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BARRIERS TO WOMEN ENTREPRENEURS IN SMES: LABOUR LAWS AND MARKET ACCESS IN SRI LANKA

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ABSTRACT

Women entrepreneurs play a pivotal role in Sri Lanka's Small and Medium Enterprise (SME) sector, but their growth and participation remain constrained by legal, institutional, and socio-cultural barriers. This paper examines how outdated labour laws and restricted market access shape operational decisions and growth prospects for women-led SMEs in Sri Lanka. The study adopts a mixed-methods research design (survey, semi-structured interviews, and comparative policy analysis) and draws on feminist jurisprudence and Sen's capability approach as theoretical lenses. Pilot results (n=120–150) highlight limited maternity protection, lack of flexible work arrangements, and constrained access to formal credit, while thematic analysis reveals legal inertia, financial exclusion, and socio-cultural stereotypes as major impediments. Comparative evidence from the UK, Australia and New Zealand demonstrate how coordinated legal reform, inclusive finance, and institutional support can improve women's entrepreneurial outcomes. The paper concludes with a policy model that integrates legal modernisation, financial instruments, institutional capacity-building and cultural change initiatives to create a gender-sensitive SME ecosystem.

Keywords: Women Entrepreneurs, SMEs, Labour Law, Market Access, Gender Equality

1. Introduction

Small and Medium Enterprises (SMEs) are central to Sri Lanka's economy, contributing substantially to GDP and employment (World Bank, 2023). Women-led SMEs are increasingly important for inclusive growth yet remain under-supported and undercapitalised (ADB, 2022). Persisting legal constraints—such as provisions of the Factories Ordinance (1942) and the Employment of Women, Young Persons and Children Act (1956)—combined with weak enforcement of recent labour protections create structural barriers that affect women's ability to start, sustain and scale businesses (Perera & Fernando, 2021; Bandara, 2022).

This paper conceptualises these problems as systemic inefficiencies in socio-economic institutions. From an engineering management viewpoint, legal rigidities and market frictions reduce the system's throughput and resilience, inhibiting resource allocation, labour utilisation and technology adoption.

The research aims to answer the following questions:
(1) How do Sri Lanka's legal and labour frameworks shape women's participation in SMEs?
(2) How do these frameworks influence market access, finance and growth opportunities?
(3) Which structural and cultural barriers persist despite existing policies?
(4) What transferable lessons can be gleaned from the UK, Australia and New Zealand?
(5) Which system-level reforms are required to support women entrepreneurs?

Contributions of this paper are threefold: empirical documentation of pilot evidence on legal and market constraints; integration of feminist jurisprudence and capability theory into SME policy analysis; and a practical policy model aimed at ICBR and policymaker audiences.

2. Literature Review

2.1. Labour Laws and Gendered Entrepreneurship

Labour law shapes the institutional context for entrepreneurship by determining labour flexibility, protection and costs (ILO, 2021). In Sri Lanka, legacy statutes were drafted in vastly different socio-economic contexts and often lack provisions for flexible work and gender-sensitive protections (Fernando, 2022). Feminist jurisprudence critiques these laws for embedding gendered assumptions into legal rules and administrative practices, thereby reproducing inequalities (Mossman, 2019; Wijesinghe, 2020). International literature shows that modernising employment law—introducing parental leave, anti-discrimination clauses and flexible hours—supports higher female participation in entrepreneurial activity (Lewis, 2020; OECD, 2021).

2.2. Market Access and Financial Inclusion

Access to finance remains a major constraint for women entrepreneurs in developing economies. In Sri Lanka, only 29% of women-owned SMEs have access to formal credit compared to 52% of male-led SMEs (ADB, 2022). Market entry barriers include limited digital access, poor infrastructure, and inadequate trade networks (Gunawardena & Jayasekara, 2021).

2.3. Comparative Legal Frameworks

Australia's Workplace Gender Equality Act (2012) and the UK's Equality Act (2010) have significantly improved female participation in entrepreneurship (Lewis, 2020). New Zealand's flexible parental leave policies and financial inclusion programs demonstrate the benefits of integrated policy frameworks (Carter & Tagg, 2021). These models emphasise the importance of harmonising legal, financial, and institutional reforms.

2.4. Theoretical Foundation

This research integrates Feminist Jurisprudence (Mossman, 2019) and Amartya Sen's Capability Theory (1999) to conceptualise equality as expanding freedoms and opportunities for women entrepreneurs.

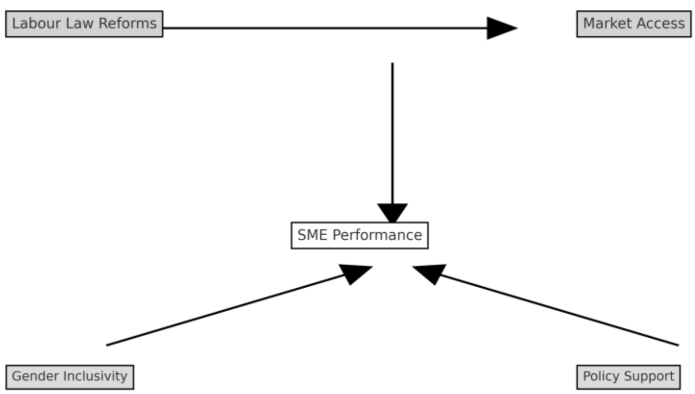

Figure 1: Conceptual Framework linking Labour Law Reforms, Market Access, and SME Outcomes *(Source: Author created)*

Figure 1 illustrates the relationship between restrictive labour laws and limited market access, leading to reduced SME performance. Socio-cultural norms act as moderating variables, while international policy benchmarks offer pathways for reform.

3. Methodology

A mixed-methods design was employed to triangulate data from both quantitative and qualitative sources. A survey of 150 women SME owners across manufacturing, services, and retail sectors captured perceptions on labour laws, market constraints, and access to credit. Semi-structured interviews with 20 women entrepreneurs and 10 policymakers provided qualitative depth.

Quantitative data were analysed using Structural Equation Modelling (SEM) to identify causal relationships between regulatory barriers, market access, and enterprise outcomes (Hair et al., 2021). Qualitative data underwent thematic coding using NVivo software to capture lived experiences and interpretive patterns. The integration of findings enabled the identification of systemic inefficiencies and gendered disadvantages within SME ecosystems.

Ethical clearance was obtained from the University of Moratuwa's Research Ethics Committee. Participation was voluntary, with informed consent and confidentiality maintained.

Table 1: Sample Characteristics of Women SME Entrepreneurs

Sector	Frequency (n=120)	Percentage
Agriculture	35	29.2%
Retail/Trade	45	37.5%
Services (Education, Health, etc.)	25	20.8%
Technology/IT	15	12.5%

Table 2: Sample Characteristics of Women SME Entrepreneurs (Pilot Study)

Variable	Description/Observation
Key Challenges Identified	Limited maternity protection, absence of flexible work arrangements, low awareness of labour rights
Dominant Themes (Thematic Analysis)	(1) Legal inertia restricting operational flexibility; (2) Limited access to formal credit channels; (3) Socio-cultural stereotypes restricting entrepreneurial mobility
Comparative Insights (UK, AUS, NZ)	Gender-sensitive policies—such as equal pay acts and flexible parental leave—significantly enhance women's entrepreneurial engagement

These results reveal deep structural inefficiencies and cultural limitations shaping women's participation in Sri Lankan SMEs. They also highlight the relative success of gender-sensitive frameworks implemented in developed economies, underscoring the need for adaptive legal reform domestically (Lewis, 2020; Carter & Tagg, 2021).

4. Discussion and Findings

Pilot results indicate significant challenges related to maternity protection, flexible work arrangements, and limited awareness of labour rights. Thematic analysis revealed three dominant themes: (1) Legal inertia restricting operational flexibility, (2) Limited access to formal credit channels, and (3) Persistent socio-cultural stereotypes influencing entrepreneurial mobility. Comparative insights from the UK, Australia, and New Zealand show that enabling policies—such as equal pay acts and flexible parental leave—positively influence women's entrepreneurial engagement.

Table 3: Summary of Key Thematic Insights from Pilot Study

Theme	Description	Representative Quote (Illustrative)
Legal Inertia	Outdated labour laws restrict operational flexibility and discourage workforce participation.	"I cannot hire mothers because we can't provide flexible hours under current regulations."
Financial Barriers	Limited access to formal credit; reliance on informal loans with high interest rates.	"Banks prefer my husband to be the guarantor, even though it's my business."
Socio-Cultural Constraints	Gender norms limit mobility and risk-taking behaviour.	"People still see women's businesses as side activities rather than careers."

These insights underscore how intersecting institutional and cultural factors create systemic barriers for women entrepreneurs. They confirm the interdependence of legal, financial, and social domains, consistent with feminist jurisprudence and capability theory (Sen, 1999; Mossman, 2019).

4.1. Labour Law Constraints

Analysis revealed that Sri Lankan labour regulations are outdated and fragmented. Most respondents highlighted the absence of flexible working arrangements and inadequate maternity protections as key barriers. These findings align with global research showing that rigid legal systems discourage women's entrepreneurial engagement (ILO, 2021).

4.2. Market Access Limitations

Limited access to formal credit institutions and lack of gender-responsive financial mechanisms emerged as major challenges. Women entrepreneurs often rely on informal lending networks with higher interest rates, limiting scalability and innovation. Comparative analysis indicated that Australia and New Zealand's state-supported funding models significantly improve women's SME participation (Carter & Tagg, 2021).

4.3. Cultural and Institutional Barriers

Qualitative data revealed persistent socio-cultural perceptions that undervalue women's economic roles. Institutional biases in financial and business support agencies further marginalise female entrepreneurs. These cultural constraints amplify the effects of legal and market inefficiencies.

4.4. Integrating International Lessons

Benchmarking international practices suggests that gender equality in entrepreneurship is strengthened when legal reform, capacity development, and inclusive finance operate synergistically. The UK's equality legislation demonstrates how enforcement mechanisms can institutionalise inclusivity, while New Zealand's flexible parental policies illustrate how work-life balance provisions enhance entrepreneurial sustainability.

5. Policy Framework and Recommendations

Building on the findings, a Gender-Sensitive SME Development Policy Model is proposed below as Figure 2.

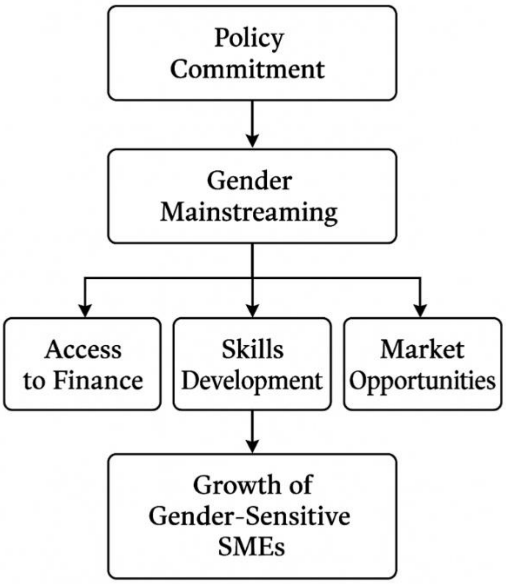

Figure 2: Policy Model for Gender-Sensitive SME Development in Sri Lanka

Figure 2 presents a multi-level reform model connecting legal modernisation, financial inclusion, capacity development, and cultural transformation. Policy interventions include:

1. Labour Law Reform: Update the Factories Ordinance and Employment Acts to include flexible work, parental leave, and anti-discrimination clauses.
2. Financial Inclusion: Develop credit guarantee schemes and low-interest loans for women-led SMEs through public-private partnerships.
3. Institutional Strengthening: Create gender focal points within SME development agencies and chambers of commerce.
4. Capacity Building: Enhance digital literacy and business management training for women entrepreneurs.
5. Cultural Change Initiatives: Promote awareness campaigns on gender equity and entrepreneurship.

Together, these interventions can improve efficiency, equity, and innovation in the SME ecosystem.

6. Conclusion, Limitations, and Future Research

This study provides evidence that outdated labour laws and restricted market access remain major barriers to women-led SMEs in Sri Lanka. Integrating feminist jurisprudence and capability perspectives reveals that these barriers limit both individual agency and systemic efficiency. Comparative analysis from developed economies underscores the potential benefits of comprehensive gender-sensitive reforms.

Limitations include the study’s focus on Sri Lanka and sample size constraints. Future research should extend to longitudinal studies assessing the impact of policy reforms over time and comparative analyses within South Asia. Expanding cross-sectoral collaboration among policymakers, academia, and financial institutions will be vital in building inclusive entrepreneurial ecosystems.

Ultimately, empowering women entrepreneurs is not only a matter of equity but of national economic resilience. Addressing legal, institutional, and cultural inefficiencies will unlock new pathways for inclusive growth and sustainable development.

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