

Financial Management Skills of Small Scale Business Women: Does Education Background Matters?

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Abstracts: This research seeks to determine the relationship between the education background and financial management skills among the 93 small business women at Kuala Kangsar branch, Perak, Malaysia. The educational background consists of the formal education and entrepreneurial training background. The research objective is to determine the relationship and difference between formal education, entrepreneurial training, financial management skills and the business net income. The researcher used t-test and Spearman's Rho correlation in the inferential statistics. The findings show that there are significant relationships between the perceived financial management skills with the net income and participation in entrepreneurial training with the financial management. However, there are no significant relationships between the formal education with the business net income and the financial management skills.

Key words: Financial management skills, small scale business women, educational background, entrepreneurial training, t-test, Malaysia

INTRODUCTION

The Malaysian government is committed towards developing successful women entrepreneurs through the introduction of the new economic development policy and vision 2020. Malaysian women are given equal opportunity to participate in business and entrepreneurship activities. Since the development of the Ministry of Entrepreneurship Development and Co-operatives in 1995, the Malaysian government had shown their commitment in ensuring the business women play active roles in the economy. Malaysian women accounted for about 35% of the total labour force in 1990. For example in 1980, 40.1% of the total labour force in the manufacturing sector were female workers which had increased to 46.4% in 1990. In the wholesale, retail trade, hotel and restaurant sectors, 29.3% of the total labour force were women in 1980 and 38.6% in 1990. Similarly, the proportion of female workers increased from 29.5% in 1980 to 34.2% in 1990 in the finance, insurance, real-estates and business services. One of the objectives of the new economic development policy is to develop the Bumiputera Commercial and Industry Community (BCIC). Thus, the bumiputera women entrepreneurs are no exception to contribute towards achieving the BCIC goal. Furthermore with the involvement of 12 Government Ministries and nearly 30 Government agencies in the

Table 1: Estimation on the population of women and projection of women entrepreneurs (1990-2020)

No. of women entrepreneurs	1990	2000	2020
Total population of women	9.0 million	11.3 million	16.8 million
Working women	1.9 million	2.6 million	4.0 million
Women entrepreneur (working women%)	9.1%	15%	30%
No. of women entrepreneurs Sulaiman (1998)	172,900	390,000	1.2 million

development of entrepreneurs in Malaysia, there is a need to understand the needs of these women entrepreneurs (Zabid, 1996). The government aimed to produce at least 1.2 million in 2020 of women entrepreneurs (Sulaiman, 1998) (Table 1).

Problems arose when some rural business women lack of self preparation in expanding their production activities. Furthermore, these business women were poorly educated (Husna, 1994). They mentioned that the knowledge levels of these rural women were still low for pioneering and competing in the new field. As a result, these limitations hampered their efforts to willingly be trained in financial and production management skills. Faizah in her study revealed that these business women were having problems with their inner self because of lack of education and business skills. Most of these business women conducted their business in rural areas, married, poorly educated in their 40's and most of them were involved in food processing and textile sectors.

Norsiah supported the others by reporting the same situation such as the majority of these business women were poorly educated, lack of entrepreneurial networking and training in marketing and financial management. Although, the roles and contributions of women in business are widely recognized in Malaysia, there are not many studies done on the management practices or related issues especially with financial management. The purpose of this research is to determine the skills of these business women in managing their finances and also to determine whether high, middle and low education with entrepreneurial training of these business women have influenced their business financial management.

The role of formal education on Malay women

entrepreneurs: The opportunity to have good education in this country has widened after the world war II in 1945. Hence, many of the local entrepreneurs are those who are young and have good formal education in schools, colleges and universities (Hisham, 1995). The important role of education for entrepreneurs was stressed by Ronstadt (1984) who said that entrepreneurs can be developed through education. According to Zaleha, the business opportunities can also be easily identified by those who have good education backgrounds. Zaidatol Akmaliah agreed with Zaleha and the others that education is an instrument for those who seek business opportunities. According to Bates (1990), good educated entrepreneurs are likely to create firms that will sustain. Osirim (1990) also cited a similar result that high levels of educational attainment lead to successful entrepreneurship. In a research by Romano (1992), it was reported that the duration and relevance of formal education was related to the firm's survival in that owners or managers who had received formal education relating to the type of work in which the business was engaged, experienced greater growth than those without such education (William, 1986).

It was inferred that owners or managers with higher education could be more highly entrepreneurial in future prospects and be more receptive to new managerial initiatives. Other studies also revealed that fast-expanding firms have managers who had tertiary and professional qualifications (Gudgin *et al.*, 1979), though this might not be the only condition for success (Lloyd and Dicken, 1982). Also, it is more likely that formal education made managers more receptive to good business management (Johns *et al.*, 1989). On the other hand, Stuart and Abetti (1990) reported in their study that advanced education beyond the bachelor's degree was negatively related to the performance of the business. For example in the research by Romano (1992), it was found that 22% of the

respondents were founders of new manufacturing firms with no formal qualification. In another report by Marceau (1984), it was found that most of the respondents did not receive any basic education but had technical training. However according to Ling (1990), almost 25% of the business women in Malaysia do not have tertiary education but are successful based on their powerful entrepreneurial traits. Yusof (2004) also supported the research that the level of education is not important in entrepreneurship where most of the women entrepreneurs involved only had secondary school qualifications. Furthermore, knowledge in entrepreneurship can be acquired from attending courses and training from time to time.

Entrepreneurial courses and training: An entrepreneur is not born. He nor she needs to be equipped with business knowledge through continuous entrepreneurial courses and training (Basri, 1997; Abdul Aziz, 1997). In another study by Basri (1997) on 65 bumiputera entrepreneurs found that entrepreneurial training influences the companies' performance, especially those who attend relevant business and marketing courses. Ganesan *et al.* (2002) also agree with Basri and found that there is a positive development and increased capacity in the business achievement of the business women who attend entrepreneurial courses and training. Results of the similar study by Ludher *et al.* (1993) found that these businesswomen do need training in technical and management skills especially in accounting and store management. All these are vital for the expansion of a business. Jamal (2000) also cited in her research that business women who are members of Malaysian business women association (PENIAGAWATI) agree on the importance of attending entrepreneurial training. From these business women, 90.1% agree to attend financial courses, 85.9% for business plan and 83.3% for quality control and so on. Nevertheless, a research on the attendance in entrepreneurial training of rural business women by Salleh (1999) found that 85.3% of the respondents were just planning to attend the courses but in actual, only 9.3% of them had attended the courses before and after doing business. Schauer (2005) did a research about the problems of business women and entrepreneurial education programme. The results found that these entrepreneurs do not understand about entrepreneurial education. Furthermore, they have more obstacles and challenges compared to their male counterparts. Thus, the rural business women still lack of entrepreneurial trainings and should participate in these courses to increase their skills especially in business management. Also, the relevant authorities should

increase more successful women entrepreneurs to be examples for other business women (Salleh, 1999). However in a case study by Husna (1994) among successful entrepreneurs in rural areas in Selangor found that most of them did not attend any course or training in entrepreneurship. However, they were able to manage their business well with good attitude such as hard work, confidence and high motivation. According to the respondents, all these entrepreneurial traits were cultivated from their experiences in managing the business without attending any formal training.

Problems of entrepreneurs in financial management

skill: In an annual report of Dun and Bradstreet, Abdul Aziz (1997) found that 93.1% from 9,566 of businesses failed in the United States due to lack of skills in business operations. Among the reasons for it are incompetence (41.5%), im-balanced exposure (23.6%) and lack of managerial experience (15%). A study conducted by Sharifuddin (1984) on 92 bumiputera entrepreneurs in Kelantan revealed that they had low skills in business management. The findings showed 38% of the entrepreneurs never record their daily income, 36% never record their expenses, 33% never record their debts, 78% never record their stocks, 65% never prepare the profit and loss accounts, 88% never prepare the balance sheet, 90% never prepare the cash flow statement and 78% never make business plans.

In another research by Sharifuddin (1990) found that 62.3% of small business women failed in business for the 1st 2 years. Among the reasons were related to having business exposure background, motivation, management and technical abilities. Ibrahim (2000) also found that the main factors of failure in business among the small business owners were lack of knowledge and managing skills such as delegation of work to the workers, saving the business profits, marketing strategies, lack of trainings in financial management. In another report by Abdul Aziz (1997), it was found that bumiputera entrepreneurs were weak in business financial management. A study by Norsiah on the 391 women entrepreneurs in Kedah and Perlis found that they had problems in financial management, marketing and unskilled workers. Harun (1996) also concluded in her study that rural bumiputera entrepreneurs in Johor did not practice good financial management culture. In another study by Rosnani (1998) found that the Malay business women kept poor book keeping records.

Most of them did not concern about the importance of keeping simple book keeping such as records of creditors, debtors and daily expenses. According to Barton, the financial management skills refers to

understand principles of reinvesting in business, understand capital principles, understand how to advertise and control the financial aspect of a company.

MATERIALS AND METHODS

This study employed a survey method. Data was collected through questionnaire and interviews. The sample of this study was 93 business women who received business capital from an organization called Amanah Ikhtiar Malaysia (Thrust fund of Malaysia) and earned a gross profit of \geq RM1000. The town was in Kuala Kangsar, Perak. They were randomly selected from 30 different small business locations in the town. Three pilot studies were conducted to check the reliability and validity of the questionnaire. From the results, the questionnaire was modified until achieved the reliability index of 0.87 for the whole items. The questionnaire consisted of three sections which were the respondents and their business profiles, financial management skills level and problems faced in business. The findings were calculated in frequency, percentage, means, Spearman's rho analysis and t-test. The objectives of this study are:

- To determine the profiles of the small business women and their businesses
- To determine the small business women's reasons for doing business, problems faced in managing their businesses, their education backgrounds and their financial management skills level
- To determine the relationship between their financial management skills level with their business income and education levels
- To determine the relationship between their education levels and their business income
- To find out their financial management skills level difference based on training attendance

RESULTS

Personal and business profiles: Table 2 shows the respondents were all Malays with 48.4% of the age group were in their \geq 40's, 39.8% were in their 30's and 11.8% were in their 20's. The majority (88.2%) of the business women were married, 10.7% separated or divorced or widowed and 1.1% were single. Majority of them said that their spouses act as motivators for them to do business (86%). The rest have their parents (4.2%), friends (2.2%) and others (7.5%) to do so. This showed that the business women were motivated by their family members and friends. About 64.6% of the businesses had been in operation for \leq 5 years

Table 2: Distribution of personal and business profiles

Profile	Number	Percentage
Age		
20-29 years	11	11.8
30-39 years	37	39.8
>40 years	45	48.4
Marital status		
Single	1	1.1
Married	82	88.2
Widowed	10	10.7
Motivator		
Spouse	80	86.0
Parents	4	4.3
Friends	2	2.2
Others	7	7.5
Operation period		
0-5 years	60	64.6
6-11 years	15	16.1
12-17 years	12	12.9
>18 years	6	6.5
Start-up capital		
<RM300	12	12.9
RM300-1000	25	26.9
>RM1001	56	60.2
Net income		
<RM300	35	37.6
RM300-1000	42	45.2
>RM1001	16	17.2
Usage of profits		
Family expenses	59	63.4
Additional properties	2	2.2
Top up capital	23	24.7
Expand business	8	8.6
Others	1	1.1

16.1% had been in existence for between 6 and 11 years, 12.9% for 12 and 17 years while 6.5% had been around for >18 years. During the start-up period, 60.2% of the business women had a capital of >RM1001 (USD 294) while 26.9% have between RM301 (USD 88) and RM1000 (USD 294) with the remaining 12.9% <RM300 (USD 88). However during the study, 45.2% of these business women had gained profit between RM301 (USD 88) and RM1000 (USD 294) while 37.6% had <RM300 (USD 88) and the rest (17.2%) had >RM1001 (USD 294). In terms of the profit usage, most of these business women used their profit for family expenses (63.4%) but some 24.7% used it for adding to their capital, 8.6% for expanding the businesses, 2.2% used it for purchasing additional properties and 1.1% others.

Relationships between formal education levels, attendance of entrepreneurial trainings, financial management skills level and business net income: In examining the relationship between formal education levels, attendance of entrepreneurial trainings, financial management skills level and business net income, t-test and Spearman's rho test were conducted. The results tabulated in Table 3 show that there are relationships between the financial management skills and net income (significant at $p < 0.01$) using Spearman's rho test. This means that the business net income will increase with

Table 3: Relationship of perceived financial management skills with net income

Variable 1	Variable 2	N	r	p-value
Financial management skills	Net income	93	0.367	0.009*

*Significant level at $p < 0.05$

Table 4: Relationship of formal education with net income

Variable 3	Variable 2	N	r	p-value
Formal education	Net income	93	0.112	0.198

$p > 0.05$

Table 5: Differences of financial management skills level based on entrepreneurial trainings attendance

Variable 1	Variable 4	N	Mean	SD	t-value	Sig. (2-tailed)
Financial Management skills	Had trainings	30	3.968	2.629	2.629	0.012*
	No training	63	3.659	2.502		

*Significance at $p < 0.05$

the increase of financial management skills among the business women. From the results of the Spearman's rho in Table 4, there are no relationships between the formal education of business women with the net income and financial management skills level (significant at $p < 0.05$). Therefore, whether having high, middle or low formal education level, the business net income and financial management skills level would not be affected.

From the t-test, there were significant difference in the entrepreneurial training attendance and the financial management skills level (significant at $p < 0.05$) which means that small business women who had attended the trainings could manage their business financial more effectively than those who did not attend the trainings as shown in Table 5.

Education background of the respondents: The respondents were generally low-educated. In terms of formal education, 49.5% of them never went to school or only received primary school education. However, 26.8% had formal education until Form 3 with the rest until Form 5 and above (23.7%). Most business women of 67.7% never attended any entrepreneurial courses or training but 32.3% participated in those conducted by the government. The most popular entrepreneurial courses conducted were of entrepreneurial motivation (33.3%), basic business (16.7%) and manufacturing of food (16.7%). Other courses held were on marketing (10%), computer and business plan (6.7%) and financial management (6.7%). The reasons these business women did not participate in the training or courses were no opportunity (71.9%), ignorance of its importance (17.2%) and business (10.9%).

Reasons for involving in business: There were three main reasons why the respondents were involved in business. About 67.7% wanted to help their husbands in spending

for the family. This means that the need to better the family financial standing was a strong motivating factor for these women to involve in business. The next reason was the respondents (23.7%) wanted a more comfortable life. The other 8.6% of the respondents wanted to be independent.

Level of financial management skills: The level of financial management skills of the respondents is average with the mean score of 2.98 ($2.34 < \mu < 3.66$). This means that the small business women were not just below moderate level of managing the financial aspects of their businesses.

Problems faced in running business: Among the five problems asked, 38.7% admitted that they did not have enough capital to run their day to day operations. About 24.7% had problems to compete with their counterparts. The 3rd problem was 19.4% of the respondents were unhappy with the high price of goods. About 5.4% had difficulties in obtaining more capital and finally 3.2% had problems with their non-strategic business location. Other small problems are applying for credits, finding and keeping qualified skilled labour and difficulty in getting customers for seasonal products.

DISCUSSION

This study discusses the relationships between the education level and perceived financial management skills among the 93 small business women funded by the Amanah Ikhtiar Malaysia organization (Thrust Fund of Malaysia) at Kuala Kangsar, Perak.

About >49% of the business women had on primary school education and the rest just graduated from the high schools. Most of them chose to do business mainly because they wanted to lessen the burden of their husbands in spending for the family to have more comfortable lives and lastly, they wanted to be independent. Their level of financial management skills were just below moderate level. In terms of business problems, most of these business women did not have enough capital expand their business other than just enough to run their day to day business. The findings also showed that the better their financial management skills, the better the business income will be. However, there was no relationship between their education level and their financial management skills. This can be inferred that business experiences on managing the finance of their business are more effective in helping them to increase their income rather than the education background. In this case, the primary education might not

have relevance on their current needs because when it comes to the entrepreneurial trainings, it made a difference in terms of increasing their level of financial management skills. So does education background matters? In this case, school education does not matter but specific entrepreneurial trainings do matter.

Difficulty in obtaining finance still features strongly as a problem faced by entrepreneurs at operational level. In a study by Rohana on 540 business women in Kedah (another state in Malaysia) found that the main problems faced by them still lack of capital and trainings. Mohd Fauzi also found that the main problem faced by the business women was insufficient capital. As a consequence, the business women could not afford to hire staffs to help them manage their business operations. As a result, the most business women has to be a one woman show which caused a lot of stress and burden. In terms of business competition, Rodrigues cautioned entrepreneurs to avoid competition with large firms unless he or she has a niche to fill in. Entrepreneurs should make comparisons of the types of products and customers with the competitor's offerings and strategies. The implication of this study is for the National Women Organizations in Malaysia to provide adequate attention to the critical areas needed by the women entrepreneurs in order to enhance their business success. The various agencies involved in the training of entrepreneurs including the Malaysian business women association (PENIAGAWATI) should try to develop special training programs for the women entrepreneurs to cope with their daily business problems. It also suggests the importance of entrepreneurial training in acquiring financial management skills for ensuring business success. Also, more studies could be carried out on women entrepreneurs to explore new dimensions of managerial practice which can be resulted in the development of a new theory of successful entrepreneurs. Finally, more qualitative and in-depth studies could be done on the life experiences of small business women which seek to explain many new phenomena.

CONCLUSION

In conclusion, business experiences on managing the finance of their business are more effective in helping them to increase their income rather than the education background.

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