

Country Institutional Profile for Women-led Small Businesses: Evidence from a Developing Economy Context

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Less developed institutional environments affect the functioning of Small and Medium-scale Enterprises (SMEs). SMEs led by women have been significantly affected by the institutional environmental forces, especially in developing economies. Identifying the void in the literature that there is a lack of instrument for measuring the country institutional profile of women-led small businesses in the developing countries, present study aims to empirically validate an instrument in the Sri Lankan context. By utilizing a mixed methods approach, the study uses expert opinion surveys and focus group discussions for contextualizing the instrument, and deploys a questionnaire survey for collecting data from a sample of business students in validating the same. Providing a better understanding on the differences in the regulatory, cognitive and normative dimensions of the institutional environment of women-led small businesses, the findings show the possibility for developing economies to learn successful institutional practices from developed countries to further progress women-led small businesses.

Key Words: Country institutional profile; small business; women-led; developing economy; institutional environment

INTRODUCTION

Women-led small businesses are a fast-growing dynamic force worldwide (OECD, 2012; and World Economic Forum, 2013). Women's Total Entrepreneurial Activity (TEA) stands equal to that of men, even at lower levels (Kelley, Brush, Greene and Litovsky, 2013) and women-led small businesses contribute to income generation, poverty reduction and economic development (Van Stel, Carree and Thurik, 2005; Bruton, Ahlstrong and Obloj, 2008; World Bank, 2011; IPS and Oxfam, 2014; and OECD, 2014). Not surprisingly, scholarly interest in women-led small businesses has increased considerably over the last two decades (Roomi, 2011). As Hughes, Jennings, Brush, Carter and Welter (2012, p. 438) advocate, the new direction for women's entrepreneurship research will be 'transnational exchange' (stepping beyond national boundaries).

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However, the reality is that women in small businesses (Bennett and Dann, 2000; Birley, 1989; Lee and Stearns, 2012; and Ekpe, Razak and Mat, 2013) face harsher obstacles (IFC, 2011; and World Bank, 2014) from diverse actors in institutional environments than do men (Welter, 2004; Brush, Bruin and Welter, 2009; Bourne, 2010; and Debroux, 2013). The inter-play of socio-cultural (Cooper, 1981; Kantor, 2002; and Kelley, Brush, Greece and Litovsky, 2013), educational (World Bank, 2011), economic (Singh, Reynolds and Muhammad, 2001), financial and regulatory (IFC, 2011) environments in which women-led businesses operate significantly affect women's business success. Interestingly, the majority of these businesses are situated in developing economies (especially in the South Asian region) (Weekly Insight and Analysis in Asia, 2013; and Unwomen, 2014) that are characterized by weak institutional environments (Azmat and Samaratunge, 2009; and Samaratunge, Barrett and Rajapakse, 2015), which impose additional burdens on women entrepreneurs.

The institutional environment of a country inevitably sets boundaries for the formation, successful functioning and growth of small businesses (Smallbone and Welter, 2001), provides direction to firms' strategic activities and helps determine the nature and amount of innovation that take place in domestic as well as global markets (Busenitz, Gomez and Spencer, 2000). The fact is that small firms can hardly create strong competitive advantages while operating in weak institutional environments (Powell, 2007; Manolova, Eunni and Gyoshev, 2008; and Novikov, 2014). Consequently, scholarly interest in the impact of macro-level institutional environments (e.g., political, economic and cultural environments) on small businesses and their behavior (Baker and Nelson, 2005; Baker, Miner and Easley, 2003; Sarasvathy, 2001; Shepherd, Wiklund and Haynie, 2009; and Sigmund, Semrau and Wegner, 2015) is high. However, researchers have focused 'less ... on analyzing the [institutional] environments in which [women] entrepreneurship occurs' (Tlaiss, 2015, p. 562). The existing literature implies that women entrepreneurs are more adversely affected by the institutional environments than their male counterparts (Birley, 1989; Kyrö, 2009; Estrin and Mickiewicz, 2011; and Fielden and Hun, 2011). The scarcity of research in this area prevents researchers from fully gauging the extent to which women are handicapped by diverse institutional factors affecting their small businesses, and making suitable policy recommendations to ease the barriers. We argue therefore that a validated instrument for investigating such effects on women-led small businesses will be useful for both practitioners and researchers to assess the quality of the institutional environment that impacts women-led small businesses, identifies areas that need improvement and aligns policy development with weak areas. Further, the institutional environment in each country is unique (Beyer and Fening, 2012) and a standard measure to assess the institutional environment that affects women-led small businesses can capture this uniqueness and aid comparisons between countries.

However, the current literature vis-à-vis developing economies lacks such an instrument. Busenitz, Gomez and Spencer (2000) developed an instrument to measure the country institutional profile for entrepreneurship, but this instrument does not distinguish between the ownership or scale of enterprises under investigation. The present study aims to address this gap by validating an instrument capable of investigating the country institutional profile for women-led small businesses, tested in a developing economy context. It adopts Busenitz, Gomez and Spencer (2000) instrument to suit women-led small businesses and empirically validates it in the context of Sri Lanka.

Research shows that institutional environments of developing economies are often characterized by high levels of ambiguity and uncertainty, thereby “making them a fascinating laboratory for scholars interested in the interface between institutions and [entrepreneurial] behavior” (Smallbone and Welter, 2001, p.108). Accordingly, a sample of business students from Sri Lanka have been used in this study to empirically test and validate the developed instrument. Thus, study measures the ‘perception of country institutional profile held by potential small businessmen/women’ in this particular context. The rationale for selecting business students as the “potential businessmen/women” has been proven in the previous studies (e.g., Busnitz, Gomez and Spencer, 2000). The study thus gives prominence to understanding how the differences in the cognitive, normative and regulatory dimensions of the institutional environment influence women-led small businesses from the viewpoint of potential small businessmen and women.

The study makes a few important contributions to literature. It is the first attempt to develop an instrument for measuring the institutional environment that women-led small businesses operate in and the research is conducted in a developing country context. A significant number of women business owners in the informal sector can be found in the developing economies (Azmat and Samaratunge, 2009; 2013; and DCSSL, 2013). The perception of the institutional environment, and its diverse domains, that is held by potential businessmen/women and (or nascent entrepreneurs) may suggest weaknesses or strengths prevailing in the current institutional environment and predict their future engagement in small businesses. Thus, the investigation of perceptions of the country institutional profile held by potential small businessmen/women in developing economies can guide policy-making efforts in the sector towards utilizing women’s capacities through small-scale business ventures. The study also aims to inspire emerging economies to broaden their current agendas for women in small business.

This paper is structured as follows. The second section presents the review of literature pertaining to the three dimensions of the institutional environment and women-led small businesses/entrepreneurship. The following presents the research design and statistical tests conducted for validating the instrument. Finally, the findings are reported, followed by discussion and implications of the study.

THE INSTITUTIONAL ENVIRONMENT

According to North (1991, p. 97), institutions are “the humanly devised constraints that structure political, economic and social interaction”. Institutions can be formal or informal, and “may be created” or “may evolve over time” (North, 1990, p. 4). From a more comprehensive view, country institutions can be recognized in relation to national economic systems, business systems, legal systems, governance systems and cultural systems (Grosvold and Brammer, 2011). Parboteeah, Hoegl and Cullen (2008, p. 796), referring to Kostova (1999), defined the country institutional profile in terms of “the set of all relevant institutions that have been established over time, operate in that country, and get transmitted into organizations through individuals”. The institutional environment operates at a macro level external to organizations, thus embedding ‘rule-like social facts’ into formal structures which function as ‘highly rationalized myths’ (Zucker, 1987, pp. 444-450). Scott (1995) specifically distinguished three dimensions of the institutional environment, i.e. regulatory, cognitive and normative, in alignment with neo-institutional theory. Kostova (1999) defined these three institutional dimensions clearly. The regulatory environment is denoted by the “existing laws and rules in a particular national environment, which promote certain types of behaviors and restrict others” (as cited in Parboteeah, Hoegl and Cullen, 2008, pp. 799-800). The cognitive environment is identified in terms of the “schemas, frames, inferential sets, and representations [that] affect the way people notice, categorize, and interpret stimuli from the environment” (Parboteeah, Hoegl and Cullen, 2008, p. 796). The normative dimension is indicated by “social norms, values, beliefs and assumptions that are socially shared and are carried by individuals” (Parboteeah, Hoegl and Cullen, 2008, p. 798).

DIMENSIONS OF THE INSTITUTIONAL ENVIRONMENT

Busenitz, Gomez and Spencer (2000), referring to Scott’s elaboration of the institutional environment, developed an instrument for measuring its three dimensions that gave an overall measurement of the country institutional profile for entrepreneurship development. This instrument used the framework of existing rules, regulations, laws and policies (the regulatory dimension), the skills and knowledge possessed by people for operating new businesses (the cognitive dimension), and the degree of admiration of entrepreneurial activities by people (the normative dimension). Thus, this three-dimensional measurement fully covers the complete sphere of an institutional profile of a country that affects the creation and growth of small businesses. This instrument has been adopted and validated in different contexts, such as when examining the institutional environment for entrepreneurship in emerging economies (Manolova, Eunni and Gyoshev, 2008), the institutional environment and sustainability of small firms in the Philippines (Roxas and Coetzer, 2012), and the institutional environment for social entrepreneurship self-efficacy in Africa (Urban, 2013), thereby shedding light on the current literature.

These three dimensions of the institutional environment have been extensively used to explain the influence of institutional environments on business enterprises (Liu, Yang and Zang, 2012; Roxas and Coetzer, 2012; and Zhu, Wittmann and Peng, 2012). The regulatory dimension represents the formal, structured, codified and explicitly held guidelines for business decisions and actions, enforced through the enactment of regulations, laws, Acts, etc. The cognitive dimension consists of the knowledge base accumulated through common practices and held explicitly or implicitly in the business community. The normative dimension comprises informal, implicitly held or internalized systems of values, norms, beliefs and traditions in society (Busenitz, Gomez and Spencer, 2000; Welter and Smallbone, 2011; Roxas and Coetzer, 2012; and Arasti, Pasvishe and Motavaseli, 2012). As such, business enterprises, irrespective of their scale, and level of economic development where they operate, function in a fusion of regulatory, cognitive and normative environments. The impact on small businesses is enormous (Azmat and Samarathunge, 2009). Thus, we will also use these dimensions in developing the instrument to measure the Country Institutional Profile for Women-led Small Businesses.

THE IMPACT OF THE INSTITUTIONAL ENVIRONMENT ON BUSINESS

The institutional environment represents the “rules of the game” in any society (North, 1990) and constrain or guide individual’s actions. Using the notion of ‘man being a social product and society a human product’, Berger and Luckman (1966) articulate the reciprocal productive relationship between human actions and the institutions in a given society. Many scholars argue that institutional environmental factors could act as incentives or constraints for small businesses to flourish or shrink (Roxas, Lindsay, Ashill and Victorio, 2006) because the quality of these institutions can make economic activities more predictable and reduce the uncertainty experienced by small businesses (North, 1990). The viability, profitability and the survival of small businesses therefore mainly depend on the existing institutional matrix (North, 2005).

Political-legal and socio-cultural institutions mainly govern economic performance through either enforcement of rules, regulations, laws and Acts or through implicitly held values, norms, customs, traditions, beliefs or practices (Roxas and Coetzer, 2012). Thus, institutions may prohibit, stipulate conditions, or facilitate certain human actions and interactions in a society. Overall, institutions provide the framework for human interaction. Ultimately, the role of institutions is to establish a stable structure for social interactions, while reducing uncertainties (North, 1990 and 1991). Irrespective of the scale of operations, i.e., small, medium or large, businesses are inevitably subject to the conditions of institutional environments. Neo-institutional theory of organizations (DiMaggio and Powell, 1983; Powell and DiMaggio, 1991; Meyer and Rowan, 1977; 1991; and Zucker, 1983) conveys macro environmental conditions that may influence a business. Thus, institutional environment can impede or expedite the start-up, continuation, and shutdown of enterprises.

INSTITUTIONAL ENVIRONMENT AND SMALL BUSINESS/ ENTREPRENEURSHIP IN DEVELOPING ECONOMIES

There have been numerous attempts to understand the institutional environment and its impact on small-scale enterprises. It is a common phenomenon that developing countries experience undeveloped or rather weak institutional environments (Welter and Smallbone, 2011; and Shumaila, Yousafzai and Moreno, 2015), which create more obstacles at different stages of business development, such as business start-ups, smooth operations and growth, shifting among businesses, and even shutdown-up of business enterprises. Many Asian countries need economic freedom in their institutional environments if they are to move towards productive entrepreneurship (Powell, 2007) because institutional environment can either enable or hamper small businesses in developing economies (Manolova, Eunni and Gyoshev, 2008).

The application of the institutional perspective, institutional theory, or institution-based view in examining small businesses and entrepreneurship in relation to emerging or developing countries is well documented (Manolova, Eunni and Gyoshev, 2008; Gupta *et al.*, 2012; Liu, Yang and Zang, 2012; Roxas and Coetzer 2012; Tang and Tang, 2012; and Zhu, Wittmann and Peng 2012). For instance, Zhu, Wittmann and Peng (2012) examined institution-based barriers and their influence on innovation in small businesses in China. The relationship between entrepreneurial orientation and firm performance in China was investigated by Tang and Tang (2012), by employing the country institutional profile developed by Busenitz, Gomez and Spencer (2000). The institution-based view has also been used to study the relationship between family businesses and firm performance (Liu, Yang and Zang, 2012). Manolova, Eunni and Gyoshev (2008) examined the institutional environments for entrepreneurship in emerging economies through the use of country institutional profiles. Social entrepreneurial self-efficacy in South Africa (Urban, 2013) and environmental sustainability orientation of small firms in the Philippines (Roxas and Coetzer, 2012) have also been investigated through the use of institutional profiles developed by Busenitz, Gomez and Spencer (2000). “Responsible entrepreneurship” in small-scale individual enterprises in developing countries has been examined in different contextual factors (business environment, cultural traditions, international and domestic pressures, and socioeconomic conditions) (Azmat and Samaratunge, 2009). All three dimensions of regulatory, cognitive, and normative environments have been found to influence small businesses throughout different stages from event formation to shutdown (Schapero and Sokol, 1982). This provides empirical evidence for the appropriateness of using an institutional perspective for examining possible environmental effects on small businesses.

INSTITUTIONAL ENVIRONMENT ON WOMEN-LED SMALL BUSINESS

Evidence that the three dimensions of the institutional environment—regulatory, cognitive and normative—specifically adversely affect women-led small businesses

exists in the literature. The regulatory dimension focuses on the regulation of entry, regulation of the going business concerns, regulation of financial markets (Autio and Fu, 2015, p. 71), etc. of small businesses. Previous research has documented several regulatory issues faced by women in small businesses. IFC (2011) reported adverse effects of existing financial regulations, especially in developing economies, on women entrepreneurs. These issues include (a) reluctance to apply for loans from formal financial institutions due to lack of enough institutional support; (b) difficulties in finding appropriate collateral prescribed in the regulations; and (c) lack of accessibility to financial facilities by distant or rural women due to under-development of the lending sector. Debroux (2013), in a study of three Asian nations, found that complicated documentation procedures create obstacles for women-led businesses. This reveals the exclusion of women from formal education in Malaysian and Vietnamese contexts (Debroux, 2013). Inefficient policies imposed and maintained by the state sector (Setty and Moorthy, 2010) have been another obstacle for women who are engaged in small businesses. Such inefficiencies frequently result from the bureaucratic systems prevailing in the organizational systems in the economy (DiMaggio and Powell, 1983). Liu, Yang and Zang (2012) and Wees and Romijn (1995) cite the lack of regulatory protection for women as a reason for their slow growth in business enterprises. Thus, unfair competition has been more visible in under-developed localities (Zhu, Wittmann and Peng, 2012).

The cognitive dimension of the institutional environment focuses on the set of practices, knowledge base and set of skills that have been institutionalized and needed for doing business in an economic system. From a cognitive dimension perspective, the disadvantages experienced by women in business are often related to their inability to access education, prior work experience, networking opportunities, and/or communication skills, which are critical ingredients for starting-up and maintaining uninterrupted functioning of a business (Yusuf, 1995; Bennett and Dann, 2000; and Ekepy, Razak and Mat, 2013). Furthermore, unavailability of support systems has led to the lack of cognition in business-related matters in women-led businesses at a surface level (Debroux, 2013; Gupta, 2013; Wees and Romijn, 1995; and Zhu, Wittmann and Peng, 2012).

The normative environment is created mainly by social institutions, which are derived through human interactions and consequent social constructions of a set of norms, values, beliefs and assumptions of people. The role of national culture, acceptable norms of behavior by women entrepreneurs and traditional family relationships (Birley, 1989) are vital in forming social attitudes towards women-led small businesses. The socio-cultural environment (perceptions of desirability) of micro and small enterprises and the influences of family, peer group and ethnic group in such endeavors (Schapero and Sokol, 1982) have also created significant effects for small businesses led by women, particularly in the South Asian region (Samaratunge, Barrett and Pajapakse, 2015). The influence of close family ties (Singh, Reynolds and Wegner, 2001), gender-based

occupational segregation (Kyrö, 2009), and the national culture as a whole (Kantor, 2002) predetermine women's role in society, especially in developing (Asian) contexts, thus valuing their roles as 'housewives' rather than as business women.

Based on the review of existing literature, we further propose that regulatory, cognitive and normative environments in developing economies adversely affect women-led SMEs in developing economies, and thus formulate the following hypotheses in this study:

- H₁: Regulatory environment adversely affects women-led SMEs in developing economies.*
- H₂: Cognitive environment adversely affects women-led SMEs in developing economies.*
- H₃: Normative environment adversely affect women-led SMEs in developing economies.*

SRI LANKA IN THE CONTEXT OF A DEVELOPING ECONOMY

Sri Lanka is amongst the most frequently researched developing countries for a number of reasons. From a democratic perspective, Sri Lanka stands out as a case of "model democracy". At the same time, the country also suffered "under one of the most protracted civil wars in the world [until 2009], which raised critical questions about the functioning of the democratic institutions and the governance system" (Bigdon, 2006, p. xi). Being an interesting case study for interdisciplinary research studies, it certainly provides a "laboratory for studying issues central to the debates on socio-political, [cultural] and economic transformation in countries that gained independence from colonialism" (Athukorala and Jayasuriya, 2015).

Sri Lanka recently reached lower-middle income country status (Central Bank of Sri Lanka, 2014). As shown in census statistics, women outnumber men in life expectancy, primary and secondary school enrolment, and enrolment in university education in certain streams (DCSSL, 2013). Sri Lanka also stands out in the region in the Gender Development Index (0.961), the female Human Development Index (0.720), expected years of female schooling (13.9), and estimated GNI per capita of female (0.802) (UNDP, 2014). Sri Lanka is now experiencing diminishing gender inequalities and higher educational achievements for women when compared to men (World Economic Forum, 2013; and DCSSL, 2013).

The female labor force participation level, however, remains low in Sri Lanka. Despite the fact that women-led SMEs account for 10% of total entrepreneurs in Sri Lanka, the potential for future economic growth is significant and this becomes a major source of livelihood for Sri Lankan women (Attygalle, Hirimuthugodage, Madurawala, Senaratne, Wijesinha and Edirisinghe, 2014). It is highly correlated with generating employment, alleviating poverty, and eliminating gender inequality

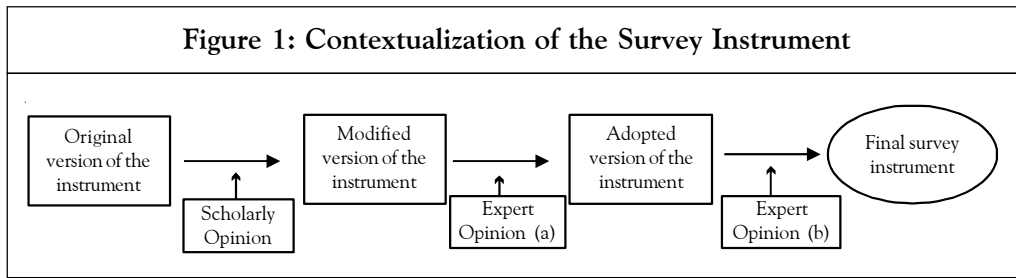
in the country (Wickremasinghe, 2011). Also, given the fact that Sri Lanka has emerged from 30 years of civil conflict and is now in a rebuilding and reconstruction phase (Samaratunge and Coghill, 2014), it is important to understand the impact of the institutional environment on women-led small business in a post-conflict nation. Ayadurai (2006) recognized the important contribution women make to economic growth in the country and emphasized the urgent need for both government and non-government agencies to assist in expansion of their entrepreneurial capabilities and in expanding their businesses to benefit other women. Although women in Sri Lanka have increased in terms of their participation in both the government and the non-government sectors, Thurairajah and Baldry (2010) suggested that government policies are “gender-neutral but not gender-sensitive”. Hence, Sri Lanka was chosen as a test case for our study to examine and validate the instrument for measuring country institutional profile for women-led small businesses in a post-conflict nation.

In terms of its institutional environment, Sri Lanka has not been identified as practicing regulatory discrimination based on gender in business ventures. Women’s education ranks high, but their cognitive ability in starting and operating a small business has not been well-examined in a macro perspective (Azmat and Samaratunge, 2009; and Samaratunge, Barrett and Rajapakse, 2015). Speculation about the normative environment in this context has still not produced positive images of women in business ventures. This paradox further led us to investigate the country institutional profile for women-led small businesses in Sri Lanka.

METHODS

PROCEDURES AND DATA COLLECTION

A mixed methods approach for collecting both quantitative and qualitative data was utilized in this study. Qualitative methods comprised expert opinion surveys and focus group discussions, which helped to contextualize the instrument before using it in the quantitative survey. The sequence of qualitative inquiry was as follows. First, the items in the initial instrument were assessed for their contextual validity by a scholarly group consisting of academics specializing in management of small business, entrepreneurship, and organization studies. We accommodated their suggestions for changing the wordings in the initial survey instrument in order to make it suitable for testing the institutional environment for women-led small businesses in Sri Lanka. In the next stage, a focus group of small business owners who were student participants in a diploma of small business program offered by a metropolitan city university was used to check the content validity of the adopted instrument [expert opinion (a)]. As an extension to this, we used a group of small business owners, selected through eye-ball sampling, for checking the content of the survey instrument and its sensibility [expert opinion (b)]. These procedures yielded the final survey instrument. The contextualization process is depicted in Figure 1.



The final survey instrument contained 12 items, i.e., four items each to measure the regulatory, cognitive and normative dimensions of the institutional environment (see Appendix). All items of the survey instrument were measured on a five-point Likert scale, ranging from ‘strongly agree’ (5) to ‘strongly disagree’ (1). During the contextualizing stage, terms in the original instrument were replaced to suit the purpose of the survey instrument (e.g., ‘individual’ with ‘women’, ‘entrepreneurs’ with ‘women’, ‘business’ with ‘small business’). The focus group of small business owners suggested the removal of one item that appeared under ‘Regulatory 2’ in the original instrument, as that statement was deemed not appropriate for the current context.

ADMINISTRATION OF THE SURVEY QUESTIONNAIRE

The survey questionnaire was administered in August 2014 to a sample of 300 business students in Sri Lanka. We used business students for the survey due to several reasons. First, we tested the instrument of country institutional profile based on the perception of ‘potential small businessmen/women’ in the context, thus making business students the best suited sample for the study. Second, the opinions of exiting small business holders might have driven by their own experiences and thus be biased compared to public opinions (Busenitz, Gomez and Spencer, 2000), where a group of business students is a cross-section of the business society of the country are yet to make a firm decision on their own careers. Third, the replicative nature of the study recommends obtaining a sample similar to previous studies (Manolova, Eunni and Gyoshev, 2008). Data were gathered in a classroom setting for obtaining a higher response rate (Manolova, Eunni and Gyoshev, 2008; and Urban, 2013). The survey had a 90% response rate (271 responses). All participants fall within the age group of 21 to 23 years. The sample represented more female (70%) reflecting the trend of increasing number of female business students in business faculties in this research context recently.

We used the Statistical Package for Social Sciences (SPSS) version 16 for the present analysis. Confirmatory Factor Analysis (CFA) with principal component analysis was used to verify the underlying dimensions of the instrument (Brown, 2006; and Brown and Moore, 2014). Reliability of the measurement was tested for internal consistency by using Cronbach’s alpha. Descriptive statistics, correlation analysis and ANOVA test were used in analyzing variables.

ANALYSIS AND RESULTS

To determine the underlying dimensions (factors) of the instrument Confirmatory Factor Analysis (CFA) was performed, which also helped in ascertaining the pattern of item-factor relationships (factor loadings) (Brown, 2006) in order to verify the factor loadings in this particular research context. By using Principal Component Analysis (PCA) as the extraction method, three factors were found to be loaded highlighting three dimensions of the institutional environment. All items, except one under the cognitive dimension (cog 4), loaded highly on the pre-determined constructs, marking above 0.6, and thus proving significance.

Table 1 shows the results of CFA of the items measuring three dimensions of the institutional environment on women-led small business.

Table 1: Results of Confirmatory Factor Analysis (Loading Three Factors)			
Constructs	Factor Loadings		
	1	2	3
Reg2	0.820	−0.032	0.109
Reg3	0.737	0.104	0.165
Reg1	0.720	−0.042	0.054
Reg4	0.672	0.093	0.092
Cog2	−0.046	0.831	−0.016
Cog3	0.048	0.775	0.131
Cog1	0.065	0.751	0.064
Cog4	0.050	0.376	0.262
Norm2	0.048	0.019	0.723
Norm3	0.135	0.071	0.715
Norm4	0.118	0.097	0.668
Norm1	0.095	0.136	0.603
Note: Extraction Method: Principal Component Analysis; and Rotation Method: Varimax with Kaiser Normalization.			

The scree plot showed that there is a clear break after the sixth component. The Keiser-Meyer-Olkin (KMO) measure of sampling adequacy exhibited 0.72, which fell in the range of high degree of common variance, thus proving the measurement of a common factor. The Bartlett's test of sphericity chi-squared value was 657.14 (df = 66, significant at $p = 0.000$). Reliability of the construct was evidenced by the internal consistency coefficients for the institutional dimensions with Cronbach's α for regulatory dimension = 0.736, cognitive dimension = 0.721, which are above the threshold level 0.7 (Field, 2005), and normative dimension = 0.642, a still acceptable value in social science research (Tabachnick and Fidell, 2013). The percent of total variance explained was 61.04.

Table 2 depicts the correlation values for three institutional environmental dimensions, indicating low level of correlation among three variables in the construct, which reflects the non-existence of multicollinearity.

Table 2: Correlation Matrix for Institutional Environmental Dimensions (n = 271)			
Dimension	Regulatory	Cognitive	Normative
1. Regulatory	1.000		
2. Normative	0.250**	1.000	
3. Cognitive	0.057	0.177**	1.000
Note: ** Correlation is significant at the 0.01 level (2-tailed).			

Table 3 shows the descriptive statistics relating to the three dimensions of the institutional environment. It indicates the perception of favorability shown by business students for each of the country institutional environmental dimensions on women-led small business.

Table 3: Descriptive Statistics of Institutional Dimensions						
Dimension	Mean	SD	Skewness	SE of Skewness	Kurtosis	SE of Kurtosis
Regulatory	3.5092	0.73969	-0.640	0.148	1.009	0.295
Normative	3.4945	0.80678	-0.434	0.148	-0.070	0.295
Cognitive	3.2153	0.77247	-0.362	0.148	-0.434	0.295

Accordingly, the perception of effects of the regulatory and the normative dimensions of the institutional environment on women-led small business have been reported favorably (3.5 and 3.49 mean values, respectively). Comparatively, the cognitive dimension is reported as moderately favorable (mean value 3.21). Coefficients of skewness (between -1 and +1) indicate the normal distribution of variables in the construct. However, when referred to the absolute value of skewness and kurtosis, the regulatory dimension stands outside the standard level of distribution.

Thus the findings do not signify a significant difference in terms of favorability among institutional dimensions. However, the cognitive dimension denotes a comparatively less conducive environment for women-led small business than the other two dimensions. Resultantly, the three hypotheses which proposed that the institutional environmental dimensions such as regulatory, cognitive and normative adversely affect women-led business in developing economies have been rejected. Despite the fact that the majority of the sample consisted of female respondents, the results (independent samples *t*-test: Levene's Test for Equality of Variances) showed no gender-based differences in the perception of the country institutional environment on women-led small business.

The results of the present study together with that of similar other studies conducted in emerging economies (Manolova, Eunni and Gyoshev, 2008, p. 211) is presented in Table 4 below just for comparison purposes.

Table 4: Comparison of Country Institutional Profiles

Country	Regulatory		Cognitive		Normative	
	Mean	SD	Mean	SD	Mean	SD
Latvia	3.22	0.74	2.74	0.88	3.32	0.87
Bulgaria	2.84	0.92	3.08	1.01	3.22	1.07
Hungary	3.54	0.84	2.64	0.79	2.96	0.73
Sri Lanka	3.50	0.73	3.21	0.77	3.49	0.80

The comparative results shows that developing economy context in which the present study was conducted has recorded high mean values for all three dimensions of the country institutional profile. However, while presenting this result, we acknowledge that the data on emerging economies compared here were recorded in 2008, and therefore results need to be interpreted carefully, considering the gap in time and time sensitivity of institutional changes in countries.

DISCUSSION

Institutional theory and its framework have been greatly used in theorizing and empirically investigating entrepreneurship and small businesses (e.g., Liu, Yang and Zang, 2012; Manolova, Eunni and Gyoshev, 2008; Roxas and Coetzer, 2012; Zhu, Wittmann and Peng, 2012). However, study of the impact of institutional environments on women-led small business, especially in developing country contexts, is scarce.

As a means of promoting such research and measuring the unique institutional environments that impact women-led small businesses, a survey instrument was developed and empirically validated. At the same time, we examined the perceptions of favorability of country institutional profile on women-led small business. This study unveils two strategic imperatives for strengthening small businesses led by women in developing economies. First, the findings show that the country institutional profile, tested with an educated and cognizant group of respondents in the institutional environment, has not been valued highly in any of the three dimensions. However, the Sri Lankan government has made numerous efforts to help the start-up and growth of women entrepreneurs (White Paper, 2002). Our finding reveals a possible gap in communication at the apex level. Furthermore, vindicating Manolova, Eunni and Gyoshev(2008) view that developing economies experience underdeveloped institutional environments, this study establishes the need for creating greater awareness of the current institutional-level facilities available for small businesses managed by women in developing countries. This may involve the strategic involvement of higher authorities to communicate and convince the people to support women in small businesses, through diverse and clearly visible means.

Secondly, the findings revealed that the cognitive dimension of the country institutional profile was less favorably perceived than the regulatory and normative

dimensions, thereby evoking skepticism on women's access to the required institutionalized knowledge base and practices for engaging in small business. This finding supports the current literature, which shows the obstacles in the cognitive environment encountered by women who step into business, such as education, prior work experience, networking opportunities, and/or communication skills (Yusuf, 1995; Bennett and Dann, 2000; and Ekepy, Razak and Mat, 2013). Thus, it seems that, even considering the high literacy rate of women in Sri Lanka, business education still stands as a necessity for developing small businesses amongst women.

With reference to comparative data available from emerging economies (Manolova, Eunni and Gyoshev, 2008), the present study asserts that institutional profiles in different regions may vary significantly, especially over time. Busenitz, Gomez and Spencer (2000) used the country institutional profiles for probing into country-level differences. This study asserts that the country institutional profiles on women-led small businesses can be used to compare the macro-level institutional environments within country contexts. This is for two reasons. First, women's involvement in small business is restricted to several areas or industries because of numerous human and social capital issues (Kantor, 2002), and hence the three institutional dimensions tested here may show up differences in different contexts. Second, the regulatory requirements, practices and knowledge required, and the values and beliefs about occupational segregation related to small businesses, can make differences across industries in the same country contexts.

Next, in line with the result that all three institutional dimensions have been valued moderately or above average, our findings differ from the accepted finding in empirical studies that the normative environment creates more barriers on women-led business in the developing country contexts (e.g., World Bank, 2011; and Kelley, Brush, Greene and Litovsky, 2013). This might be due to contextual biases in most of the previous research. Again, the reasons why the country institutional profile was not valued 'highly' by business students may be because of their lack of motivation to step into their-own businesses at this juncture. As Jayawarna, Rouse and Kitching (2013) say, entrepreneurial motivations develop dynamically, and such dynamic motivations are aligned with business life course.

The lack of gender-based differences in the perception of favorability on the dimensions of the country institutional profile on women-led small businesses reflect the gender-neutrality of the new generation, especially on matters of national concern. This fact is supported by the notion that the new generation is less likely to support traditional gender roles (Families and Work Institute, n.d.).

CONCLUSION

The present study addressed the void of the non-existence of a survey instrument for investigating the country institutional profile of women-led small business. Furthermore,

the findings were used to examine whether there was a difference in the perception of favorability of the institutional environment for women-led small businesses. Adapting the survey instrument developed by Busenitz, Gomez and Spencer (2000) to suit women-led small businesses, we conducted a replicative study in Sri Lanka and found that all three dimensions in the country institutional profile are above average or moderately favorable for women-led small business. Data from Sri Lanka did not significantly deviate from those of emerging economies. However, we note that the selected developing economy in the study, Sri Lanka, may reflect to a considerable extent the progress of its post-war developmental efforts taken by the authorities. No gender-based differences in the perception of desirability were observed in the results, which we explain due to the generation ('generation Y' or 'millennial') we used as respondents.

Our findings contribute to existing knowledge through validation of a survey instrument for testing the country institutional profile impact on women-led small business in a developing economy. Moreover, the study generates several implications for theorists, researchers, practitioners and policy makers.

IMPLICATIONS FOR THEORY AND PRACTICE

We propose an extension to institutional theory in the form of comprehensive elaboration of its application in diverse and contrasting contexts. Institutional theory takes into consideration three different but interrelated dimensions of the environment at macro level (Scott, 1995). However, theoretical speculation in comparing and contrasting these three dimensions has not been clear in previous studies. This leads to difficulty in distinguishing different parameters in measuring institutional profiles in different contexts.

Our study has several implications for policy makers. Institutions can play a pivotal role in enhancing women-led small business in developing economies. However, their potential is not fully realized due to certain barriers. Thus, strengthening the institutional environment through diverse means will be a part of the role of central as well as local governments of these countries. Thus, we stress the need for the direct involvement of policy-making bodies to create user-friendly regulatory measures for women-led small businesses. Further, direct involvement of government authorities in the cognitive dimension, in terms of developing measures for assuring the use of knowledge in utilizing cognitive properties of women in small business to date, would be promising for developing economies.

Institutional Theory proposes that organizations in the same domain come to adopt similar strategies in the long-run through the effect of isomorphism (DiMaggio and Powell, 1983). Thus, adopting the successful strategies used in one context, in similar contexts, or in slightly different contexts can help policy makers in devising more appropriate strategies for less-developed areas of the country's development agenda. For instance, lessons from South East Asia are used for strengthening women-led business. Thus, learning from such institutional contexts will lead to better lessons

that provide opportunities for comparisons at the macro level and for making important decisions at the apex level. As implied in the present study, we emphasize the need of paying greater attention to and selecting strategies for developing regulatory and cognitive environments in women-led small businesses in the Sri Lankan context.

We believe that the practical implications of the study will facilitate the government's efforts in policy formulation for mitigating inequalities and enhancing rural development in developing nations. The outcome of this study will also guide more attentive and broadened pragmatic analyses and theoretical developments of this phenomenon by the Sri Lankan research community.

LIMITATIONS AND SCOPE FOR FUTURE RESEARCH

One limitation of the present study, however, is that its sample is limited to business students. Accordingly, the results may be influenced by external factors, such as the content of the curriculum of the college, and the level of exposure of the respondents to the existing institutional environment of the country. Thus, we recommend the testing and validation of the present instrument in other populations, for example in vocational schools and apprentice institutes from which the graduates move into entrepreneurship and small business. Furthermore, country-level comparisons will be possible, if similar studies are undertaken in similar (developing) contexts in the region. Thus, comparison of country institutional profiles would yield greater knowledge about neighboring countries. Furthermore, the institutional profile of a country may affect the different stages (the formation, continuation, growing-up, shifting, and even closing up of a business) of women-led small businesses differently. Thus, the need for considering the diverse stages in the entire life cycle of a small business led by women in the context of existing regulatory, cognitive and normative environments is emphasized for possible future research.

Furthermore, the country institutional profile, being an external variable, will presumably play a moderating role between the individual characteristics and the success of women-led small businesses. Thus, motivation, ambition, personality, etc. of women SME holders can be tested for impacts on the survival and growth of women-led small businesses in an attempt to investigate the impact of institutional environment on individual women-led businesses. Thus, an empirical investigation of the role of moderators (regulatory, normative and cognitive environments) is indicative in this study.

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APPENDIX

Country Institutional Profile for Women-led Small Businesses: Final Survey Instrument (Contextualized)

REGULATORY DIMENSION

1. Government organizations in this country assist women with starting their own small businesses.
2. Local and national governments have special support available for women who want to start a new business.
3. The government sponsors organizations that help develop new women-led small businesses.
4. Even after failing in an earlier business, the government assists women small business owners in starting again.

COGNITIVE DIMENSION

5. Women who are stepping into small businesses know how to legally protect a new business.
6. Women who start new small businesses know how to deal with much risk.
7. Women who start new small businesses know how to manage risk.
8. Most women small business owners know where to find information about markets for their products.

NORMATIVE DIMENSION

9. Turning new ideas into businesses is an admired career path for women in this country.
10. In this country, innovative and creative thinking of women is viewed as a route to their success.
11. Women small business owners are admired in this country.
12. People in this country tend to greatly admire women those who start their own business.

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