.

An impact study conducted by Cooper (2014) on business success of women in Tanzania has confirmed that microfinance has reached the targeted community and improved overall economy of Tanzania. However, there should be a clear objectives to be established in using microfinance as an intervention policy for poverty reduction (Kiiru, 2007). However she also has stated that microfinance does not 'automatically' empower women. No conclusive evidence are available to establish that microfinance is a successful development strategy (Armendariz and Morduch, 2010; Odell, 2010). A study conducted in Pakistan confirms that multi-dimensionality of microfinance and the independence effect of innovativeness, pro-activeness, and risk taking are distinctly correlated with business performance (Jalila, Mughalb, and Isac, 2014). According to Mosedale *et al.*, (2003) to empower people, they should currently be disempowered, disadvantaged by the way power relations shape their choices, opportunities and well-being. She states that empowerment cannot be bestowed, externally, but must be claimed by those seeking empowerment through an ongoing process of reflection, analysis and action (Mosedale *et al.*, 2003). She also goes on to say "women need empowerment as they are constrained by the norms, beliefs, customs and values through which societies differentiate between women and men" (Mosedale *et al.*, 2003: p.3).

Many MFIs target primarily, or exclusively, women. This practice is based on the common belief that women invest the loans in productive activities or in improving family welfare more often than men, who are known to consume rather than invest loan funds. Women achieve entrepreneurial success through setting up new enterprises, expansion and improved performance of existing enterprises and improvement of well-being of their families. The examination of whether women achieve entrepreneurial success through microfinance services is important in the context that there are diverse views presented by the scholars on the subject. Normally, women are forced into entrepreneurship when they are unhappy about their present state of affairs (Kirby and Watson, 2008). According to Steinwand and Bartocha (2008), microfinance is a multifaceted benefactor that affords women to rebuild their lives, plan for their future and that of their children, empower them with self-esteem, integrate into social fabric by enjoying access to social networks and making contributions towards welfare of their families and that of the community" The women in Sri Lanka are faced with many challenges resulting in poor well-being of themselves and their children. Hence, their achieving entrepreneurial success is important for them, their families, and to the economy in general. The most immediate impact, the MFIs have observed in their clients having utilized microfinance services is the economic benefits such as increase in income, expenditure, and assets of client households. Women's Development Foundation (WDF) in

Hambantota¹ through an impact survey; titled “Empowerment of the poorest of the poor women and young girls in Sri Lanka project” conducted in 2008, has found that 71 percent of the microfinance borrowers have increased their sales and profits. Further, Tilakaratna, Wickramasinghe, and Kumara (2005) have shown in their study that 38.3 percent microfinance borrowers reported an improvement in housing whilst only 21 percent of those in the control group showed an improvement. The same researchers in this study have found that 13.3 percent microfinance clients achieved an increase in “assets” due to participation in microfinance. Hence, the improvement in household income, increase expenditure of the household-family activities and purchase of assets by the family have been established by researchers.

There are studies conducted to find out the impact of microfinance (as a whole) on poverty alleviation, women empowerment, entrepreneurship and other related topics. It is difficult to find evidence on studies conducted on the impact of microfinance services (factors of microfinance) on entrepreneurial success of women in Sri Lanka. However, Ranasinghe (2008) has identified six factors contributing to the success of women entrepreneurs of Sri Lanka, these are; entrepreneurial competencies, formal and informal learning, external support, culture, early childhood experience, and psychological characteristics. The findings presented above suggest that there are successes as well as failures in women achieving entrepreneurial success by utilizing microfinance services. This has led to the difference of opinion among the researchers about the outcome of microfinance initiatives. Further, compared to the availability of research studies on subjects such as economic development, poverty alleviation and women empowerment, there is a dearth of studies on influence of microfinance services on creation of new businesses and growth of existing businesses (Newman *et al.*, 2014). Even the limited empirical studies conducted by development economists (Banerjee *et al.*, 2010; Crepon *et al.*, 2011; Karlan and Zinman, 2011) the findings are inconclusive and have limited focus on how microfinance services influence entrepreneurial activity. In this context, there is a controversy as to whether microfinance services contribute to entrepreneurial success.

According to Marco Dandon (2015) ethnicity is a very sensitive subject and directly impacts standards, opinions, values, attitudes and the thought process of people. The theory of change underlying the objectives set out by the microfinance initiative is that social change goes through the financial (and economic) empowerment of individuals. In such a theory, the ethnic boundary is only indirectly related to micro-finance in the West (Barinaga, 2015). However, Rankin (2001) states that as an example, women of South Asian countries, show that caste, ethnicity, and class are social distinctions that might preclude them from viewing their interests with other women. As in microfinance group activities play an important role, one can expect ethnicity to influence the entrepreneurial success of women in microfinance. This position is strongly supported by the industry experts during the pilot survey. According to the Census and Statistics Department of Sri Lanka (CSD) in 2014, the women account for 51.75% of the population in Sri Lanka. Out of total ‘economically inactive population’ of the country, 69 percent are females, and out of the total ‘economically

active population’ (labour force) females account for only 31.6 percent (Department of Census and Statistics-Sri Lanka, 2014). This implies that there is a large untapped female population in the country, which could be utilized for development of the country, by facilitating them to become entrepreneurs. Given the fact that majority of the population is women in Sri Lanka and attracting them to the labour force is of utmost importance. The microfinance services are offered mainly to women by the microfinance institutions in Sri Lanka like in many other countries. Hence, evaluating the influence of microfinance services in achieving entrepreneurial success of women is vital especially in the context of having diverse views on the outcome. Further, five different services of microfinance has been identified as micro-credit, micro-savings, micro-insurance, business support and skills development programmes have been identified which were supported by literature (Aheeyar, 2007, Bernard, Kevin and Khin, 2015). Accordingly, the research objectives of this study can be identified as given below.

Research Objectives

- To analyze the relationship between microcredit, micro-savings, micro-insurance, business support, skills development programs and entrepreneurial success of women using microfinance services.
- To find out the association of these women entrepreneurs’ ethnicity on the relationship of each microfinance services and entrepreneurial success of women.

Study Design

The study makes use of the previous studies, expert opinion and findings of the survey conducted and involves conceptual and empirical analysis. The constructs were identified as presented in Appendix 1. The questions developed for each of the constructs were reviewed by academics and practitioners with relevant expertise in order to maintain clarity and comprehensiveness. The questionnaire was translated into Sinhalese and Tamil languages to overcome the language barriers and to improve the comprehension by the respondents (unit of analysis i.e. female users of microfinance services). The translated questionnaire was tested for translation errors.

The questionnaire was piloted among 40 female recipients who are receiving microfinance services from NBFIs registered with the Central Bank of Sri Lanka. Using these questionnaires, the reliability and validity were tested and accordingly, some changes to these questions were made. A total of 31 items in relation to 6 constructs were included in the final questionnaire with a five point Likert scale ranging from 1 to 5 representing strongly disagree to strongly agree. An empirical investigation was carried out among a sample of women receiving microfinance services using a structured questionnaire through face to face interviews. The SPSS (version 21) was employed to test the relationships between these microfinance services and entrepreneurial success.

Sample Data

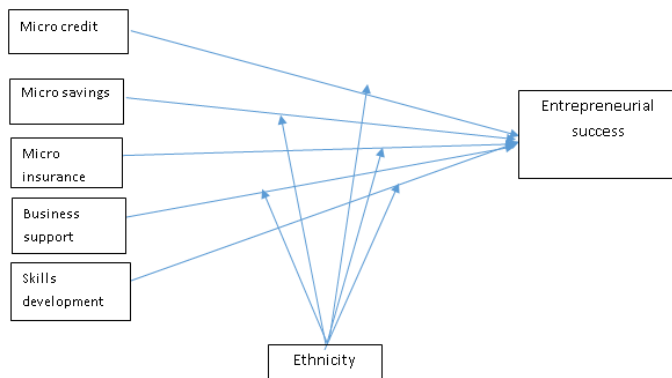
The sample size of this study was 471 capturing only the women entrepreneurs receiving microfinance services from Non-Bank Financial Institutions (NBFIs) registered with the Central Bank of Sri Lanka. The sample selection was based on stratified and random sampling from three provinces each dominating Sinhalese, Tamils and Muslims (three major

¹ A township in the Southern Province of Sri Lanka.

ethnicities in Sri Lanka) and represented 195, 218 and 39 respectively in the sample while 19 did not belong to any of these ethnicities.

Hypotheses and Theoretical Framework

In identifying the relationships between the microfinance services and entrepreneurial success the following conceptual framework identified by Bernard, Kevin and Khin (2015) was used with the addition of moderating variables to the framework which is given below.



Source: Bernard and Kevin (2015) and Own findings

Figure 1. Conceptual Model

Research Model (Equation)

$$ES = C + \beta_1 MC + \beta_2 MS + \beta_3 MI + \beta_4 BS + \beta_5 SD + \beta_6 \text{Tamil} + \beta_7 \text{Muslim} + \beta_8 (MC_Tamil) + \beta_9 (MC_Muslim) + \beta_{10} (MS_Tamil) + \beta_{11} (MS_Muslim) + \beta_{12} (MI_Tamil) + \beta_{13} (MI_Muslim) + \beta_{14} (BS_Tamil) + \beta_{15} (BS_Muslim) + \beta_{16} (SD_Tamil) + \beta_{17} (SD_Muslim) +$$

- ES : Entrepreneurial success of women
- MC : Microcredit
- Tamil : Direct effect of tamil ethnic group on ESW
- MS : Micro savings
- Muslim : Direct effect of muslim ethnic group on ESW
- MI : Micro insurance
- MC_Tamil : Moderating effect of tamil ethnic group on MC-ESW with reference to the Sinhala group
- BS : Business support
- MC_Muslim : Moderating effect of muslim ethnic group on MC-ESW with reference to the Sinhala group
- SD : Skills development (MS, MI, BS and SD Moderating effects are included in the equation)

Microfinance encompasses multifaceted services that affords women to rebuild their lives, plan for their future and that of their children, empower them with self-esteem, integrate into social fabric by enjoying access to social networks and making contributions towards welfare of their families and that of the community (Steinwand and Bartocha, 2008). Microfinance provides services of both financial and nonfinancial nature, including small business loans to lower income clients, generally communities, with the aim of supporting economic development through the growth of entrepreneurial activity (Bruton *et al.*, 2011; Khavul *et al.*, 2013). These studies highlight the relationship between microfinance services and entrepreneurial success of women. Further, Microfinance offers financial and non-financial services to economically active low income clients. The financial services include such

as credit, savings and insurance to poor people living in both urban and rural settings and are unable to obtain such services from the formal financial sector (Schreiner and Colombet, 2001). However, there seems to be a gap in determining the relationship between individual services and entrepreneurial success of women except some research findings on the impact of microcredit. Hussain and Mahmood (2012) suggest that according to results derived using a quantitative analysis that income, education and health of households have high correlation with access to microcredit. Further, microfinance loans have a positive impact on poverty reduction (Hussain and Mahmood, 2012). According to an empirical study conducted by Jalila *et al.* (2014), the degree of women entrepreneurship development is effected by microfinance in majority of small and medium enterprises. This study has also confirmed the findings of previous studies, that multidimensionality of microfinance and independence effect of innovativeness, pro-activeness and risk taking are distinctly correlated (Lumpkin and Dess, 1996; Yang, 2008; Lee and Lim, 2009).

The critical role of microfinance has been recognized by many scholars and the International Monetary Fund (IMF) in achieving Millennium Development Goals² - MDGs and conclude that microfinance can deliver social benefits on a sustainable manner (Littlefield, Murdugh and Hashemi, 2003; Simanowitz and Brody, 2004; IMF 2005). They highlight the uniqueness of microfinance among development initiatives and state that microfinance serves as a critical contextual factor having a major impact on achieving MDGs. However, there exist a strong debate on the effectiveness of microfinance as a strategy for reducing poverty and recipients of microfinance benefits (Chowdhury, Mosely, and Simanowitz, 2004). The findings of these researchers who hold diverse viewpoints while confirming the contribution of microfinance in entrepreneurial development of women entrepreneurs highlight certain drawbacks of microfinance as a tool for promoting entrepreneurial activities in different countries. We now attempt to have an analytical view of the situation in Sri Lanka.

In view of the above findings, the following have been identified as research hypotheses for this study in order to understand the relationship between financial services of microfinance and entrepreneurial success of women. According to studies by Roxin (2010) in Sierra Leone, microcredit has a substantial impact on women's economic empowerment. Kabeer (2005) has concluded that access to financial services can and does make important contribution to the economic productivity and social well-being of poor women and their households. However, microcredit operations in India, Bangladesh and Mexico have been criticized for high interest rates and use of microcredit for personal consumption (Roodman, 2012). Therefore:

Hypothesis 1: There is a relationship between microcredit and entrepreneurial success of women using microfinance services.

Studies conducted by Crepon *et al.* (2010) and Banerjee *et al.* (2010) have established a positive impact of microfinance

² The MDGs are 1) eradicate extreme poverty and hunger 2) achieve universal primary education 3) promote gender equality and empower women 4) reduce child mortality 5) Improve material health 6) combat HIV/AIDS, malaria and other diseases 7) develop global partnership for development (Littlefield, Murdugh, & Hashemi, 2003).

services on business income and profits based on their studies in Morocco and India, while Karlan and Zinman (2011) found that increased access to microfinance in Philippines has resulted in a reduction of the number of businesses run by entrepreneurs and the people employed. Therefore, two following hypotheses can be developed.

Hypothesis 2: There is a relationship between micro-savings and entrepreneurial success of women using microfinance services.

Hypothesis 3: There is a relationship between micro-insurance and entrepreneurial success of women using microfinance services.

Hypothesis 4: There is a relationship between business support and entrepreneurial success of women using microfinance services.

The training and development and financial funding are a major challenges facing rural women in the selected province in South Africa (Mogashoa, 2014). According to Hussain and Mahmood (2012) entrepreneurial attributes and characteristics are critical for the success for an enterprise in general and the improvement in household of women in particular in Pakistan. Raven and Le (2014) state by examining the effects of business training programmes for women microcredit recipients in rural areas of Vietnam that business training can improve micro enterprise performance and has a number of other positive results, such as increasing motivation, success, and perceptions of entrepreneurs. Therefore:

Hypothesis 5: There is a relationship between skills development and entrepreneurial success of women using microfinance services

Sri Lanka is multi ethnic country with three major ethnic groups, Sinhalese, Tamils and Muslims (Moors) representing 73.8%, 11.1% and 4.6% of the total population, respectively (CSD, 2014). In the context of the strong belief of the microfinance experts on the influence of ethnicity on the relationship between micro-finance services and entrepreneurial success and literature presented above on the impact of ethnicity on microfinance operations, the following hypothesis can be developed.

Hypothesis 6: There is a moderating effect of ethnicity of women entrepreneurs, on the relationships between microfinance services and entrepreneurial success of women using microfinance services (This hypothesis 6 has five sub-hypotheses in relationship to five microfinance services identified)

Measures and Items for Independent and Dependent Variables

The study makes use of the previous studies, expert opinion and findings of the survey conducted and involves conceptual and empirical analysis. The constructs and items identified by Bernard, Kevin and Khin (2015) were adapted for the analysis (See Annex 1). A total of 31 items were included in the survey questionnaire using a five point Likert scale ranging from 1 to 5 representing strongly disagree to strongly agree. The questions developed for each of the constructs were reviewed by academics and practitioners with relevant expertise in order

to maintain clarity and comprehensiveness. The questionnaire was translated into Sinhalese and Tamil languages to overcome the language barriers and to improve the comprehension by the respondents (unit of analysis i.e. female users of microfinance services). The translated questionnaire was tested for translation errors.

Data Analysis and Findings

The study carried out a) construct validity and reliability of each construct and b) assessment of hypotheses. Construct validity and reliability of each research construct is tested using principal component factor analysis method using SPSS version 21. In Dependent variable construct; Entrepreneurial success, KMO statistic (0.929) for sampling adequacy clearly indicates that the sample is adequate to compute a single factor from the underlying instruments (indicators). A significant statistic in Bartlett's Test of Sphericity also indicates that the correlations among measurement instruments exists. It is evident that 63.23% of the variation in instruments has been explained by the extracted factor with all loadings greater than 0.7. Thus, the construct validity corresponding to Entrepreneurial success is well justified. Moreover, the Cronbach's alpha (0.914) clearly indicates that all underlying instruments are internally consistent and therefore reliability of the same construct is justified.

Construct validity of each research construct relevant to five independent variables were tested using principal component factor analysis method. In Microcredit, KMO statistic (0.867) for sampling adequacy clearly indicates that the sample is adequate to compute a single factor from the underlying instruments (indicators). A significant statistic in Bartlett's Test of Sphericity also indicates that the correlations among measurement instruments exists. It is evident that 67.26% of the variation in instruments has been explained by the extracted factor with all loadings greater than 0.7. Thus, the construct validity corresponding to Microcredit is well justified. Moreover, the Cronbach's alpha (0.875) clearly indicates that all underlying instruments are internally consistent and therefore reliability of the same construct is justified. In Micro-savings Construct, KMO statistic (0.821) for sampling adequacy clearly indicates that the sample is adequate to compute a single factor from the underlying instruments (indicators). A significant statistic in Bartlett's Test of Sphericity also indicates that the correlations among measurement instruments exists. It is evident that 70.43% of the variation in instruments has been explained by the extracted factor with all loadings greater than 0.7. Thus, the construct validity corresponding to Micro-savings is well justified. Moreover, the Cronbach's alpha (0.859) clearly indicates that all underlying instruments are internally consistent and therefore reliability of the same construct is justified.

In Micro-insurance, KMO statistic (0.846) for sampling adequacy clearly indicates that the sample is adequate to compute a single factor from the underlying instruments (indicators). A significant statistic in Bartlett's Test of Sphericity also indicates that the correlations among measurement instruments exists. It is evident that 64.30% of the variation in instruments has been explained by the extracted factor with all loadings greater than 0.7. Thus, the construct validity corresponding to Micro-insurance is well justified. Moreover, the Cronbach's alpha (0.860) clearly

indicates that all underlying instruments are internally consistent and therefore reliability of the same construct is justified. In Business-support, KMO statistic (0.879) for sampling adequacy clearly indicates that the sample is adequate to compute a single factor from the underlying instruments (indicators).

A significant statistic in Bartlett's Test of Sphericity also indicates that the correlations among measurement instruments exists. It is evident that 73.03% of the variation in instruments has been explained by the extracted factor with all loadings greater than 0.7. Thus, the construct validity corresponding to Micro-insurance is well justified.

Table 1. Results of Linear Regression-Basic Model

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.666 ^a	.443	.437	.62683

a. Predictors: (Constant), SD, MI, MC, MS, BS

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	145.571	5	29.114	74.097	.000 ^b
	Residual	182.708	465	.393		
	Total	328.280	470			

a. Dependent Variable: ES

b. Predictors: (Constant), SD, MI, MC, MS, BS

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.841	.172		4.884	.000
	MC	.299	.054	.278	5.582	.000
	MS	.209	.057	.217	3.680	.000
	MI	.066	.056	.068	1.170	.243
	BS	.004	.066	.004	.064	.949
	SD	.211	.063	.206	3.350	.001

a. Dependent Variable: ES

Table 2. Results of the Linear Regression-Full Model

Model Summary (Full Model)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.680 ^a	.462	.444	.62313

a. Predictors: (Constant), MI_Muslim, MeanIns, SD_Tamil, MeanSD, MeanMC, MeanMS, MeanBS, MC_Muslim, MS_Muslim, MI_Tamil, BS_Muslim, MC_Tamil, MS_Tamil, BS_Tamil, SD_Muslim

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	151.809	15	10.121	26.064	.000 ^b
	Residual	176.675	455	.388		
	Total	328.484	470			

a. Dependent Variable: MeanES

b. Predictors: (Constant), MI_Muslim, MeanIns, SD_Tamil, MeanSD, MeanMC, MeanMS, MeanBS, MC_Muslim, MS_Muslim, MI_Tamil, BS_Muslim, MC_Tamil, MS_Tamil, BS_Tamil, SD_Muslim

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.838	.177		4.727	.000
MC	.323	.069	.300	4.661	.000
BS	-.026	.097	-.025	-.271	.787
MI	-.070	.082	-.071	-.847	.398
MS	.239	.092	.248	2.589	.010
SD	.320	.088	.313	3.646	.000
MC_Tamil	-.100	.116	-.245	-.865	.388
MC_Muslim	.138	.178	.211	.774	.439
MS_Tamil	-.075	.127	-.187	-.591	.555
MS_Muslim	-.068	.156	-.098	-.438	.662
BS_Tamil	.031	.137	.076	.225	.822
BS_Muslim	.330	.285	.508	1.159	.247
SD_Tamil	-.188	.130	-.460	-1.445	.149
SD_Muslim	-.510	.310	-.793	-1.645	.101
MI_Tamil	.346	.130	.854	2.655	.008
MI_Muslim	.079	.163	.107	.486	.627

Moreover, the Cronbach's alpha (0.908) clearly indicates that all underlying instruments are internally consistent and therefore reliability of the same construct is justified. In Skills development construct, KMO statistic (0.801) for sampling adequacy clearly indicates that the sample is adequate to compute a single factor from the underlying instruments (indicators). A significant statistic in Bartlett's Test of Sphericity also indicates that the correlations among measurement instruments exists. It is evident that 71.87% of the variation in instruments has been explained by the extracted factor with all loadings greater than 0.7. Thus, the construct validity corresponding to Skills development is well justified. Moreover, the Cronbach's alpha (0.869) clearly indicates that all underlying instruments are internally consistent and therefore reliability of the same construct is justified. Therefore, the above analysis shows that all the six constructs used in this study satisfy the validity and reliability requirements.

Fitness of the Model and Testing of Hypotheses

Before testing the hypotheses the fitness of the basic model and the full model were evaluated. Further, using matrix scatter dot diagrams drawn for all variables linear relationship among variables have been established. According to the above analysis 43.7% of the variation in Entrepreneurial success of the users of microfinance services is explained by the fitted model. According to the p-value in ANOVA, the overall model appears to be significant with at least one independent variable in the model. In studying the coefficients, it is evident that microcredit (MC), micro-savings (MS), and Skills-development (SD) are significantly related with Entrepreneurial success (ES) with positive slope coefficients. According to standardized beta values, MC affects the most on ES among those significant variables. In order to account the moderating effect due to Ethnicity, a regression analysis of the full model was carried out. The results are as follows. In studying the coefficients, it is evident that microcredit (MC), micro-savings (MS), and Skills-development (SD) are significantly related with Entrepreneurial success (ES) with positive slope coefficients. According to standardized beta values, MC affects the most on ES among those significant variables.

Table 3. Summary Result of Linear Regression Analysis

Hypotheses	Variables	TValue	Sig.	Result
H1	Micro Credit	4.661	.000	Accepted
H2	Micro Savings	2.589	.010	Accepted
H3	Micro insurance	(0.847)	.398	Rejected
H4	Business support	(0.271)	.787	Rejected
H5	Skills development	3.646	.000	Accepted
H6-1	MC-Tamil	(0.865)	.388	Rejected
H6-2	MC-Muslim	0.774	.439	Rejected
H6-3	MS-Tamil	(0.591)	.555	Rejected
H6-4	MS-Muslim	(0.438)	.662	Rejected
H6-5	MI-Tamil	2.655	.008	Accepted
H6-6	MI-Muslim	0.486	.627	Rejected
H6-7	BS-Tamil	0.225	.822	Rejected
H6-8	BS-Muslim	1.159	.247	Rejected
H6-9	SD-Tamil	(1.445)	.149	Rejected
H6-10	SD-Muslim	(1.645)	.101	Rejected

As summarized in Table 3, H1 and H2, are acceptable at the level of 0.01 (sig=0) significance and H5 and H6-5 are acceptable at the level of 0.05 (sig<.05) hence the variable Microfinance, Micro-savings and skills development have

positive relationships with the dependent variable; Entrepreneurial success. H3 and H4 are rejected at the significance level of 0.05 hence Micro insurance and Business support have no relationship to Entrepreneurial success. Further, the relationship between Micro insurance and Entrepreneurial success is moderated by women belong to tamil ethnic group compared to that of sinhalese women. According to the coefficient value of this moderating relationship (0.346), it can be concluded that the relationship between MI and ES is strengthened in Tamil group compared to the Sinhalese group. That is the slope coefficient (-0.07) of the relationship between MI and MS which is not significant for the Sinhalese group tends to increase by 0.346 and becomes significant for the Tamil group.

DISCUSSION AND CONCLUSIONS

The main purpose of this empirical study is to analyze the relationships between microfinance services and entrepreneurial success of women and to discover the significant microfinance services influencing entrepreneurial success of women entrepreneurs utilizing such services in Sri Lanka. Study also examined the influence of ethnicity of these women entrepreneurs on the relationships identified as mentioned above. Microcredit is the main service factor of microfinance without which other service factors cannot exist, this has led to the extent of using "microfinance" and microcredit interchangeably by some scholars though microcredit is only one component of microfinance (Bernard, Kevin and Khin). According to the findings of the study, microcredit has a positive relationship with entrepreneurial success of women entrepreneurs. This is in line with the findings of past studies. According to Roxin (2010), microcredit has a substantial impact on women's economic empowerment. Further, an empirical study conducted among 750 women entrepreneurs supports this view on the relationship between microcredit and entrepreneurial success of women entrepreneurs (GTZ-ProMis, 2005 -2009).

According to the findings micro-savings has a positive relationship to entrepreneurial success of women entrepreneurs in Sri Lanka. This finding is not specifically supported by previous studies. However, most of the authors are of the view that savings would be useful in fulfilling the funding requirements for expansion of existing enterprises and creation of new enterprises (Newman, Schwarz and Borgia, 2013). Further, a few empirical studies conducted in Sri Lanka support this view (Attapattu, 2009; Ranasinghe, 2008; GTZ-ProMis, 2010). According to the findings skills development has indicated a positive relationship to entrepreneurial success and this is in line with the literature on previous studies conducted (Ranasinghe, 2008). According to Harrison (2008) lack of managerial experience and skills are the main reasons for the failure of new firms. Mutezo (2009) has identified that there is an impact of management experience on the management skills of entrepreneurs. Though the scholars have identified micro-insurance as one of the factors of microfinance services, the relationship of this variable to entrepreneurial success has not been evident in this study. Accordingly, no relationship has been identified between micro-insurance and entrepreneurial success of women entrepreneurs. The findings of the field survey reveals that micro-insurance is not being provided by most of the NBFIs in Sri Lanka for women entrepreneurs. Further, these NBFIs have formulated insurance schemes to recover non-payment of

loans by the women entrepreneurs in case of a serious eventuality. Hence in the point of view of women entrepreneurs, micro-insurance appear to have not been perceived as useful for entrepreneurial success.

According to the findings the relationship between business support and entrepreneurial success is not significant though according to past researchers external support has been identified as a contributing factor to entrepreneurial success. This may be due to varying nature of external support offered by the MFIs in different environmental conditions. Some MFIs offer business support to the extent of disposing the finish products of some of these entrepreneurs while some others offer. Further, the relationship between Micro insurance and Entrepreneurial success is moderated by women belong to Tamil ethnic group compared to that of Sinhalese women and the relationship between MI and ES is strengthened in Tamil group compared to the Sinhalese group. That is the slope coefficient (-0.07) of the relationship between MI and MS which is negative and not significant for the Sinhalese group tends to increase to a positive value and becomes significant for the Tamil group. This may be due to differences in cultural and religious practices of Tamils compared to the Sinhalese, where Tamils more concerned about insuring against risk. The industry practitioner's view is in line with this finding.

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Annexure 1

Entrepreneurial success	Profits of my enterprise tend to increase
	Turnover of my enterprise tend to increase
	Number of employees of my enterprise started to increase
	Number of products of my enterprise tend to increase
	Number of buyers of my enterprise tend to increase
	HH/Family income tend to increase
	HH/Family assets tend to increase
	HH/Family savings tend to increase
Microcredit	The loan interest is reasonable
	The loan obtaining procedure is simple
	The loan amount is sufficient
	The loan repayment period is sufficient
	The loan repayment procedure is easy
Micro-savings	The savings interest is reasonable
	The savings product option are attractive
	The procedures are simple
	The savings withdrawal is easy
	The saving is compulsory
Micro-insurance	Insurance benefits are effective
	Availability of different policies are satisfactory
	Obtaining an insurance policy is compulsory
	Ins. policy premiums are reasonable
	Insurance claims are promptly paid
Business support	Assistance for marketing was useful
	Assistance for product improvement is enough
	Assistance for operating my enterprise was useful
	Knowledge given to improve product is sufficient
	Knowledge given on marketing is sufficient
Skills development	Skills development programmes are useful in running my business
	Frequency of skills development programmes are enough
	These programmes are useful in improving my social status
	These programmes are useful in improving my family life
	These programmes are useful in personal attributes/qualities

Annexure 2

Profile of the Sample of Respondents-Women using Microfinance Services

1. The Period Respondents have used Microfinance Services

	Frequency	Percent	Valid Percent	Cumulative Percent
Less than two months	90	19.1	19.1	19.1
1-2 years	259	55.0	55.0	74.1
2-3 years	85	18.0	18.0	92.1
More than 3 years	37	7.9	7.9	100.0
Total	471	100.0	100.0	

2. Age Distribution of the Respondents

Category	Frequency	Percent	Valid Percent	Cumulative Percent
less 25	8	1.7	1.7	1.7
25-30	92	19.5	19.5	21.2
30-35	122	25.9	25.9	47.1
35-40	100	21.2	21.2	68.4
40-45	91	19.3	19.3	87.7
45-50	30	6.4	6.4	94.1
More 50	28	5.9	5.9	100.0
Total	471	100.0	100.0	

3. Level of Education of the Respondents

Level	Frequency	Percent	Valid Percent	Cumulative Percent
Up to GCE(OL)	430	91.3	91.3	91.3
Up to GCE(AL)	34	7.2	7.2	98.5
Up to Degree	7	1.5	1.5	100.0
Total	471	100.0	100.0	

4. Earnings per month from Entrepreneurial activities

Category	Frequency	Percent	Valid Percent	Cumulative Percent
less than 1000	33	7.0	7.0	7.0
1000 - 3000	31	6.6	6.6	13.6
3000 - 6000	81	17.2	17.2	30.8
6000 - 9000	54	11.5	11.5	42.3
9000 - 12000	70	14.9	14.9	57.1
more than 12000	202	42.9	42.9	100.0
Total	471	100.0	100.0	

5. House type

	Frequency	Percent	Valid Percent	Cumulative Percent
cement	397	84.3	84.3	84.3
wood boards	10	2.1	2.1	86.4
bricks/mud	54	11.5	11.5	97.9
mud/sticks	9	1.9	1.9	99.8
other	1	.2	.2	100.0
Total	471	100.0	100.0	

6. Ethnicity of the Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Sinhalese	195	41.4	41.4	41.4
Tamil	218	46.3	46.3	87.7
Muslim	39	8.3	8.3	96.0
Other	19	4.0	4.0	100.0
Total	471	100.0	100.0	
