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ENHANCE OF CASES FEMALE ENTREPRENEURS' BARRIERS IN STEPPING UP THE GAME: EMPIRICAL EVIDENCE FROM NORTH SULAWESI PROVINCE, INDONESIA

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Abstract

The number of female entrepreneurs is developing has contributed to the Indonesian economy. Although the number of female-owned businesses exceeds the number of male-owned business, men have more large-scale business than women's. This study examines the personal and business characteristics to search for the barriers faced by female entrepreneurs to step up the business. A logistics regression model is used to analyze primary data from a survey conducted in North Sulawesi province, Indonesia. The study finds that an increase in age and family time reduces the probability of business expansion. Likewise, when interacted with age groups, income and number of family time exhibit negative impact. Different age groups display different relationships between a decision to step up and the personal. characteristics of the female entrepreneurs including income, work-life balance and reasons to do business. The finding may shed light on potential solutions to increase the probability of business expansion.

Keywords: entrepreneurs, bussiness characteristics, bussiness expansion.

1. INTRODUCTION.

Both male and female entrepreneurs are the drivers for economic growth, competitiveness and job creation and furthermore can become a vehicle for personal development and help resolve social issues (Thurik & Wennekers, 2004). Female entrepreneurs alone are viewed as potential sources of economic and social developments (Kelley et al., 2017). In Indonesia, the existence of female entrepreneurship has been a serious concern, particularly, related to the barriers to expanding their businesses. Starting the business does not seem to be a crucial issue to female entrepreneurs. By 2015, female entrepreneurs dominate the MSMEs by 60% of total entrepreneurs. Poverty problems and lack of better job opportunities are two contributors to the growth of female entrepreneurship

(Tambunan, 2015). However, although small businesses in Indonesia contributes the most to Indonesian GDP, the increase of numbers of SMEs actors can be a threat to the national economy because these actors are of the subsistence civilians (i.e., in the poor and susceptible to poor condition). Therefore it is difficult to create innovation and increase the business capacity. These entrepreneurs prefer not to expand the business to a larger scale. There is 85% of members of Indonesian Female Entrepreneurs Association (IWAPI) are running micro and small-scale businesses like home businesses and the businesses are usually unregistered to the government institution while 2% of them are running large-scale businesses. Although female entrepreneurs have instituted innovative systems, the business world is still a male's domain. Female owners are seldom of a large business (Bowen & Hisrich, 2014).

The small portion of female entrepreneurs in large-scale business is due to several observed problems. Arifin (2004) argues that being viewed as weak economic players may be a discrimination issue that affects female entrepreneurs' performance. Additionally, these entrepreneurs suffer unequally from legislation and social stereotypes (Winn, 2005). Low level of education and lack of training opportunities also make these entrepreneurs severely disadvantaged in the society (Tambunan, 2015).

Aside from the needs to have access to markets, money, business and human capital, female entrepreneurs also have to manage their time investment in business and family. Families and businesses have often been treated as naturally separate institutions. However, Aldrich & Cliff (2003) argue that they are inextricably intertwined. Consider this fact, Brush, Bruin, & Welter (2009) also incorporate motherhood facet in their framework of female entrepreneurship. Unlike for male that place work and family complementary, for female, work and family present a dilemma (Winn, 2005). Female entrepreneurs experience greater work- family conflict relative to their male counterparts (Jennings, Mcdougald, & Mcdougald, 2014). When women are expected to excel without relief, their families suffer. When women are expected to be primary caregivers, their businesses suffer. Business ownership often requires long hours, without regard to one's family needs or personal preferences. Entrepreneurs must be willing to change course when the environment dictates (Winn, 2005).

In micro-level business, the most important barrier faced by a female is lacking skills and experience, while the financial issues display as the most important organizational barrier. Additionally, work interaction with a male is the most important macro (Modarresi, Arasti, Talebi, & Farasatkhah, 2017). Besides, gender also plays an important role in the business growth. Factors like discrimination, choice of business type, and educational background appear to be less critical for explaining growth propensity (Morris, Miyasaki, Watters, & Coombes, 2006).

Given the importance of business size as a predictor of economic success, it is imperative that future research uncover the reasons for the tendency of female's businesses to be smaller than men's (Loscocco et al., 2014). In this study, we want to examine whether personal characteristics, business characteristics, and external factors affect the business expansion decision. Personal characteristics include marital status, age, abilities, time invested for family and business, etc. Business characteristics like business and human capitals, saving invested in the business, etc. External factors include environment and macro conditions.

II. Literature Review

Female entrepreneurs often came from economically deprived backgrounds and tied their business success to the situation of poverty in their youth that forced them to learn to make money (Morris et al., 2006). Female in micro-level business mostly operated their business at home and only employed a very limited number of people. This situation showed that female- owned home-based businesses lacked the motivation or ability needed for business expansion (Modarresi, 2013). Size of the business became one of the considerations in starting the businesses (Brush et al., 2006). A survey conducted by Eurochambers (2004) showed that ability to control one's decisions, e.g., life choices, was the most important one while profit- seeking and a search for self-achievement came as the second and third in the list. However, according to Morris et al. (2006), wealth or achievement factors motivated the business growth orientation while achieving wealth and long-term financial security-motivated female entrepreneur.

One of the challenges in expanding the business was that female entrepreneur had to balance out their work and family lives. Female business owners were not only more likely to experience greater work-family conflict than their male counterparts but also more likely to use coping strategies that constrained rather than enhanced the growth of their firms (Jennings et al., 2014). Female whose motive was to pursue a better work-life balance was less likely to succeed rather than those who had a risk-taking behavior (Rey-martí, Tur, & Mas-tur, 2015). However, this perspective was usually applied to the survival of the business and which motives had a relationship with business success. Female spent as many hours in their businesses as male entrepreneurs. However, at times when male entrepreneurs could relax, female entrepreneurs were continuing to work to complete their household tasks (Müller, 2006).

The choice between work and family life was somewhat challenging. Spending more time for business could result in less time for family and vice versa. When being an entrepreneur was conceived as a life form, the discourse on work-family life balance was challenged (Gherardi, 2015). Female entrepreneurs' propensity for risk had a positive relationship with business success. On the other hand, the need to strike a work-life balance seemed to have a positive relationship with non-survival and a negative relationship with business success. Rey-martí et al. (2015) stated that female who decided to launch a business because they sought to combine work and family commitments had lower chances of achieving medium-term business survival in contrast if their motive was to assume business risks. The processes through which the female small business owner generated sales and derived income were quite similar to the male counterpart, but small business size might be of particular disadvantage tied to female when it came to lack of focus and work interruption. Females viewed their job as part of their daily activities, particularly home-based business. However, it was acceptable for a female to run a market-based business as long as their family responsibilities did not suffer, which most often was the case, once the children were grown up (Müller, 2006). Additionally, mature female entrepreneurs might find it easier to balance work-family conflicts as their children were likely older and required less attention, and the overall family situation was more settled (Welsh, Kaciak, & Shamah, 2017). Welsh et al. (2017) argued that organizational support from the family was unrelated to firm performance.

This conflict corresponded to the argument that the reliance on family advice and household size differentially affected male and female. Female tended to rely on family advice while male was less likely to rely on the advice which provided higher expectations for growth (Brush, Bruin, & Welter, 2010). Existing study suggested that research should evaluate the possibilities that female kept their businesses small because of their inability to balance work and family (Loscocco et al., 2014). Modarresi et al. (2017) recommended that female entrepreneurs needed to manage their time and develop more flexible schedules. This recommendation, however, might limit the amount of time devoted to the business (Loscocco et al., 2014).

All entrepreneurs, regardless of gender, required information, capital, skills, and labor to successfully establish and develop their businesses whether they could get these resources themselves or from others (Roomi & Parrott, 2008). However, gender discrimination contributed as one of the barriers to access financial support. There was considerable anecdotal evidence that financial institutions preferred to deal with men (Loscocco et al., 2014). Even so, there was also evidence that female entrepreneurs avoided external funding to grow their businesses and only turned to debt when necessary (Morris et al., 2006).

Various business sizes associated with female's social networks, particularly, networks that could provide access to financial resources, financial reserves and strategy for funding their businesses (Brush et al., 2006). Individuals with lower levels of internal resources, e.g., human, financial, and social capital would have lower growth expectations for their new ventures and would invest less money and time in their ventures. As a consequence, they would grow slower than the ventures established by entrepreneurs with higher levels of available internal resources, higher growth expectations and more investment and time in their new ventures (Watson, Stuetzer, & Zolin, 2017).

Another constraint faced by female entrepreneurs was a marketplace. Almost half of the female producers could only sell their products in exhibitions. Without exhibitions, not only they could not improve their businesses, but they also limit their economic activities (Modarresi et al., 2017). The central bank of Indonesia in the research named KPJU Unggulan that suggested that one way to improve their business and product sale was by maintaining and promoting local specialty (Bank Indonesia, 2016). Unique products that a local business could offer made the best brand differentiation and value for small businesses. This uniqueness could become the source of scalability and sustainability for a small business. Businesses with good branding, clearly defined niches, and a process for measuring and increasing value could grow across many geographic boundaries, customer segments and even industries. Engaging in global-local marketing could fill the gap between local culture, preference and the globalization of marketing activities. In the end, it could re-establish the connection between global brands and different cultures. People could experience both global and local brands – brands that made them feel part of a broader international community but also brands that rooted them in their home culture and represented their tastes (Dumitrescu & Vinerean, 2010).

III. RESULT AND DISCUSSION

To capture what barriers contribute to the business stepping-up, we have surveyed in 4 districts (i.e., cities and regencies) in North Sulawesi province of Indonesia. The districts are Manado, Minahasa, Bitung, and Tomohon. These four districts represent all potential geographic and demographic characteristics of North Sulawesi. Manado is the capital city of North Sulawesi province which is also the business center of North Sulawesi, especially retail and service industries. Minahasa is the most populated regency in North Sulawesi, the second populated district after Manado, and located in the mountainous area. Bitung is the only city in North Sulawesi which is the heart of North Sulawesi's fishery industries. Tomohon is a young city in North Sulawesi and the only city located in the mountainous area of North Sulawesi. We select the sample based on some criteria including the individual must be a female entrepreneur who owns a business, has run the business for at least one year, and has potential to expand the business. We have managed to meet 142 entrepreneurs who meet our criteria and have the willingness to share information. For the survey, we use questionnaire covering questions that sufficiently describe the personal and business characteristics of the entrepreneur. In getting the most accurate answer possible, along with questionnaire distribution, we have also interviewed each entrepreneur. To make sure that the entrepreneur was the one we expected to meet, we visited the business and asked if the owner was present. Otherwise, we moved to another business. To increase the accuracy of the answer, we asked several different questions that might lead to the same answer to enforce the honesty and consistency of the entrepreneur. We found that some the answers were not consistent due to the unwillingness of the entrepreneur to reveal the true information. Therefore, in this study, we dropped these answers and used the most consistent answers that we found. The business types vary from culinary to furniture vendors, and from service to manufacturing industries.

To analyze the data, we use logistics regression model of whether an entrepreneur expands a business. Suppose the business expansion takes one of two values:

$$Business\ Expansion = \begin{cases} 0, & with\ probability\ p \\ 1, & with\ probability\ 1-p. \end{cases} \qquad (1)$$

A regression model is formed by parameterizing p when an entrepreneur does not have business expansion to depend on an index function $x'\beta$, where x is a K x 1 regressor vector and β is a vector of unknown parameters. In this logistic regression model, the conditional probability has the form

$$p_i \equiv Pr(y_i = 1|x) = e^{x'\beta}/(1 + e^{x'\beta}) \qquad (2)$$

In this study, the regressors include entrepreneur's personal and business characteristics. Personal characteristics consist of age[1] , ability to overcome economic problems, ability to overcome supporting facilities (infrastructure), income in a 2-million-IDR interval, daily hours spent for business in a 2-hour interval, and daily hours spent for a family in a 2-hour interval. Business characteristics include capital needs that shows whether the entrepreneur needs additional capital in running the business; saving being invested; number of male employees in a 2-employee interval; local specialty that describes whether the business carries local specialty; whether to have life choice control is the reason of doing business; and whether seeking profit is the reason of doing business. Besides the business expansion model, we also study how the same personal and business characteristics may alter the intention of expanding the business using specifications (1) and (2). Table 1 presents the summary statistics of the variables used in this study.

$$Business\ Expansion = \begin{cases} 0, & with\ probability\ p \\ 1, & with\ probability\ 1-p. \end{cases} \quad (3)$$

A regression model is formed by parameterizing p when an entrepreneur does not have business expansion to depend on an index function $x'\beta$, where x is a K x 1 regressor vector and β is a vector of unknown parameters. In this logistic regression model, the conditional probability has the form

$$p_i \equiv \Pr(y_i = 1|x) = e^{x'\beta}/(1 + e^{x'\beta}). \quad (4)$$

In this study, the regressors include entrepreneur's personal and business characteristics. Personal characteristics consist of age[1] , ability to overcome economic problems, ability to overcome supporting facilities (infrastructure), income in a 2-million-IDR interval, daily hours spent for business in a 2-hour interval, and daily hours spent for a family in a 2-hour interval. Business characteristics include capital needs that shows whether the entrepreneur needs additional capital in running the business; saving being invested; number of male employees in a 2-employee interval; local specialty that describes whether the business carries local specialty; whether to have life choice control is the reason of doing business; and whether seeking profit is the reason of doing business. Besides the business expansion model, we also study how the same personal and business characteristics may alter the intention of expanding the business using specifications (1) and (2). Table 1 presents the summary statistics of the variables used in this study.

Table 1. Summary Statistics

Variables	Obs	Mean	Std. Dev.	Min	Max
Business expansion 0_1	141	0.284	0.452	0	1
Expand intention 0_1	135	0.844	0.364	0	1
Age in 10-year interval	137	3.898	1.285	2	6

Age in 5-year interval	137	6.372	2.612	2	11
Capital needs 0_1	140	0.607	0.490	0	1
Percentage of saving invested in 5 intervals	138	2.551	1.081	1	5
Income in 2-million-IDR interval	129	3.450	2.997	1	16
Number of male employee in 2-employee interval	132	1.576	1.133	1	7
Daily hours spent for business in 2-hour interval	141	4.674	1.365	2	9
Daily hours spent for family in 2-hour interval	133	5.902	2.198	1	9
Local Specialty 0_1	141	0.426	0.496	0	1
Reason doing business: life choice control 0_1	142	0.099	0.299	0	1
Reason doing business: profit 0_1	142	0.592	0.493	0	1

IV. CONCLUSION AND RECOMMENDATION

It is unfortunate that 85% of female entrepreneurs dominate the micro and small-scale business in Indonesia. Some researchers argue that women jump to entrepreneurship for some reasons. One of which is improving income. That said, once income improved, they tend to stop innovating, creating or expanding the business. Not only sufficient income inhibits the willingness to expand the business, local specialty, human capital, business capital and work-life balance has also become key inhibitors. North Sulawesi province is rich of resources as it contains mountainous, low-land, high-land and coastal areas that endow uncountable accesses to natural resources. For this reason, we can rule out the constraints coming from natural resources and focus on an investigation about what prevent female entrepreneurs from expanding the business so that male entrepreneurs mostly dominate the next stage of the business size.

In our research, we control for personal characteristics that include marital status, age, abilities, time invested for family and business, etc. as well as business characteristics like business and human capital, saving invested in the business, etc. We also control for the external factors that include environmental and macro conditions. We analyze how these characteristics may alter the business expansion decision and intention to expand the business.

Our findings show that having local specialty, business capital needs, more income, and more male employees can increase the probability of business expansion while more hours spent for the family can reduce the probability. Before we control for the female entrepreneurs' reasons of doing business, business capital needs exhibit the most influential factor in business expansion. However, after we include two reasons of doing business (i.e., profit and life choice control), the controlling life choice as the reason outnumbers the impact size of capital needs. In contrast, profit reason displays the lowest positive effect. Like time spent for family, age variables also negatively affect the probability of business expansion and expansion intention. When we break down the age groups and examine the impact of income of different groups of age on the probability of business expansion, we find that when income increases, entrepreneurs tend to reduce the probability. Additionally, income of some groups of age are very influential. Female entrepreneurs aged 57 years old and above who have income and need to spend time with the family tend to reduce the probability of business expansion higher than other age groups. One possible reason behind this is that they are too old to think about expanding the business and dealing with all requirements and processes.

On the other hand, those aged from 37 to 46 years old (age group 4) comes as the second most influential in reducing the probability of expanding the business, particularly when they consider family time. An explanation for this finding is that this group owns all young couple who have just got married or had children. They spend more time for family than for business. On the other hand, in term of income, age group 3 where entrepreneurs aged from 27 to 36 years old are those who have just built their career. Having income from whatever jobs they work for may make them feel safe and comfortable. Having income makes them enjoy first and think about expansion in later age. To our surprise, all other personal and business characteristics that we have examined turn out to be statistically insignificant, for example, marital status, entrepreneur's abilities, environment, and macro conditions. Due to the fact that these characteristics are not statistically significant, we do not include the analysis in this study. However, these characteristics worth discussion. Whether the entrepreneur is married does not affect the probability of expansion since many cases of business start-up and expansion occur before the marriage takes place. Entrepreneur's abilities to overcome the potential barriers that we list in our survey include environmental and macro conditions seem not to affect the probability of expansion as well. Perhaps rich natural resources of North Sulawesi province has blurred the impact of abilities. However, this issue has become one drawback of this research and calls for further research to examine the presence of natural resources altogether with other variables.

That said, programs of government or entrepreneur association that can enhance the entrepreneurs' control over their life choice, for example, providing more access market, capital and other needs that can allow them to be more creative, will help increase the probability of expansion. Concerns about time spent with family and growing age also require more attention. Female entrepreneurs who care much about their families need a solution to how they can maintain both the business and family. Perhaps providing caregiver or daycare to the young children of the entrepreneurs can help mitigate the family time issue. Together with schools, the government can also provide interesting education programs for students and the teachers to increase their schooling hours so the students, the children of the entrepreneurs can stay longer in the school.

Incentives to older entrepreneurs to stay in business and innovate are also a must because these entrepreneurs have had enough experience in running the business compared to the younger ones. The incentives can be a reduced business tax rate, training on what old entrepreneurs can do in old age, and many more.

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