

FACTORS AFFECTING FOR GROWTH OF THE SOCIAL ENTERPRISES IN WESTERN PROVINCE, SRI LANKA

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ABSTRACT

Social entrepreneurship is the newest growing segment of entrepreneurship. The concept is to cater a social or environmental problem while making money. The concept is more valuable as social enterprises are economically self-sustainable. Unlike charitable organizations, social enterprises generate adequate money to support its service or production. Similarly, the first priority of social entrepreneurs is not maximizing economic profits as their central vision is to avoid or mitigate an effect of a social or environmental issue.

In Sri Lanka, engaging to overcome a common issue without an invitation as a team or giving and dedicating for others benefit are not new. However, the 'Social Entrepreneurship' wording is new to the island. Consequently, there is limited research work that has taken place in Sri Lanka on 'Social Entrepreneurship'.

The study attempt to understand the factors affecting the growth of social entrepreneurs in Sri Lanka. The research tests six factors pertaining to SEs successes. Formally identified 73 social enterprises from Western Province, Sri Lanka have been considered as the sample. The research was carried out upon data collected through a questioner as well as the secondary information.

The correlation analysis and the regression were used to determine the possible influence of the factors on growth of SMEs in Sri Lanka. The information generated revealed that the growth of SEs has significant relationships with access to finance and strategic orientation of the social enterprise. Government support, owner/managers perception about formal education, emotional intelligence and transformational leadership factors are not shown much significance towards growth of social enterprises.

Key Words: Social enterprise, Growth, Access to Finance, Strategic Orientation

1. Introduction

A social entrepreneur is someone who identifies a business opportunity based on solving a social or environmental problem. The social enterprises are self-sustainable, and use its' profit to accomplish social or environmental goals instead of private return alone (Welamedage and Kiessel, 2017). Charities are made to achieve social values and business enterprises are made to achieve financial values. Consequently, social enterprises are combination of both Charity and Business.

Social Enterprises are becoming a prominent economic and social force in both developed and developing countries. They are considered as alternative ways of generating wealth, creating employment, promoting economic development, tackling poverty and social exclusion, sustaining vital community services, and addressing environmental issues. There is a tendency on social entrepreneurship in world context and the concept is more workable in Sri Lanka with the compassion of 'giving', of the population (Kiessel, 2017). The concept of social enterprise is deeply rooted in Sri Lankan business practice. The practices and history of Sri Lanka is compiling with theories attached to Social Entrepreneurship. It has been projected that there are thousands of firms in Sri Lanka which can be recognized as social enterprises (Kiessel, 2017).

1.1 Problem Statement

Sri Lanka currently facing numerous social and environmental issues as well as the government institutions and non-governmental organizations have failed in their mission to find sustainable solutions (Investing Network, 2017). "The State of social enterprises in Sri Lanka" (British Council, 2018) is the first research that state quantitative evidence on the number of social enterprises that are operating in Sri Lanka and the social and environmental impact they are delivering. The same research mentions some significance barriers for growth, but there is no clear statement as to what factors affecting to success and growth of the social enterprises in Sri Lankan context. This study empirically tested main six factors and the study was conducted in SEs situated in western province, Sri Lanka.

1.2 Research Objectives

- 1) To identify the current situation of Social Entrepreneurship in Sri Lanka.
- 2) To identify the main factors might affect the growth of Social Enterprises in Sri Lanka.
- 3) To identify the impact of each selected factor towards Social Enterprises growth.
- 4) To give suggestions and recommendations on growth of Social Enterprises in Sri Lanka.

2. Literature

Reynolds, Day, and Lancaster (2001) and Indarti (2004) state the government support is a necessary condition to development of enterprises and government

regulations are identified as a major hindering. Hunjra (2011) states that the policies of government as the key factors which affect the SMEs' success. Hence, the government support is essential.

Next, Cosh and Hughes (1994) and Chen M. (2016) has stated that the shortage access to finance as the oldest and major difficulty for MSMEs all over the world in initiating, expanding modernizing and growing. Moreover, scholars like Kelley, Singer, & Herrington, (2012) state that access to finance encourage SME businesses towards success in any economy. Furthermore, according to study conducted by British council, access to finance identify as the main barrier for social enterprises in Sri Lankan context (British Council, 2018).

Similarly, formal education gives knowledge about the technical procedure, theoretical and business concepts. Owners/managers, who possess perception of formal education, apply same in attaining their business goals. Robert (2003), Wanigasekara (2010), Thapa (2008) also have exposed that business success is linked with owner's education level. Aminu (2015) states that the development of effective strategies is crucial for any venture. Strategic orientation denotes how firms should work together with its' customers, rivals and other external factors/elements to create the optimal strategic selections. Somarathna (2015) found that there is a positive correlation between Strategic Orientations with its' performance of SMEs in Sri Lanka.

According to the study of Karimi (2012), business owners with high emotional intelligence are more success in their ventures. Moreover, Baron (2008) argues that positive emotional intelligence will enhance entrepreneurial competencies opportunity recognition and then it will lead to success and growth of the venture. Dulewicz and Higgs (1999), Metcalfe (1999) have stated that there is a significant positive relationship between Emotional intelligence and transformational leadership while Frangos (2015) states, the ability to realize and manage other people's' emotions mutually related with the factors such as inspirational motivation and individualized consideration in the transformational leadership. Frangos, (2015) states that there are so many studies which have proven that the influence of emotional intelligence is mediate with the transformational leadership.

3. Methodology

All the formally identified social enterprises in western province were taken as the population for the research. Then, the population was taken as the sample for the research. Some of them were rejected due to not meeting this study's selected criteria on social enterprises (receiving more than 75% funds from grants as well and who mentioned making profit is their main organization

emphasis were not taken to consideration). Consequently, the researcher received 73 valued feedbacks.

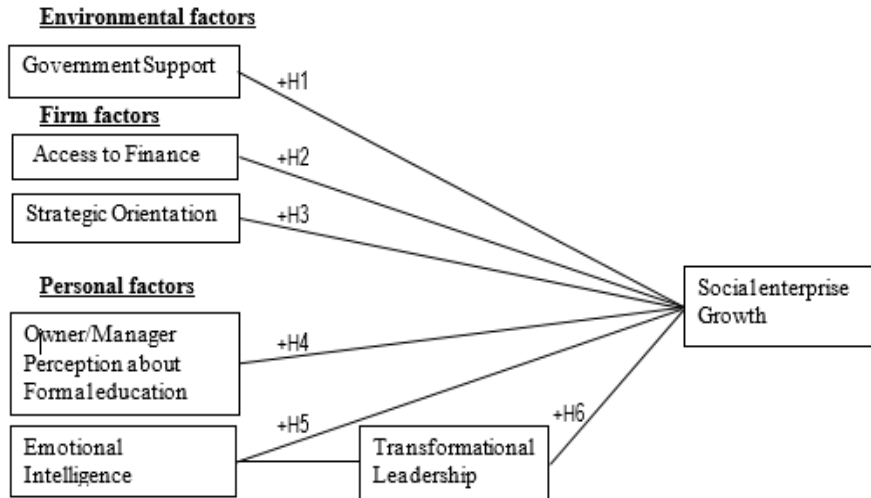


Figure 1-Conceptual framework

First objective of the research is to identify the current situation of social enterprises in Sri Lankan context and it was fulfilled using secondary data collected through the literature survey. Second objective of the study is to identify most important factors which affects the growth of social enterprises. This objective also was achieved using secondary data collected via the literature survey. Social enterprise's growth was considered as the dependent variable for the study while the government support, access to finance, strategic orientation, and owners'/managers' perception about formal education, emotional intelligence and transformational leadership are taken as the independent variables. Structured questionnaire was used to gather data.

The demographic data were analyzed under years of experience, gender, operating districts, classification of enterprises and the income from grants of enterprises. Hypotheses were tested to reach for the objectives. Further, a regression analysis was done to find most related variables with the dependent variable, enterprise growth. Multiple linear regression and descriptive statistics methods used to analysis the collected data set using SPSS23 package.

4. Results

Two hypotheses were accepted out of six; namely strategic orientation and access to finance. The results obtained shows that there is a significant effect of access to finance and strategic orientation on the social enterprise growth. The rejected hypotheses are the owner manager's perception about formal education, Government support, and emotional intelligence. Hence, it's demonstrated there is no any significant effect on those variables for the growth

of social enterprises in Sri Lanka. Moreover, transformational leadership not showing a mediating effect on emotional intelligence to enterprise growth.

Table 1: Model summary of regression between independent variables with SE growth

Model	R	R Square	Adjusted R Square	Std. Error
1	0.594	0.352	0.302	0.63504

Source: Output of regression analysis by SPSS

Table 2: Hypotheses test results

Hypothesis	Significant value 5%	Accepted/ Rejected
H1: There is a significant impact of Government support on Social enterprise growth	0.224	Rejected
H2: There is a significant impact of Access to Finance on Social enterprise growth.	0.000	Accepted
H3: There is a significant impact of owner's/manager's perception about formal education on Social enterprise growth.	0.553	Rejected
H4: There is a significant impact of strategic orientation on Social enterprise growth.	0.013	Accepted
H5: There is a significant impact of owner's/managers emotional intelligence on Social enterprise growth.	0.259	Rejected
H6: Transformational leadership mediates the relationship between emotional intelligence and Social enterprise growth.	0.304	Rejected

Source: Prepared by author due to Output of hypotheses testing by SPSS

5. Conclusion and Implications

All four objectives of the research were achieved and the findings of the study show that there is a significant effect of access to finance and the growth of social enterprises and on the other hand, the descriptive statistics shows a lower level of access to finance among Sri Lankan social enterprises. Hence, the improvement of financial facility for social enterprises is very much essential. Little more confederation on business strategies is also important. Because, it shows significant impact on SEs' growth. Moreover, the SEs should not to rely too much on government support because it's not shown any significant impact on social enterprises' growth in Sri Lanka context.

As per research findings, owner managers' emotional intelligence is not much important for growth of a social enterprise. Moreover, there is no any mediating impact of transformational leadership on the relationship between emotional intelligence and social enterprise growth as well as the perception of formal education shows negative relationship with social enterprise growth.

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