

Differences Between Male and Female Entrepreneurs in The Kingdom of Bahrain: Does Gender Matter?

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ABSTRACT

The research was conducted to investigate the effect of gender on the composition of start-up capital among Bahraini entrepreneurs, particularly those belonging to the Small and Medium Enterprise (SME) sector. This research also wants to determine if there is any significant moderating effect of the time commitment (part-time or fulltime); financial management experience; business networking frequency; and, Bahraini women entrepreneurs' attitude towards risk on the start-up capital requirements (debt and equity) of these entrepreneurs. A total of 89 SME owners participated in the study from September to November 2016. This research proved that there is a significant relationship between gender and financial capital in the case of Bahraini entrepreneurs suggesting that gender has a direct impact on the proportion of bank loans and equity in the total amount of financial start-up capital used. A significant relationship between risk attitude and financial capital was also determined and proved that female entrepreneurs have a lower propensity to take risk than their male counterparts. There was however no significant relationship to prove that time commitment (part-time or fulltime); financial management experience; and, business networking frequency have an impact on SME start-up capital structure. In light of these conclusions from the study, the researcher recommended that government and business agencies in Bahrain remove the barriers to entry for women entrepreneurs, especially in the area of access to capital, not only from banks but also from other financial institutions. He also recommended that the Bahrain Chamber of Commerce Inc. (BCCI), Bahrain Management Society and other like-minded business agencies and organizations take note of the result of this study to come up with trainings and workshops to empower Bahraini women entrepreneurs especially in the area of risk management.

Keywords--- Entrepreneurs, Financial Capital, Risk attitude, gender, Time Commitment, Business Networking Frequency

I. INTRODUCTION

The Kingdom of Bahrain, in its Economic Vision 2030, emphasized the importance of entrepreneurs and the role they play in the economy. Entrepreneurship is seen to be a driving force in economic development of the country. The Kingdom sees a diversified, sustainable private sector as the key driver of long-term economic development – with entrepreneurship at its core [1].

However, one cannot expect that entrepreneurship alone should be the main engine of growth. Understanding its role requires the decomposition of the concept [2]. A broad variety of entrepreneurs should be allowed to enter the market, no matter the size. No potential entrepreneur should experience any barrier for starting his own business. It is worth noting that female entrepreneurs in Bahrain are considered to be relatively few in number and composition.

Female and male entrepreneurs differ in the way they finance their businesses. This can be attributed to the type of business female and male entrepreneurs start and their type of management experience. Female start-ups may also experience barriers with respect to the acquisition of start-up capital. The literature often refers to differences in start-up capital originating from discrimination of female entrepreneurs by financial institutions like banks. Bank loans in particular are said to be difficult to acquire for female entrepreneurs.

There is little consensus about the differences in the composition of financial capital between male and female entrepreneurs. Some state that female and male entrepreneurs do not differ with respect to the amount of their resources used. However, in a survey of 220 early-stage, digital startups in the United Kingdom in 2015 to reveal the social makeup of Britain's startup ecosystem, two particular findings jumped out – it seems that male entrepreneurs are 86% more likely to be venture-capital

funded than their female counterparts and men were 59% more likely to secure angel investment [3]. Apart from the amount of start-up capital, female and male entrepreneurs may differ with respect to the capital structure of their business.

This study investigated the impact of gender on financial capital among Bahraini entrepreneurs, particularly those belonging to the single-proprietorship, Small and Medium Enterprise (SME) sector. The study discriminated between the *amount* of capital and its *composition*. The amount of financial capital refers to total investment in the start-up venture. With respect to the composition of capital, a distinction was made between equity and debt. This study focused on internal equity, which is equity provided for by the entrepreneur, as the researcher assumed that starting entrepreneurs are hardly in a position to acquire external equity through the stock market. It was also assumed that bank loans are an important source of debt capital for starting entrepreneurs, but debt capital may also be provided by suppliers, other business partners and family and friends.

Moreover, this study also investigated both the *direct* and *indirect* effect of gender on financial capital. The indirect effect refers to differences between male and female entrepreneurs with respect to the type of business and their type of management and experience. The direct effect cannot be attributed to these differences and can be called as the *gender effect*, i.e. female and male entrepreneurs with the same characteristics differ with respect to the way in which they finance their business. To the author's knowledge, this paper represents the first discrimination between the direct and indirect effect of gender on the amount and composition of financial capital among Bahrain SMEs.

Hypothesis

The following hypotheses in null form will be tested at a 5% level of significance:

- 1) Hypotheses for the relationship between *part-time entrepreneurship and financial capital*:
 - a) Female entrepreneurs work on a part-time basis more often than their male counterparts;
 - b) Part-time entrepreneurship leads to a smaller amount of financial capital;
 - c) Part-time entrepreneurship leads to a higher proportion of equity in the total amount of financial capital; and,
 - d) Part-time entrepreneurship leads to a smaller proportion of bank loans in the total amount of financial capital.
- 2) Hypotheses for the relationship between *financial management experience and financial capital*:
 - a) Female entrepreneurs have less experience with financial management than their male counterparts;
 - b) Experience with financial management leads to a higher amount of financial capital;
 - c) Experience with financial management leads to a higher proportion of equity in the total amount of financial capital; and,

d) Experience with financial management leads to a higher proportion of bank loans in the total amount of financial capital.

3) Hypotheses for the relationship between *risk attitude and financial capital*:

- a) Female entrepreneurs have a lower propensity to take risk than their male counterparts;
- b) the propensity to take risks leads to a higher amount of financial capital;
- c) the propensity to take risks leads to a smaller proportion of equity in the total amount of financial capital; and,
- d) The propensity to take risks leads to a smaller proportion of bank loans in the total amount of financial capital.

4) Hypotheses for the relationship between *networking frequency and financial capital*:

- a) Female entrepreneurs more often spend less time networking than their male counterparts;
- b) Networking leads to a higher amount of financial capital;
- c) No a priori hypothesis; and,
- d) Networking leads to a higher proportion of bank loans in the total amount of financial capital.

5) Hypotheses for the relationship between *gender and financial capital*:

- a) Gender has a negative direct impact on the amount of financial capital;
- b) Gender has a negative direct impact on the proportion of equity in the total amount of financial capital used; and,
- c) Gender has a negative direct impact on the proportion of bank loans in the total amount of financial capital used

In terms of type of investigation, the study was both correlational and causal. It established the degree of relationship between gender and such factors that make up the female profile; as well as established a functional relationship between female profile and the amount and composition of start-up capital structure.

1.1 Scope and Limitation

The study focused on determining the impact of gender on the start-up capital of entrepreneurs in the Kingdom of Bahrain, considering the intervening influence of the "female profile".

The data gathering employed a survey questionnaire that was distributed to the Bahraini SME owners who started in 2006 and later. As such, the results of the study was dependent upon their sincere cooperation and obviously, on their honest answers to the questions.

The respondents of the study were limited to SMEs with a minimum of 5 up to a maximum of 199 employees. The action part of the study was conducted from September 2016 to November 2016.

Conceptual Framework

The following Figure 2 shows the conceptual framework used in this study.

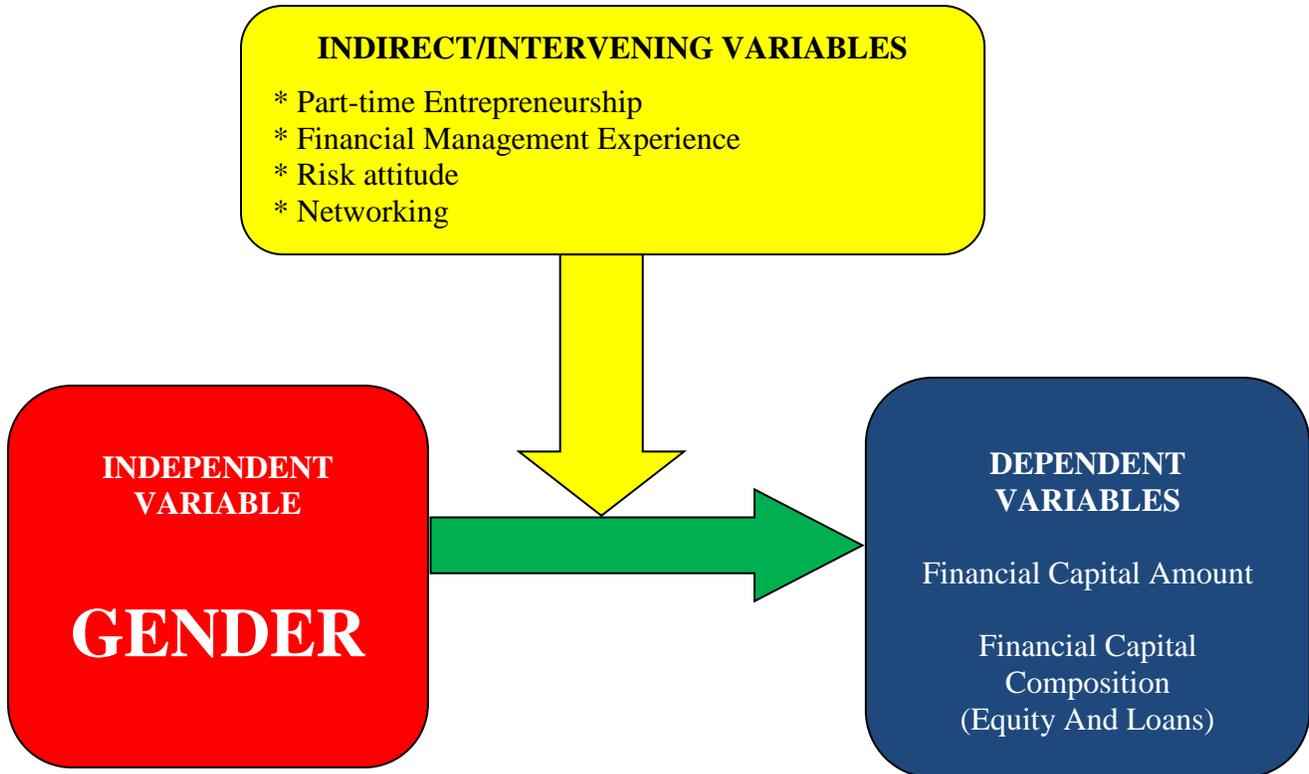


Figure 2. Conceptual Framework of the Research

The general question dealt with in this paper reads: 'What is the impact of gender on financial capital?'

The researcher discriminated between the *amount* of capital and its *composition*. The amount of financial capital refers to total investment in the start-up venture. With respect to the composition of capital, a distinction was made between equity and debt. In this research, concentration was made on internal equity, which is equity provided for by the entrepreneur, assuming that starting entrepreneurs, who are the subject of this study, are hardly in a position to acquire external equity through stock market quotation. Moreover, focus was made on a particular type of debt, namely bank loans. As can be deduced from the literature bank loans are an important source of debt capital for starting entrepreneurs, bearing in mind that internal equity and bank loans together do not add up to the total amount of financial capital used to start a venture. Other types of finance include external equity and debt capital provided for by suppliers, other business partners and family and friends [4].

II. RESEARCH METHODOLOGY

This study was a descriptive type of research. It described the direct impact of gender on the factors that make up the female profile of Bahraini entrepreneurs, and its indirect impact on the composition of their financial

capital. Furthermore, it described the factors that might influence the amount and composition of financial capital at start-up such as part-time entrepreneurship, services, financial management expertise, risk attitude, and networking.

This study employed a probability sampling technique known as cluster sampling. It is a sampling technique in which groups called clusters are randomly selected. When several groups with intragroup heterogeneity and intergroup homogeneity are found, a random sampling of the clusters or groups can ideally be done and information gathered from each of the members in the randomly chosen clusters.

In this study, the business clusters in Bahrain namely: Tourism and Travel, Food and Catering, Manufacturing, Construction and Related Industries, Health Services, Spa and Related Services, were considered as clusters. The researcher drew upon three clusters at random to represent the sample in the study. Complete enumeration of all the qualified SMEs of the randomly selected clusters was considered as the final sample.

Treatment of Data

The data collected from the survey using a questionnaire was tabulated, presented in tabular form and analyzed using the following statistical tools:

Pearson r was used to determine the level of correlation between the explanatory variables. "The hypotheses formulated were tested using *multiple regression analyses* to determine the direct and indirect impact of gender on the amount and composition of start-up capital."

"*Single bilateral correlation* was used to test whether there is a connection between gender and the other explanatory variables of start-up capital.

Regression analysis was used to determine the direct and indirect impact of gender on the proportion of equity and bank loans in the total amount of startup capital."

III. RESULTS AND DISCUSSION

Results of Multiple Regression Analysis on Moderating Variables

The following are the moderating variables associated with gender with respect to the equity-debt ratio in the start-up capital of entrepreneurs:

1. Time Commitment (TIMECOM)

2. Financial Management Experience (FINMANEX)
3. Risk attitude (RISKATT)
4. Business Networking (BUSNETWRK)

To determine the moderating effect or indirect impact of these variables on the equity-debt ratio, multiple linear regression was conducted to determine the significant effect of the above variables on the dependent variable: Capital Start-Up Ratio (FINCAP). The statistical software used was SPSS.

The following tables show the results of the multiple linear regression.

Table 11.a Descriptive Statistics

Descriptive Statistics

	Mean	Std. Deviation	N
FINCAP	2.1250	.99181	24
TIMECOM	1.3333	.48154	24
RISKATT	3.3333	.91683	24
BUSNETWRK	1.9167	.28233	24
FINMANEX	2.8333	.86811	24

Table 11.b Correlations

Correlations

		FINCAP	TIMECOM	RISKATT
Pearson Correlation	FINCAP	1.000	.182	.001
	TIMECOM	.182	1.000	.525
	RISKATT	.000	.525	1.000
	BUSNETWRK	-.116	-.107	-.056
	FINMANEX	-.177	.139	.237
Sig. (1-tailed)	FINCAP	.	.197	.500
	TIMECOM	.197	.	.004
	RISKATT	.500	.004	.
	BUSNETWRK	.294	.310	.397
	FINMANEX	.204	.259	.133
N	FINCAP	24	24	24
	TIMECOM	24	24	24
	RISKATT	24	24	24
	BUSNETWRK	24	24	24
	FINMANEX	24	24	24

Correlations

		BUSNETWRK	FINMANEX
Pearson Correlation	FINCAP	-.116	-.177
	TIMECOM	-.107	.139
	RISKATT	-.056	.237
	BUSNETWRK	1.000	.118
	FINMANEX	.118	1.000
Sig. (1-tailed)	FINCAP	.294	.204
	TIMECOM	.310	.259
	RISKATT	.397	.133
	BUSNETWRK	.	.291
	FINMANEX	.291	.
N	FINCAP	24	24
	TIMECOM	24	24
	RISKATT	24	24
	BUSNETWRK	24	24
	FINMANEX	24	24

Table 11.c Model Summary

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.292 ^a	.086	-.107	1.04352

a. Predictors: (Constant), FINMANEX, BUSNETWRK, TIMECOM, RISKATT

b. Dependent Variable: FINCAP

Table 11.d ANOVA

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.935	4	.484	.444	.775 ^a
	Residual	20.690	19	1.089		
	Total	22.625	23			

a. Predictors: (Constant), FINMANEX, BUSNETWRK, TIMECOM, RISKATT

b. Dependent Variable: FINCAP

Table 11.d Coefficients

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.857	1.797		1.590	.128
	TIMECOM	.509	.533	.247	.954	.352
	RISKATT	-.099	.284	-.091	-.347	.733
	BUSNETWRK	-.259	.783	-.074	-.331	.744
	FINMANEX	-.206	.260	-.181	-.793	.438

a. Dependent Variable: FINCAP

From the above data, there is no significant relationship (at a 0.05 level of significance) between the dependent variable of equity-debt ratio (FINCAP) with most of the moderating variables proposed in the study, *except for Risk Attitude (.001) which implies its significant impact on the start-up capital structure.*

Results of Pearson R Correlation Analysis

To determine the impact of gender on the debt to equity ratio of the start-up capital of entrepreneurs in Bahrain, we analyzed the data collected from 89 respondents using SPSS and determined whether there is a significant effect of gender on the start-up capital structure.

Table 12 below shows the output of the analysis.

Table 12. Pearson r Correlation analysis on Effect of Gender on Debt-Equity Ratio

Correlations

		GENDER	INTRNEQUI
GENDER	Pearson Correlation	1	.462**
	Sig. (2-tailed)		.000
	N	89	89
INTRNEQUI	Pearson Correlation	.462**	1
	Sig. (2-tailed)	.000	
	N	89	89

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

From the above data, there is a significant relationship (at a 0.01 level of significance) between the gender of the entrepreneur and the start-up capital structure (debt-equity) of the enterprise.

Based on the above data gathered and other forms of data analyzed by the researcher in this research, the findings are enumerated as follows:

1. In terms of the gender differences among the 89 respondents, 73% of them (65) are male entrepreneurs and 27% (24) are female entrepreneurs.
2. Among the eighty nine (89) respondents, 38.2% or 35 entrepreneurs are in the 31-44 age bracket, which means that they are in their middle age. 13.5% or majority of the female entrepreneurs have ages ranging from 18-30. Majority of the male entrepreneurs, on the other hand are in the 31-44 age bracket (29.21%).

3. As for the level of educational attainment, 44% of the entrepreneurs responded that they have finished college or have earned their Bachelor's degree. This is true for male entrepreneurs. On the other hand, a slight majority of the female entrepreneurs (11.2%) have not yet finished their baccalaureate degree, edging it out with those that have (10.1%).

4. Majority of the respondents (26.9%) are in the Construction Services sector; which is the sector exclusively occupied by male entrepreneurs. The next highest sector is the Auto Repair and Mechanical Shops industry (19.2%), which is also exclusive for men. Majority of the women work in the Spa and Related Services sector (13.48%), followed by Tourism and Travel services sector (5.62%). It is also worth noting that majority of the respondents (84.2%) own businesses which

are in the service sector, which means that the profile of SMEs in Bahrain is dominated by the Service Industry.

5. With respect to the amount of start-up capital used, 37% of the respondents answered that they needed less than BD10,000.00. This amount of start-up capital is common among both male (23.6%) and female (13.48%) entrepreneurs.

6. As for time spent in the business, majority of both male (40.45%) and female (17.98%) claim to have fulltime commitment to their respective businesses.

7. In terms of the proportion of personal equity to bank loans as sources of start-up capital, majority of the respondents (32.58%) do not rely on bank loans as part of their start-up capital requirement. That means they rely 100% on their own equity considering the relatively small amount of capital required to start their business. This equity could be borrowed capital from friends or relatives. However, this holds true for majority of the females (21.35%). On the part of the male entrepreneurs, the majority (23.6%) rely on some amount of capital from bank loans with a proportion of 90% equity and 10% bank loans; seconded by a lesser majority of respondent males who use 80% equity and 20% bank loan as capital. This may be due to easier access for men than women to bank facilities; or women entrepreneurs do not want to leave themselves wide open to credit risk.

8. Being risk-averse is a common trait among women entrepreneurs in the Kingdom of Bahrain with majority of them (12.365) stating that they are moderate (neither weak nor strong) when facing risks; compared to the majority of male entrepreneurs (48.31%) who consider themselves strong when dealing with risks.

9. As for financial management experience, majority of the male respondents (38.20%) feel that they have enough financial management experience to be competent on managing their businesses. This also holds true for majority of the women entrepreneurs (13.48%).

10. In terms of time commitment, majority of both men (40.45%) and women (17.98%) entrepreneurs manage their enterprises full time.

11. As for business networking frequency, all the men entrepreneurs and majority of the women entrepreneurs (24.72%) do regular networking with potential clients and suppliers.

Multiple regression analysis with the use of SPSS was done on the moderating variables: Time commitment; financial management experience; Risk attitude; and Business Networking with respect to their impact on the financial capital structure of women entrepreneurs. The results show no significant effect of these moderating variables on financial capital structure, except on the variable Risk Attitude, wherein the relationship is significant (.001) implying its significant impact on the start-up capital structure of the respondent enterprises.

12. This research also tried to determine if there is a significant relationship between gender and financial

capital structure. Using Pearson R in SPSS, it was determined that there is a significant relationship between the two variables in the study. This shows that gender and financial capital structure has a direct effect on each other.

IV. CONCLUSIONS

First, there is no significant relationship between the *time commitment (part-time or fulltime) of entrepreneurs and financial capital*. Therefore, there is insignificant basis to conclude that female entrepreneurs work on a part-time basis more often than their male counterparts; that part-time entrepreneurship leads to a smaller amount of financial capital; also that part-time entrepreneurship leads to a higher proportion of equity in the total amount of financial capital; and, that part-time entrepreneurship leads to a smaller proportion of bank loans in the total amount of financial capital.

Second, there is no significant relationship between *financial management experience and financial capital*. There is therefore very insignificant evidence to prove that female entrepreneurs have less experience with financial management than their male counterparts; experience with financial management leads to a higher amount of financial capital; also that experience with financial management leads to a higher proportion of equity in the total amount of financial capital; and, lastly that experience with financial management leads to a higher proportion of bank loans in the total amount of financial capital.

Third, there IS a significant relationship between *risk attitude and financial capital*. This means that there is significant evidence to prove that female entrepreneurs have a lower propensity to take risk than their male counterparts; that the propensity to take risks leads to a higher amount of financial capital; also that the propensity to take risks leads to a smaller proportion of equity in the total amount of financial capital; and, lastly the propensity to take risks leads to a smaller proportion of bank loans in the total amount of financial capital.

Fourth, there is also no significant relationship between *networking and financial capital*. Therefore, there is very little evidence to suggest that female entrepreneurs more often spend less time networking than their male counterparts; that networking leads to a higher amount of financial capital; and, that networking leads to a higher proportion of bank loans in the total amount of financial capital.

As to the main objective of this research to prove if there is a significant relationship between *gender and financial capital, the results of the study prove that there is*. Therefore, the research study proves that gender has a negative direct impact on the amount of financial capital; that gender has a negative direct impact on the proportion of equity in the total amount of financial capital used; and finally, that gender has a negative direct impact on the

proportion of bank loans in the total amount of financial capital used.

RECOMMENDATIONS

Based on the stated conclusions, the following recommendations are given:

1. That the study expands in scope to include more respondents in the Kingdom of Bahrain in order to prove the robustness of this study's findings and conclusions.
2. That the government and business agencies in Bahrain remove the barriers to entry for women entrepreneurs, especially in the area of access to capital, not only from banks but also from other financial institutions.
3. That Bahrain Chamber of Commerce Inc. (BCCI), Bahrain Management Society and other like-minded business agencies and organizations take note of the result of this study to come up with trainings and workshops to empower Bahraini women entrepreneurs especially in the area of risk management.

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