



Impact of Entrepreneurship Training on Performance of Small Enterprises in Jaffna District

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Abstract

Sri Lankan government has developed strategies and promotion programs aimed at promoting the Small Medium Enterprise sector. Entrepreneurship training has been cited as one of the most important of these. This research aimed at studying the impact of entrepreneurship training on performance of small enterprises. The conceptual framework takes the form of a structural equation model where entrepreneurial behavior is seen as a product of the training program. Training on customer care, Quality maintenance, marketing and financial management have been considered under this model.

Data were collected through questionnaires obtained from 60 employees from Small enterprises from Jaffna District. The study utilized correlation and regression statistics to analyze the data. The findings showed a significant positive impact of entrepreneurship training on performance of small enterprise. From the linear regression analysis, can be concluded that entrepreneurship training contributed 85% towards the performance of small enterprise in Jaffna district. The result of the study has valuable implications for policy makers, researchers, existing and potential entrepreneurs.

Key words: *Small enterprise, Entrepreneurship Training, Performance*

1. Introduction

Small enterprises are vital to the success of the economy. Today small enterprises enjoy more and more esteem and prestige. Economists and social scientists, politicians and sociologists have begun actively to emphasize their achievements, their potential, their problems and promise. There is no specific definition to small enterprise. But we can define in a common way as follow

“A small enterprise is a business that is independently owned and operated, with a small number of employees and relatively low volume of sales and profit”

Small enterprises are facing a lot of problems such as funding, completion from medium and large scale organization, poor management, less skilled staff, and etc. even though they face many problems, needed skill and knowledge of the business is main problem that is faced by small enterprises in Jaffna district. To enhance the effectiveness of training programs, firms should pursue a better match between their training needs and training implementation.

Sri Lankan government has developed strategies and promotion programs aimed at improving economy by promoting small-scale enterprises. These programs are either financial or non-financial. However, the most important of all these is entrepreneurship training as it is through personal development that an enterprise culture can be created. The Government and Non-Government organization arrange training program to existing and potential entrepreneurs for their development. Such as the Colombo Plan, banks sponsor the entrepreneurs training, TECH Outreach with UNHCR, The Ministry of Vocational and Technical Training, ministry of youth affairs, NGOs and etc

Small enterprises have to obtain and utilize their human resources effectively and efficiency. Small enterprises need to be aware of more realistically towards keeping their human resources up-to-date. In so doing, managers need to pay special attention to all the core functions of human resource management as this plays an important role in different organizational, social and economically related areas among others that are influential to the attainment of the organizational goals and thus organizations successful continuation in the market. The study intends to investigate the impact of entrepreneurs training on performance of small enterprises in Jaffna district.

2. Problem Statement and Research Questions

Entrepreneurship training is one of the most complicated issues of the small enterprises' growth. Entrepreneurs in small organization have less skillful, less knowledgeable and are unable to compete with medium and large scale organizations or multinational companies (MNC). Hence, an entrepreneur training is necessary for Small enterprises to gain competitive exposure and enhance the organization's performance. Based on problem statement; research question is formulated as follow

“Does entrepreneurship training affect the performance of the small enterprises? “

3. Hypothesis

H1: There is a significance relationship between entrepreneurship training and performance of small enterprises

H2: entrepreneurship training program has the significance impact on performance of small enterprises.

4. Research Objectives

The objectives of this study are to:-

- To find out components of entrepreneurship training those small enterprises acquired
- To investigate effect of the entrepreneurship training on small enterprises' performance

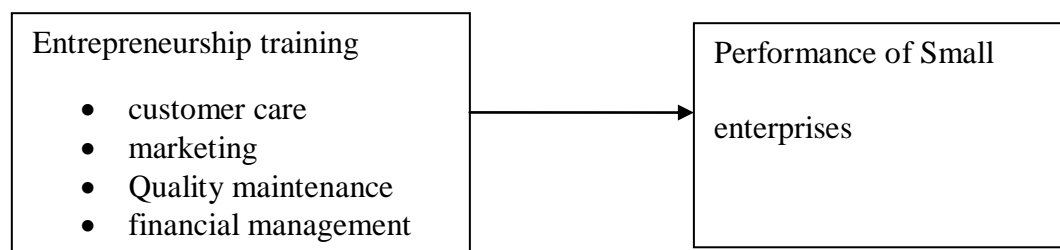
- To find the relationship between entrepreneurship training and performance
- To find out interventions necessary to boost effect of entrepreneurship training to business performance.

5. Significant of the Study

This study finds the relationship between entrepreneurs training and performance of small enterprises. Further, by knowing the impact of employees' training programme on the performance of Small enterprises, the management is able to make the necessary adjustment to the training contents and supporting facilities to further improve the training programme.

6. Conceptualization

The diagram illustrates the relationship between ingredients of entrepreneurship training program and performance of small enterprises



Review of literature

Training as the formal and systematic modification of behavior through learning which occurs as a result of education, instruction, development and planned experience. Further, fundamental aim of training is to help the enterprise to achieve its purposes by adding value to its key resource (human resource)

There are many approaches to explaining the learning-performance relationship of firms. Notable approaches are the knowledge-based theory, resource-based theory and situational-based approach. The knowledge-based approach highlights the role of the firm as a repository of knowledge, a set of routines and procedures where the firm inscribes its knowledge to respond to the external stimuli selected through an evolutionary process of life-long learning. Thus, the knowledge-based approach enables us to describe small firms in terms of know-how, behaviors, routine and standard procedures developed through selection and retention processes, implementation of strategies aimed at maximizing the adjustment degree between the firm and the external environment. The resource-based approach explained the performance of a firm as a function of its capability of having access to and/or developing, within itself, critical and inimitable resources. The situational-based approach while introducing the notion of competence emphasized that the individuals' competencies can be analyzed by segmenting the whole set of typical activities performed by a person holding positions under recurrent work situations.

Entrepreneurship training is designed to develop skills, knowledge and attitude which enable entrepreneurs to start a new business or expand an existing one. It has been found to be a major determinant in the growth of enterprises. Performance of enterprises depends on number of factors including internal and external factors. Entrepreneurship training is an internal factor that has influence on performance of small enterprises.

According to research done by Peter Paul Kithae (2013) Entrepreneurship training was found to have had a substantial impact on performance of entrepreneurs. Further, constant monitoring was found necessary to make the skills learnt be translated into more practical work. Even though, they were not able to translate their learnt skills due to inadequate finance and lack of monitoring. Entrepreneurs trained were mostly in the trade sector, aged with no formal education and were sole proprietors and all employees agreed that training program is beneficial to their business function.

The results of the study done by Caroline Wangechi Njoroge and James M. Gathungu (2013) revealed that the entrepreneurs were able to do simple daily book keeping of business transactions but were not able to do complex financial statements. Even though the entrepreneur may be reporting an increase in sales and profits, and may seem to be registering growth, lack of training on financial, strategic management and marketing will mean that the SME will not grow beyond the first stage of enterprise development to other stages and will hence eventually fail within its first five years of existence. Further, he found that entrepreneurs in Kenya did not have proper skills and experience in such area like business planning, financial management, strategic planning and etc. they want to increase their performance and improve the business also.

According to Aderemi Ayinla Alarape, (2007), Small businesses, whose owner-managers who have the experience of participating in Entrepreneurship programs, exhibited superior managerial practice; hence, a higher gross-margin and rate of growth than small businesses whose owner-managers did not have such experiential learning. Training is an important factor that helps for entrepreneurship development. There is a positive relationship between entrepreneurship development and performance of small business. participating in training program induce them to get better managerial skills of recordkeeping and accounting of financial transactions, inventory management, marketing of products, competitive aggressiveness and recognizing marketing opportunities. Further researcher suggest that this will facilitate the transformation of small businesses to medium scale and hence to large businesses and enhance the success of small businesses.

According to Ahmad Zahiruddin Yahya (2012), The empirical information resulted from analyzing the data obtained from the SMEs, suggests that manager's, enterprise's and external characteristics affect the demand for training, and training has a positive impact on SMEs performance including profit, revenue and size. Findings revealed that there was a significant and positive relationship between training, and manager's characteristics, enterprise's characteristics and external characteristics.

S.Kessy & S.S.Temu (2010) did research in micro finance intuitions. According to, that results show that micro credit client enterprises owed by recipients of business training have higher level of assets and sales revenue compared with enterprise owned by non-recipients of training. In other word, individuals who got training show higher growth than others who never get training. Further, results showed that training is much important in growth of enterprise. And he mentioned, owners of enterprises expect to change their behavior through training and development.

Results found by Watson M. Ladzani and Jurie J. van Vuuren (2002) emphasized the importance of a comprehensive entrepreneurship-training program for successful small business enterprises. Further, review of the training materials found that the emphasis seems to be more on business skills training (that is, skills such as general management, financial management, marketing management, production management, pricing calculations, costing and legal skills) than on the other categories of skills.

Dilani Jayawarna Allan Macpherson Alison Wilson, (2007) found that formal training is likely to be a targeted activity that contributes more significantly to performance than informal training. Also, the approach and influence of training are dependent on contingent factors. SMEs managers are investing (either time or money) to provide access to specific knowledge resources that can contribute directly to business performance. Further result shows, management training conducted by SMEs shows a statistically significant advantage in terms of both employee and turnover growth, compared with those that either do not conduct training, or prefer to invest in informal training.

In common, one general conclusion is that those researchers agreed that training facilitates has impact on performance of enterprise (Paul Kithae (2013); Wangeci Njoroge and James M. Gathungu (2013); Aderemi Ayinla Alarape, (2007); Ahmad Zahiruddin Yahya (2012),); S.Kessy & S.S.Temu (2010); Watson M. Ladzani and Jurie J. van Vuuren (2002); Dilani Jayawarna Allan Macpherson Alison Wilson, (2007))

On the other hand, there are also some studies conducted to investigate the problems affecting SMEs' involvement in training markets (i.e., Westhead, 1998; Hunt and Hogan, 2005). Among the findings are those lacks of time, high cost of training, low employee motivation, underestimation of training outcomes, part-time workers and high turnover rate are among the major problems that affect SMEs' involvement in training markets. Cambridge small business centre (1992) in the UK, found no clear link between firm growth and the provision of training.

Although a fairly good number of researches have been conducted in the area of entrepreneurial training and enterprise performance, more studies need to be done in order to ascertain the real impact of training on performance of enterprises.

8. Methodology

Survey was chosen as a research technique in this study to investigate and describe training facilities and performance of Small enterprises in Jaffna District. Questionnaires are designed and directly delivered to small enterprises to collect data related to Training facilities. Further, secondary data like financial statement, annual report and etc, were used to gather other necessary information

8.1 Sampling

This sample was selected by using the purposive sampling method because purposive sampling can be very useful for situations where we need to reach a targeted sample quickly and where sampling for proportionality is not main concern.

8.2 Research Instruments

The final questionnaire consists of three parts. Part I includes questions to collect demographic information and educational back ground of respondents. Part II aims at measuring training in customer care, Quality, marketing, financial management and part III focuses on performance of small enterprises. All the variables were measured using five point likert scale with level 1= strongly disagree and 5=strongly agree. Data have been analyzed using correlation and regression

8.3Reliability

The internal consistencies of scale were assessed through computing Cronbach's alpha. The components of factor affecting entrepreneurial intention show the reliability value is 0.7. Implication from these values indicates that all of the items used for each component in the questionnaire have a high and consistent reliability values.

9. Findings and Analysis

9.1Correlation analysis

The results showed that the correlation coefficients between Training on customer care and Performance of Small Enterprises is $r = 0.858$, ($p < 0.01$). A significant strong positive correlation ($p < 0.01$) was found between Training on customer care and Performance of Small Enterprises.

The results showed that the correlation coefficients between Training on marketing and Performance of Small Enterprises is $r = 0.872$, ($p < 0.01$). A significant strong positive correlation ($p < 0.01$) was found between Training on marketing and Performance of Small Enterprises.

The results showed that the correlation coefficients between training on Quality maintenance and Performance of Small Enterprises is $r = 0.766$, ($p < 0.01$). A significant strong positive correlation ($p < 0.01$) was found between training on Quality maintenance and Performance of Small Enterprises.

The results showed that the correlation coefficients between training Financial Management and Performance of Small Enterprises is $r = 0.878$, ($p < 0.01$). A significant strong positive correlation was found between Financial Management and Performance of Small Enterprises.

The results showed that the correlation coefficients between entrepreneurship training (customer service, marketing, quality and financial management) and Performance of Small Enterprises is $r = 0.858$, ($p < 0.01$). A significant strong

positive correlation was found between entrepreneurship training (customer service, marketing, quality and financial management) and Performance.

The relationship between entrepreneurship training (customer service, marketing, quality and financial management) and Performance is positively correlated at significance level of .01.

| | Customer care | Marketing | quality | Finance | Entre Training | Performance of SE |
|---------------------|---------------|-----------|---------|---------|----------------|-------------------|
| Customer care | 1 | .650** | .558** | .669** | .703** | .858** |
| Pearson Correlation | | | | | | |
| Sig. (2-tailed) | | .000 | .000 | .000 | .000 | .000 |
| N | 60 | 60 | 60 | 60 | 60 | 60 |
| Marketing | .650** | 1 | .540** | .776** | .802** | .872** |
| Pearson Correlation | | | | | | |
| Sig. (2-tailed) | .000 | | .000 | .000 | .000 | .000 |
| N | 60 | 60 | 60 | 60 | 60 | 60 |
| Quality | .558** | .540** | 1 | .499** | .578** | .766** |
| Pearson Correlation | | | | | | |
| Sig. (2-tailed) | .000 | .000 | | .000 | .000 | .000 |
| N | 60 | 60 | 60 | 60 | 60 | 60 |
| Finance | .669** | .776** | .499** | 1 | .811** | .878** |
| Pearson Correlation | | | | | | |
| Sig. (2-tailed) | .000 | .000 | .000 | | .000 | .000 |
| N | 60 | 60 | 60 | 60 | 60 | 60 |
| Entre training | .703** | .802** | .578** | .811** | 1 | .858** |
| Pearson Correlation | | | | | | |
| Sig. (2-tailed) | .000 | .000 | .000 | .000 | | .000 |
| N | 60 | 60 | 60 | 60 | 60 | 60 |
| Performance of SE | .858** | .872** | .766** | .878** | .858** | 1 |
| Pearson Correlation | | | | | | |
| Sig. (2-tailed) | .000 | .000 | .000 | .000 | .000 | |
| N | 60 | 60 | 60 | 60 | 60 | 60 |

** . Correlation is significant at the 0.01 level (2-tailed).

9.2 Regression analysis

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .858 ^a | .736 | .731 | .51226 |

a. Predictors: (Constant), Training on entrepreneurship

Regarding to the above model summary, R square value is 0.736. R square states to what extent Entrepreneurship training (customer care, marketing, quality and financial management) determine performance of Small Enterprises. R square value is also high. It indicates that only about 73.6% is explained by the variation in the score of entrepreneurship training. The remaining is unexplained

ANOVA^b

| Model | Sum of Squares | df | Mean Square | F | Sig. |
|--------------|----------------|----|-------------|---------|-------------------|
| 1 Regression | 42.380 | 1 | 42.380 | 161.503 | .000 ^a |
| Residual | 15.220 | 58 | .262 | | |
| Total | 57.600 | 59 | | | |

a. Predictors: (Constant), training on Entrepreneurship

b. Dependent Variable: Performance of SE

The above table is used to find out the overall fitness of Entrepreneurship training (customer care, marketing, quality and financial management) determine performance of Small Enterprises. F value indicates whether this model has overall significant or not. Based on the above result F value is 161.503 and its significant is at 0.000 at 0.01 significant levels. So, Entrepreneurship training (customer care, marketing, quality and financial management) is the significant for performance of Small Enterprises.

Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|--------------|-----------------------------|------------|---------------------------|--------|------|
| | B | Std. Error | Beta | | |
| 1 (Constant) | .614 | .184 | | 3.334 | .001 |
| a | .850 | .067 | .858 | 12.708 | .000 |

a. Dependent Variable: Performance on SE

According to the above table, the relationship between the two variables, that are entrepreneurship training as an independent variable and Performance of Small Enterprises as a dependent variable, is positive and their coefficient is 0.858. The value of t-statistic of the above output is $t = 12.708$ with a significance of 0.000. Since the significance is less than 0.01, it can be said that at 1% significance level, Positive linear relationship exists between Entrepreneurship training (customer care, marketing, quality and financial management) and performance of Small Enterprises.

Regression equation for Entrepreneurship training and performance of Small Enterprises is:
 Performance of Small Enterprises = $0.614 + 0.850 * \text{Entrepreneurship training}$
 From the linear regression, analysis can be concluded that entrepreneurship training contributed 85% towards performance of Small Enterprises.

10. Results of Hypotheses Testing

| Hypotheses | Description | Tools | Hypotheses supported/ rejected |
|------------|---|-------------|--------------------------------|
| H1 | There is a significance relationship between entrepreneurship training and performance of small enterprises | Correlation | Supported |
| H2 | entrepreneurship training program has the significance impact on performance of small enterprises | Regression | Supported |

11. Conclusion

This paper aimed at examining the impact of entrepreneurship training on performance of small enterprises in Jaffna district and finding the relationship between them.

Entrepreneurship training on customer care, Quality maintenance, marketing and financial management has been evaluated to identify the performance of Small Enterprises. Based on the finding, above all four factors have positive impact on performance of employees. Even though, training on financial management has more impact than other factors. When we see all factors under training, we can say that training has 85.5% of impact on performance of Small Enterprises.

Further, it was also found that training has a positive impact on performance of Small Enterprises (profits, revenues and size). They all agreed that the training program was beneficial to their businesses. They were however not fully translating their learnt skills into desirable business results due to inadequate finances and lack of monitoring to ensure that they appropriately apply their acquired skills.

Someone argue that training is a costly activity. However, benefits from training will exceed the cost of that. Negative mindset that might discourage Small Enterprises from sending their employees for training and their reluctance in spending for training must be taken into account. For example, if it is identified that the owner managers themselves are less likely to enter employees training markets and hence, they want to spend less on training and development, then something need to be done on this.

Government and other non- government organization should help to develop Small Enterprises and must put more effort to change the owner managers' perception of training from being a "cost" to being an "investment". Training must be regarded as an investment instead of a cost. Only by having this new perception it is expected the demand for training will increase from Small Enterprises, and in turn they will become more proficient and put in more effectively to the economy of the country at national level.

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