

# The Socio-Cultural Factors for the Success of Small-Medium Entrepreneurship Industry in Batticaloa District of Sri Lanka

Dr. S. Gunapalan

*Senior Lecturer in Management,  
Faculty of Management and commerce,  
South Eastern University of Sri Lanka*

## **Article Info**

**Volume 81**

**Page Number: 2128 - 2135**

**Publication Issue:**

**November-December 2019**

## **Article History**

**Article Received: 5 March 2019**

**Revised: 18 May 2019**

**Accepted: 24 September 2019**

**Publication: 12 December 2019**

## **Abstract**

This research study focuses to identify the socio-cultural factors that supports for the success of small-medium entrepreneurship industry in the Batticaloa district of Sri Lanka. Despite, the number of prior studies that examined the factors which influence the success of small medium enterprises in Sri Lankan context, especially Eastern province of Sri Lanka is limited. With the extensive literature support and theoretical base, this study attempts to address this research gap. The findings of this study shows that the socio cultural factors supports for the success of small- medium enterprises in the Batticaloa district of Sri Lanka.

**Keywords:** *entrepreneurship, small and medium industries, women entrepreneurs,*

## **1. Introduction**

The small-medium entrepreneurship industry has some sort of modern issues while it has been developing in the past years. Every citizen of this country should protect the treasure of knowledge in terms of the industry they are familiar in order to keep the international standardization. Many men and women in this research area are engaging with SME industry. Small and Medium Entrepreneurships (SME) in the world have a long history. It must be said from the inception of civilization. According to some historical and archaeological evidence, handloom or weaving industry as a small and medium entrepreneurship, was known as in the Palaeolithic era. The word “Empower” literally means ‘to give somebody the power or authority to do something’ (Oxford Advanced

Learner’s dictionary, 6<sup>th</sup> Edition). Also, power is defined as ‘the ability to control people or something in order to do something’ (Oxford Advanced Learner’s dictionary, 6<sup>th</sup> Edition). This study was conducted in the District of Batticaloa, which is located in the Eastern Province of Sri Lanka. The total land area of the District is 2633 Sq.Km and the total population is 586,400 people. Of the total population 25 percent is living in urban areas while the rest is living in rural areas. Sinhalese, Sri Lankan Tamils, Muslims and other ethnicities respectively represents 0.5%, 72%, 26% and 0.8% of the total population. The principal livelihood activities of the in Batticaloa district are fishing and agriculture i.e. crop production and livestock raising.

## 2. Problems of the study

Small-Medium entrepreneurship is one of the most important sector in which that most of the families cover up their living standard since it is the incomes way. While many women are doing many kinds of works that relates to small-medium entrepreneurship, it cannot be denied a considerable amount of women are engaging in full time works. Therefore, the contribution of the SMEs in this area plays a vital role in supporting the economic strength securing the revenue. Through the status of small-medium entrepreneurship people are empowered for economical satisfaction. Even though the SMEs are given supports and encouragements by both government and non-government organization in the aspects of small-medium entrepreneurship industries, they have been encountering many issues in their day to day lives.

This research has a major objective to identify the economic condition and the problem encounter by the peoples who engage in the small-medium entrepreneurship industries in Batticaloa district area. They also, face competitive challenges in local markets. In the perspective challenges, it can be denoted something like getting raw materials, equipment, marketing and price competition. The assistance and contribution getting from organizations are less in this research area. Thus, this research is to identify the problems and identify the economic impact through small-medium entrepreneurship industries.

## 3. Objective of the study

1. To identify the economic conditions of entrepreneurs in Batticaloa district area.
2. To identify the income utilization of entrepreneurs through small-medium entrepreneurship industries

3. To identify the issues encountered by the entrepreneurs in the work.
4. Finding viable solutions in order to overcome the issues of the in entrepreneurship.

## 4. Review of Literature

**Suman Madan *et al.* (2017)** studied about women empowerment through entrepreneurship. The objectives of their research were to analyze the factors contributing to women-entrepreneurs in socio-economic development and to find out the various personal and financial problems in their businesses. This research aimed to finding the extent to which entrepreneurship helps in empowering women in an underprivileged country like India. This research was descriptive in nature and the Information had been collected from the respondent with the help of a structured questionnaire. One hundred and twenty-three questionnaires were administered. the role of entrepreneurship in empowering the women's, for this reason researcher analyze the contribution by women-entrepreneurs in socio-economic development of nation and also to find out the various personal and financial problems, which they are facing in their businesses

Ayaz Ahmed Chachar, *et al.*(2013), this study revealed that there was an evidence of association between the owner's education and the growth of SMEs and benefits which enterprises can secure from this factor. So, the independent variable namely owner's education bears a positive association and impact on the growth of small and medium, business in terms of business sales and turnover, number of employees and customers in the long run. The small and medium business owners with higher education or skills have brought about lucrative results both in sales/turnover and their overall growth.

**Gunapalan and SalfiyaUmma (2012)**, in their research they explained about micro finance is becoming a very relevant instrument to promote micro entrepreneurship in developing economics. The objectives of this research are to analyze the effectiveness of micro finance programme through economic indicators and to offer viable suggestions to improve micro entrepreneurship among the beneficiaries in Sri Lanka. The desired sample size of the study was 200 respondents. Convenient sample techniques were applied to collect primary data from the microfinance beneficiaries. They found that micro finance improves the effectiveness of entrepreneurship among beneficiaries in Sri Lanka. This research is also based on the study area of Ampara District Sri Lanka.

**Geetha and Barani (2012)**, pointed out that the entrepreneurship of women is considered to be an effective instrument to the economic development and empowerment of women. In their study, if women have got empowered through entrepreneurship, economic status, self worth, self confidence and social status should be the variables since these qualities bring to the person empowered economic, spiritual and social strength. He further pointed out when empowerment of women is attempted through entrepreneurship development; the process begins with success in enterprise management in terms of economic gains and proceeds to strengthen other qualities.

Vincent Onodugo and Chris Ifeanyi Onodugo (2015), According to their study the following factors mainly influencing in the entrepreneurial success in Nigeria demographic forces, economic conditions, social and cultural forces, political and legal forces and technological innovations further this study revealed that The entrepreneur should understand that both the social (external) and task environment must be monitored to detect the strategic factors that are likely to have

strong impacts on corporate success or failure. Based on our findings, they recommend that to increase the legitimacy of entrepreneurship, there should be a change in traditional values which have been assumed to be opposed to entrepreneurial development.

McChelland ( 1986) in his research characteristics of successful entrepreneurs revealed that, successful entrepreneurs were more proactive achievement oriented and committed to others than average entrepreneurs, and also he revealed that both sets of entrepreneurs were found to possess the self confidence, persistence, persuasion and use of influence strategies, expertise, and information seeking .

*Durairaj and Nageswaran, (1988), Entrepreneurship in small scale industries mention that Growth of Small scale industrial unit and socio economic factors responsible for the growth of entrepreneur , and their achievement and their main problem further they emphasizes the social factors were favorable to entrepreneurs ; nativity of entrepreneurs influences the location of the industry ; past working experience in industry relationship between education and emerging entrepreneurship*

Das and Bing Sheng Teng (1997) in their study entrepreneurial risk behavior stated that, risk and risk behavior an important segment in an entrepreneurship. entrepreneurial risk behavior has been studied both traits and cognitive approach the different types of risk behavior among entrepreneurs as well as the distinction between entrepreneurs and non entrepreneurs

## 5. Methodology of the research

This research is mainly included qualitative and quantitative data. Keeping such data, this research mainly pays attention on small - medium entrepreneurship industry.

Data was mainly collected in two ways for the purpose fulfilling the research. They are primary data and secondary data used in this research. Because it was necessary to capture the geographical distribution, ethnicity and gender, sampling was done in three stages. During the first stage member of SMEs registered under 14 DSDs were proportionately selected to make a total sample of 200 SMEs. The quota of a DSD was apportioned according to the ethnic composition during the second stage. Thus the quota of a was purposely adjusted in a way to include 62 female entrepreneurs from the district. The geographical distribution and ethnic composition of the sample is presented. Thus, the ethnic composition of the sample was 65% of Tamils, 30% of Muslims, and 5% of Sinhalese. The gender distribution of this sample was 31% females and 69% of males

## Hypothesis

**Ho:** Socio cultural factors contribute on the success of the business.

**H1:** Socio cultural factors not contribute on the success of the business.

## Analysis of information

### 1.0 Regression analysis for personal factors

**Table 1: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.209 <sup>a</sup>	.044	.019	2.49808

a. Predictors: (Constant), Know more than one, Respondent's Age, Race of Respondents, Respondent's Gender, Educational Level

Source: Survey data

Value of R is 0.209 which explains the not a strong relationship between age, race, gender, language skills, and education level and success level. This refers to the no higher strength of association between age, race, gender, language skills, education. and success level. Value of R square and adjusted R square are 0.044 and 0.019 respectively. This is there is only around 4% of variation over success level. In other words, age, race, gender, language skills, and education level have explained only 4% of success level.

## Analysis of Variance

**Table 2:ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	55.355	5	11.071	1.774	.120 <sup>b</sup>
	Residual	1210.640	194	6.240		
	Total	1265.995	199			

a. Dependent Variable: SUCCESS

b. Predictors: (Constant), Know more than one, Respondent's Age, Race of Respondents, Respondent's Gender, Educational Level

Source: Field Survey (2016)

SS regression, SS residuals, SS total, df, and MS squares are tabulated in Table 2. F value is 1.774 which is significant. This refers to model is significant.

## Coefficients

**Table 3: Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.265	1.507		3.495	.001

Respondent's Age	.044	.179	.019	.246	.806
Respondent's Gender	.227	.405	.042	.560	.576
Race of Respondents	.685	.343	.146	1.996	.047
Educational Level	-.282	.213	-.103	-1.324	.187
Know more than one	.478	.381	.092	1.253	.212

a. Dependent Variable: SUCCESS

Source: Survey data

Coefficient table shows that beta values for age, gender, race, language skills, and education level. These shows the beta values of 0.044, 0.227, 0.685, 0.282 and .478. Family, religiosity, innovativeness and risk have impact on success level at varying rates.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 \dots \text{Equation (2)}$$

$$\text{Success Level} = 5.265 + 0.044 * \text{Age} + 0.227 * \text{Gender} + 0.685 * \text{race} + -0.282 * \text{Education} + 0.478 * \text{Language skill} \dots \text{Equation (1)}$$

Success level not depends on the four main personal factors such age, gender, race, language skills, and education level.

The age, gender, race, language skills, and education level have not strongly contributed to success levels. Findings of this research has derived the above formula for the variables.

### Hypothesestesting for socialcultural factors

### Correlations Analysis

**Table 4: Correlations**

	FA MIL Y	RELI GIOS ITY	INNO VATI ON	RIS K	SUC CES S
--	----------------	---------------------	--------------------	----------	-----------------

FAMIL Y	Pears on Corre lation	1	.114	.328**	.524* *	.464* *
	Sig. (2- tailed )		.109	.000	.000	.000
	N	200	200	200	200	200
RELIGI OSITY	Pears on Corre lation	.114	1	.236**	.240* *	.234* *
	Sig. (2- tailed )	.109		.001	.001	.001
	N	200	200	200	200	200
INNOV ATION	Pears on Corre lation	.328**	.236**	1	.372* *	.291* *
	Sig. (2- tailed )	.000	.001		.000	.000
	N	200	200	200	200	200
RISK	Pears on Corre lation	.524**	.240**	.372**	1	.783* *
	Sig. (2- tailed )	.000	.001	.000		.000
	N	200	200	200	200	200
SUCCE SS	Pears on Corre lation	.464**	.234**	.291**	.783* *	1
	Sig. (2- tailed )	.000	.001	.000	.000	



	N	200	200	200	200	200
**. Correlation is significant at the 0.01 level (2-tailed).						

Source Survey data

**Table 5: Hypotheses testing – Cultural factors**

Null hypothesis	p value	Significance Level	Rejected	Accepted	Decision
No relationship between family background and success level	0.000	0.05	Rejected	Alternative	There is relationship between family background and success level
No relationship between religiosity and success level	0.000	0.05	Rejected	Alternative	There is relationship between religiosity and success level
No relationship between innovativeness and success level	0.001	0.05	Rejected	Alternative	There is relationship between innovativeness and success level
No relationship between risk and success level	0.000	0.05	Rejected	Alternative	There is relationship between risk and success level

Source: Survey data

### Family background

As per test results, value  $r$  is 0.464 which explains the moderate level correlation between the variables. Researcher set a hypothesis between family background and success level. Test results revealed that  $p$  value is less than significance level i.e. ( $0.000 < 0.05$ ). Hence, researcher rejects null hypothesis and accepts the alternative hypothesis.

### Religiosity

As per test results, value  $r$  is 0.234 which explains the positive correlation between the variables. Researcher set a hypothesis between religiosity and success level. Test results revealed that  $p$  value is less than significance level i.e. ( $0.001 < 0.05$ ). Hence, researcher rejects null hypothesis and accepts the alternative hypothesis.

### Innovation

As per test results, value  $r$  is 0.291 which explains the positive correlation between the variables. Researcher set a hypothesis between innovation and success level. Test results revealed that  $p$  value is less than significance level i.e. ( $0.000 < 0.05$ ). Hence, researcher rejects null hypothesis and accepts the alternative hypothesis.

### Risk Tolerance

As per test results, value  $r$  is 0.783 which explains the positive strong correlation between the variables. Researcher set a hypothesis between risk and success level. Test results revealed that  $p$  value is less than significance level i.e. ( $0.000 < 0.05$ ). Hence, researcher rejects null hypothesis and accepts the alternative hypothesis.

## Regression Analysis – Socio- Cultural related factors

**Table 6: Model Summary**

Model	R	R Square	Adjusted Square	Std. Error of the Estimate
1	.757 <sup>a</sup>	.555	.535	4.72079
a. Predictors: (Constant), Risk score, innovation score, family score, Religiosity score				
b. Dependent Variable: Success level				

Value of R is 0.757 which explains the relationship between family, risk, innovativeness, religiosity and success level. This refers to the higher strength of association between family, risk, innovativeness, religiosity and success level. Value of R square and adjusted R square are 0.555 and 0.535 respectively. This is there is around 55% of variation over success level. In other words, family, risk, innovativeness, religiosity have explained 55% of success level.

**Table 7:ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	432.564	4	54.641	21.234	.000 <sup>b</sup>
	Residual	1041.311	195	13.520		
	Total	4103.875	199			
a. Predictors: (Constant), Risk score, innovation score, family score, Religiosity score						
b. Dependent Variable: Success level						

## Analysis of Variance

SS regression, SS residuals, SS total, df, and MS squares are tabulated in Table 7. F value is 21.234 which is significant. This refers to model is significant.

**Table 8:Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.685	.386		6.962	.000
	family score	-.137	.087	-.112	-1.564	.019
	Rligiosity score	-.064	.106	-.044	-.606	.545
	innovation score	-.018	.063	-.020	-.286	.775
	Risk score	-.072	.071	-.075	-1.016	.311
a. Dependent Variable: Success level						

Coefficient table shows that beta values for family, religiosity, innovativeness and risk. These shows the beta values of 0.137, 0.064, 0.018, and 0.072. Family, religiosity, innovativeness and risk have impact on success level at varying rates.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 \dots \dots \dots \text{Equation (2)}$$

$$\text{Success Level} = 2.685 + -.137 * \text{Family Background} + -.064 * \text{Religiocity} + -.018 * \text{Innovation} + -.072 * \text{Risk} \dots \dots \dots \text{Equation (2)}$$

Success level depends on the four main entrepreneurial cultural variables such as family background, religiosity, innovation and risk tolerance.

Family background, religiosity, innovation and risk tolerance have contributed to success levels. Findings of this research has derived the above formula for the variables.

## 6. Conclusion

This research focused to identify cultural related factors that have contributed to the success of

SMEs in Batticaloa District. The collected data supports the proposed hypothesis in this research. Accordingly, the personal factor such as age, gender, race, education, have no relationship with success level. Entrepreneurial cultural related factors such as family background, religiosity, innovation and risk tolerance have influence over success level. To elucidate nature on influence of cultural factors on the success of SMEs in Batticaloa District. For the success the SMEs in Batticaloa District other factors such as family background, religiosity, innovativeness, risk tolerance need to be considered more by entrepreneurs.

### References:

- [1]. Ayaz Ahmed Chachar , et al ( 2013) The Impact of Cultural Factors on the Growth of Small and Medium Enterprises in Hyderabad, Sindh International Journal of Science and Research (IJSR), India ISSN: 2319-7064
- [2]. Das and Bing Sheng Teng(1997) Time and Entrepreneurial Risk Behavior. pp 69-88
- [3]. Durairajand Nageswaran, (1988), Entrepreneurship in small scale industries in paramakudiTaluk , Dass printers – Thirunelveli
- [4]. Geetha and Barani (2012),Empowering Women through Entrepreneurship: A studyin Tamil Nadu, India International Journal of Trade, Economics and Finance, Vol. 3, No. 2, April 2012
- [5]. McChelland ( 1986)characteristics of Successful entrepreneurs ,vol21,No 3
- [6]. Suman Madan et al. (2017) ,Women Empowerment through Entrepreneurship, International Journal of Engineering and Management Research (IJEMR),Year : 2014, Volume : 4, Issue : 6
- [7]. Oxford Advanced Learner's dictionar, 6<sup>th</sup> Edition
- [8]. Salfiya and Gunapalan (2012) Factors influencing on entrepreneurial success an empirical study on women headed families in Ampara and batticalo district of Sri Lanka, Journal of Business, Economics and Law.
- [9]. Vincent Onodugo and Chris IfeanyiOnodugo( 2015) , Impact of socio cultural factors on entrepreneurial development in Nigeria , African Educational research journal Vol. 3(4)
- [10].Central Bank report , Central bank of Sri Lanka- 2016- 2018
- [11].Statistical report District sectariateBatticaloDistrict of Sri Lanka 2016- 2018