

## Social Capital and Women Entrepreneurs Success: A Proposed Framework

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To Link this Article: <http://dx.doi.org/10.6007/IJARBSS/v12-i7/14178> DOI:10.6007/IJARBSS/v12-i7/14178

*Published Date:* 16 July 2022

### Abstract

In modern economics, one of the most common raising trends is entrepreneurship. It can be said that entrepreneurship is the main foundation to economic development in both developed and developing countries. Nowadays, the empowerment of women, especially in Malaysia through entrepreneurial activities is essential for poverty alleviation and meaningful involvement in business growth. Also, the effective function of social capital will assist and encourage women entrepreneurs to make greater contributions to household income, which, when combined with other interventions to increase household well-being, translates into higher well-being for women and the potential to impact change. From that, this study aims to highlight and propose a model based on the role of social capital namely trust, norms and networking which will give impact toward business success among women entrepreneurs.

**Keyword:** Business Success, Entrepreneurship, Social Capital, Women Entrepreneurs.

### Introduction

As per the 10<sup>th</sup> and 11<sup>th</sup> Malaysia Plan (Rancangan Malaysia Ke-10 and 11), the government has outlined their focus for women empowerment for the purpose of improved economic contribution via entrepreneurship. This can be reflected by the projected rapid growth of the number of women entrepreneurs becoming involved and succeeding in their respective businesses. In the 10<sup>th</sup> Malaysia Plan, efforts to improve entrepreneur's confidence, skills, training have been undertaken by introducing special assistance schemes so as to spur women to triumph past challenging circumstances and engage in entrepreneurial activities. The importance of women entrepreneurship to a nation and its economy is undeniable, especially due to their contributions towards economic development and poverty alleviation (Carter & Wilton, 2006). Furthermore, they also play as an important role for the economic development of families and communities. However, such development and growth in developing countries have generally been hindered by various barriers, such as unemployment, low family income, poverty and inequity. Such obstacles have prompted a majority of these women to become involved in business activities so as to support their

household. According to Ekpe et al (2010), their study on the roles of microfinance factors on women entrepreneurs' performance in Nigeria has concluded that women involvement in entrepreneurship is the best strategy towards alleviating poverty in Nigeria. This is explained by how women are the people hit hardest in unemployment and poverty.

For a woman entrepreneur to succeed in her business, appropriate decision making is required of her especially in application of funds or credits acquired because misuse of acquired funds will result to business failure and continued payment of interest. Other essential success attributes of entrepreneurs are entrepreneurial skills, ability to network (to get finance and information) and strategic planning (Reavley & Lituchy, 2008). Thus, Having the right motive; ambition, self-confident, high level of energy and being less emotional (as studied by Idris & Mahmood, 2003) are other characteristics without which an entrepreneur may not succeed in her entrepreneurial activity.

## **Literature Review**

### *Women Entrepreneurs in Malaysia*

In Malaysia, women entrepreneurs are fast becoming an importance community especially as of recently due to them being recognized as key players towards economic expansion (Teoh & Chong, 2014). Their numbers have spiked upwards over the last decade, attributable to the guidance and assistance provided by the leadership, non-governmental organizations, private institutions and other agencies. Current reports have documented that out of 655,146 active SMEs in operation, women ownership has seen a rise to 126,091 companies or 19.7% (Hamzah, 2012), compared to 82,911 companies (16%) in 2005 (Muhamad Badri, 2015). A huge chunk of such operations are dominated by the services sector, amounting to 91.7% of total participation as SMEs, followed by the manufacturing sector (6.9%), whereas the remaining percentage is made up of agriculture, construction or mining.

Recent statistics have indicated that a majority of women-owned SMEs are micro-sized at a whopping 88%, followed by small-sized (11.3%) and medium-sized establishments (0.8%) (Department of Statistics Malaysia, 2012). The numbers suggest that these ventures are more likely to be operating from home, whereas increasing firm size is associated with declining percentage of women ownership. According to Hamzah (2012), Malaysian women entrepreneurs are primarily encountered in micro-SME and informal SME sectors, which is especially prominent in states like Kelantan, Terengganu and Perlis. These locations boast of business establishments that are spearheaded by micro-sized SMEs in majority, logging in at 91.9%, 87.9% and 87.1% respectively (Economic Census, 2011; Profile SME in Malaysia).

### **Defining the concept of Business Success**

Success can be achieved in many different ways, and are of importance for businesses or organizations alike. According to Gorgievski et al (2011), it is the outcome of attaining objectives and goals in life. In the context of business, success is a crucial element in management despite not being explicitly stated, whereby success or failure can be labeled as actions or endeavor for either good or bad management. It is commonly used to describe business performance.

Islam et al (2011) have highlighted the lack of specific and universally accepted description of success, allowing its interpretation in various ways. Nevertheless, it can generally be categorized into two different domains, either financial vs. other success or short-vs. long-term success. The concept itself can be reflected by different elements, such as profit, survival, return on investment, employee roster, happiness, sales growth, reputation, and more. Therefore, the different possible identification and meaning for success is according to different people.

Measurement of entrepreneurial success by Rhodes and Butler (2004) has recommended the financial approach, using elements of income, profit, return on asset, return on investment and asset owned. Other researchers have also studied the topic further according to each elements, specifically income (Haber & Reichel, 2005), profit (Orser et al., 2000), return on asset (Masuo et al., 2001), asset owned (Norma & Jarita, 2010), return on investment (Gadenne, 1998), and more.

Meanwhile, Walker and Brown (2004) have indicated the measurement of “non-financial success” according to overall satisfaction towards goal achievement, especially relevant to micro and small business. Hence, this study is focusing on non-financial approach as a measurement of success, as supported by Lumpkin & Dess (1996) and Noor Hazlina (2007).

### **Social Capital**

Social capital is a concept made popular by (Putnam et al., 1994). It has commenced with a research in Italy that focused on institutional performance in social capital, specifically regarding difference seen between regional management from southern and northern part of the country. Upon an assessment of the proof of institutional performance and levels of civic engagement, the resulting differences of civic engagement have been utilized to conceptualize social capital. Therefore, the term has been defined as the “characteristics of social managements like networks, trust and norms that will increase employee efficiency by facilitating coordinated actions” (Putnam et al., 1994).

The beneficiaries of social capital have therefore been specified using the term ‘participants’ instead of ‘society’. The book entitled *Bowling Alone* by Putnam (2001) has outlined the argument regarding the basic concept of social capital, whereby social networks can affect individual and group performances. However, the term has been referred to afterwards as the “connections among individuals, social networks and the norms of reciprocity and trustworthiness that arise from them” (Putnam, 2001). Furthermore, trust has been chosen as the primary trait of norms elicited from social networks to describe social capital, it being the representation of social network structures. Therefore, it can be described in two main domains: norms and networks; and not norms, networks, and trust. However, social capital and microfinance institutions like AIM is currently practicing all three elements of social capital, defined accordingly: (1) Trust: refer to “an expectation that emerges as a result of honesty, responsibility and cooperation between members of the community”; (2) Norms: refer to “property of a social system strengthened by and reinforcing the dimension of trust”; and (3) Networking: refer to “relationship that leads to the creation of trust among people in a group and between others”.

### Social Capital and the Success of Women Entrepreneurs

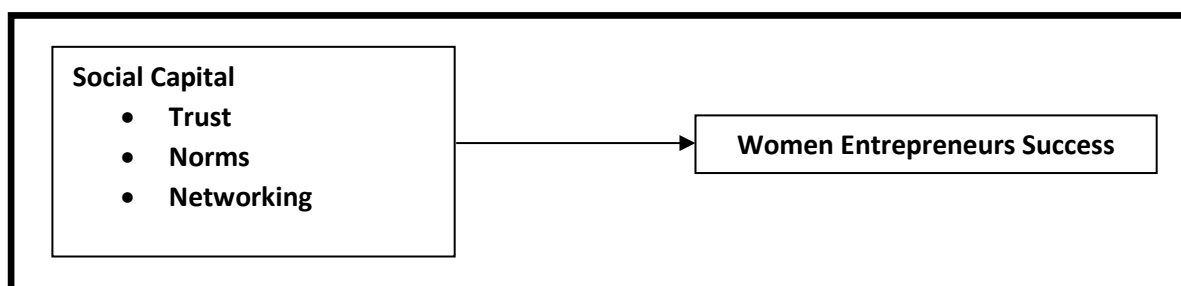
Social capital is a key element in start-ups and growing business. Also, social capital is central to entrepreneurial success (Lindvert, Patel, & Wincent, 2017) Most works generally regard social networks as a bigger chunk of social capital while others use them interchangeably, but the primary idea remains that it requires having the right contacts in different places for accessibility to timely information and beneficial resources (Lawal et al., 2009; Olomola, 2002; Shane, 2003).

In developing countries, social capital is a topic of interest that has yielded positive effect on business performance (Brata, 2004; Lawal et al., 2009; Mkpado & Arene, 2007; Olomola, 2002). It is resources that can be accessed by entrepreneurs via personal networks (Adler & Kwon, 2002), allowing them to identify opportunities (Bhagavatula et al., 2010), mobilize resources (Batjargal, 2003), and ensure the legitimacy of their operations (Elfring & Hulsink, 2003). Nevertheless, not much is known regarding the social capital-performance link in the context of SMEs (Maurer & Ebers, 2006; Stuart & Sorenson, 2007). Maclean (2010) asserts that, development results through a role of social capital will allow entrepreneurs to coordinate their actions and achieve in their business.

Accordingly, Putnam (1995) also has defined social capital as “the features of social organization like networks, norms and trust that facilitate coordination and cooperation for mutual benefit, enhancing the benefits of investment in physical and human capital”. At the same time, Fukuyama (2002) has described “networks” further as “local clubs, temple associations, work groups and other forms of association beyond the family and kinship group,” and also “large, publicly owned corporations”. Therefore, previous works have suggested that a role social capital will generate more impact towards firm growth or business success.

### Theoretical Framework

In this study, the theoretical framework has been devised according to knowledge gaps, especially with regard to social capital and women business success. It has been confirmed that social capital affects business performance which leads to success among women entrepreneurs, especially in Malaysia.



### Discussions and Conclusions

Recently, increased emphasis has been placed on the critical role of women entrepreneurs and its impact on SMEs and national well-being. Malaysian Government’s objective of wanting to see a rapid growth in the number of women entrepreneurs is a high priority, the long term sustainability and survival aspects of the newly created business ventures are also important. Malaysian government actively promotes women’s entrepreneurship as an effective

instrument for accelerating economic growth. The Malaysian government also understands and at the same time recognizes that the role of woman entrepreneurs reflects Malaysia's economic dynamism. In general, the relevance of social capital is comparable to that of other types of capital, such as physical capital or human capital, in that it is productive - it makes the attainment of specific goals feasible that would otherwise be unlikely or impossible. This research emphasises the importance of social capital in entrepreneurial activities where it may boost accomplishment and, as a result, economic success. For future research, the use of these independent variables towards business success among women entrepreneurs will further enhance by the impact of microfinance factors as the moderating variable. Besides, the government and other associated agencies should also consider providing more training to increase entrepreneurial competencies for women entrepreneurs.

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