

FACTORS AFFECTING THE BUSINESS PERFORMANCE OF FEMALE OWNED ENTERPRISES IN TRNC¹

Hatice Jenkins
Department of Banking and Finance
Eastern Mediterranean University, North Cyprus
hatice.jenkins@emu.edu.tr

Salih Katircioğlu
Department of Banking and Finance
Eastern Mediterranean University, North Cyprus
salih.katircioglu@emu.edu.tr

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Abstract

This study is the first empirical research on the performance of the Turkish Cypriot female entrepreneurs in North Cyprus. The research helps to identify the major factors affecting the performance of Turkish Cypriot female entrepreneurs both positively and negatively. Furthermore, it identifies the main causes of performance variations among the businesses owned by female entrepreneurs. A face to face survey method was utilized to collect primary data from two hundred female entrepreneurs and statistical analyses were conducted to analyze the data. It is found that the half of the sampled businesses was established during the last six years indicating the rapid expansion of female owned businesses in the early 2000s. Regarding to business performance it is found that achievement motives, level of education and first child's age are positively associated, whereas labor cost is negatively associated with business performance.

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1. INTRODUCTION

Numerous research studies in small business literature indicate that female entrepreneurs have been active in the business sector since the 1970s. During the last two decades female entrepreneurship gained attention all around the world, especially in developed countries such as the United States and Canada. The research on female entrepreneurs in developing countries however is lacking behind. In North Cyprus the female entrepreneurship has not been subject to research until recently although there are a number of studies on the female entrepreneurs in the South Cyprus (Ellinas & Kountouris 2004). This study is the first empirical research on Turkish Cypriot women entrepreneurs in North Cyprus.

According to the literature, women participation in entrepreneurship varies from country to country depending on the cultural differences. For example, in Latin America, women's responsibility is viewed as child care and domestic work rather than building professional careers (Sekarun and Leong, 1992). In Israel, women not only suffer from occupational segregation but they also earn less money than their male counterparts (Lerner, 1997). In Philippines, women are expected to marry young and have their family first. Therefore women's chance in getting promoted to high level management positions is much less than men (Epstein, 1993). It also appears that religion may also play a significant role in defining the role of women in their societies. For example, in low income Muslim countries women are considered to be dishonoring their husbands if they were to undertake an entrepreneurial role (Epstein, 1993). In these countries women mostly have low levels of education which puts them in a disadvantaged position against men when they apply for a job. Furthermore, there is also evidence that different structures of work, family and social life affect women entrepreneurs differently when they start up a business (Truman and Allen, 1993).

In North Cyprus, women have active roles in business and they face no occupational segregation. Moreover, cultural norms for women are same as with men. Therefore, social, cultural and religious factors do not seem to be barriers for women to enter in business in North Cyprus. However, it is also true that there are important variations in business performance among the Turkish Cypriot female entrepreneurs in North Cyprus. The objective of this study is to examine the causes that create these variations in the business performance of female owned businesses.

The paper is organized as follows: Section 2 reviews the literature in the field. Section 3 considers the evolution of women entrepreneurship in North Cyprus. Section 4 defines and discusses data and methodology in the present study. Section 5 presents and discusses results and Section 6 concludes the study.

2. LITERATURE REVIEW

A large number of empirical studies conducted by researcher across the countries identified various factors that have significant effect on performance of women owned businesses. A broad summary of factors affecting the performance of female owned businesses is summarized in a literature review by Lerner et al. (1997). According to the literature, factors such as social learning, human capital, network affiliation, motivations and goals, demographics and environmental factors are expected to have an affect on the performance of the female owned businesses.

Social learning theory emphasizes the role of entrepreneurial socialization and career preferences. The effect of observational learning through father entrepreneurial model was explored in a Canadian study (Brockhaus, Burke, and Lee-Gosselin 1991) where it is found that, 33 percent of the women entrepreneurs in sample reported that their fathers were entrepreneurs. This finding is also supported by Israeli study that found relationship between father entrepreneur and choice of an entrepreneurial career (Lerner, 1992). However, another Israeli study found that, social learning such as father entrepreneur and economic status at childhood has no significant effect on the level of performance (Lerner, Brush and Hisrich, 1997).

Human capital theory was explained with five items in the study of Lerner et al. (1997). These were: Level of education, area of education, previous entrepreneurial experience, previous business experience, and business skills are expected to influence business performance. There are several empirical studies that relates the years of formal education of entrepreneurs to the performance of the firm. For example, Box et al. (1993) found a relationship between higher levels of education and increased performance among manufacturing firms in Oklahoma. Based on the research from developed countries, it is expected that a high level of education would be associated with better performance. (Box, White, and Barr 1993; Brush and Hisrich, 1991)

Lerner et al. (1997) found that, occupational experience, business skills, high level of education and education area is positively related with business performance whereas previous start up business experience has no relationship with business performance. In the case of Cyprus, Ellinas and Kountouris (2004) found that, female entrepreneurs do not seem to believe that gaining experience prior to launching their venture is essential. Another important factor affecting the performance of female entrepreneurs is explained by network affiliation theory which is explained by a number of networks, use of advisors, membership in women's associations and mentors. Within these networks, entrepreneurship is constraint by linkages between confident entrepreneurs, wealth and opportunities (Aldrich and Zimmer 1986). Research in Israel shows that in socialist and informal societies, success is dependent on personal contacts and relationships with key individuals who facilitate the start-up business (Baum 1993).

On the other hand, Hisrich and Brush (1987) have found that individual motivations and owner/founder goals were related to performance in women-owned businesses, where motivations of future expectations for success (opportunities) were related to survival and independence in the case of USA. Maysami and Goby (1999) focused on the factors that motivate female business owners to enter business in Singapore. This study indicated that motivation has a significant effect on female business performance. Orhan and Scott's (2001) research showed that occupational flexibility in terms of hours worked is identified as an important factor encouraging female entrepreneurship.

In the case of Greece, Sarri and Trihopoulou (2004) argue that economic factors also push women to enter business. Furthermore, it is argued by many that environmental factors including differential structure of opportunities, location, sectoral activities, and socio-political variables such as the availability of government assistance are critical determinants of performance. Economic measures of venture profitability, revenues and number of employees are also found to be related to environmental economic conditions such as availability of labor, and land prices (Gibb, 1988). Similarly, resource availability, venture capital, technical labor force, loans, support services, and a favorable entrepreneurial sub-culture are also major factors affecting performance (Bruno and Tybjee, 1982). In Brophy's (1989) study availability of sufficient start-up capital is found to be one of the most important environmental factors affecting success and profitability of new ventures.

On the other hand, demographic variables such as age, marital status; numbers of children and age of first child of female entrepreneurs also found to have a positive or negative impact on the performance of female entrepreneurs [Maysami and Goby, (1999); Lerner et al. (1997)]. For example, we expect to see a positive relationship between the age of the children and the business performance. In other words the older the children, the more likely the business to be profitable; whereas we expect to see a negative relationship between the number of children and the business performance. This is because the larger number of children will require more time to look after the family than a single child. Similarly, Lerner et al. (1997), found that age of first child and marital status affect profitability of business significantly. Swail, McClelland, Bell and Ibbotson (2005) stated in their study that women primarily start small hobby related enterprises.

It is stated by Lerner et al. (1997) that social learning, such as father entrepreneur and economic status at childhood has no significant effect on their business performance in later years. Similarly, education level, education area and previous entrepreneurial experience appeared to have no impact on their performance. On the other hand, motivations and goals, networks, demographics (age, marital status, number of children and age of first child) and environmental factors were found to be positively related with female business performance.

Orban (2001) conducted a study in France where 220 female entrepreneurs were interviewed and factors affecting their business performance were examined. This study showed that in France there was financial discrimination against women business owners resulting from intercultural bias as bankers (mostly men) tend to consider female entrepreneurs as women first rather than as persons. In a comparative study, Mc-Clelland et al. (2005) examined the motivations for initiating start-up businesses and expanding the businesses in Canada, Singapore, South Africa, Australia, New Zealand and Ireland. In this study it is found that the main motivation of female entrepreneurs opening up their own business was being unhappy in their previous job. (Mc-Clelland et al., 2005)

3. Women Entrepreneurship in North Cyprus

In 1960s and 1970s the number of women entrepreneurs in Cyprus was very limited due to the uncertainties and the lack of safety caused by the civil wars between Turkish and Greek

Cypriot communities. Throughout the period between 1960 and 1974, very small numbers of women were in commerce sector jointly with their husbands. During that time, a few women were importing goods such as crystal and gold mainly from Turkey and selling them in Cyprus. This was an opportunity for women to own their businesses and earn their own income. After the war of 1974, an increasing number of female entrepreneurs started to operate in North Cyprus. In the course of time, the number of female workforce also increased with the increase in female entrepreneurship.

In 2004, the female participation rates in the workforce in Northern Cyprus become 34 %, which is approximately at the same level with the EU member-countries. In the same year, total workforce (both men and women) was recorded as 74,555 workers. Out of 74,555 workers 25,378 (34%) of them were women. This shows that women workforce is one third of the total workforce of TRNC, or we can say that the size of the female workforce is the half of the size of the male workforce (SPO, 2004). This is same in Malta (30.1 % of women and 69.9 % of men) and Spain (39.2 % of women and 60.8 % for men) (Ellinas and Kurtouris, 2004).

Female entrepreneurs in North Cyprus generally involved in boutique, beauty-care, hair-dressing, accessories, flower shop, traveler agencies, cosmetics, junior kids wear, stationery shops, markets, shoes or hand craft business. Rarely, some of females are operating in manufacturing, construction or architecture sector.

Given that North Cyprus has a very small population with 264.172 people it has a very small market for business sector. The total number of business is 9,196 and the majority of these companies are micro and small businesses (SPO, 2004). The State Planning Organization (2004) of North Cyprus reported the size of the companies according to their employment. According to this report out of 9,196 companies, 6,197 (67.4 %) companies has no employees, 2,930 (31.9 %) companies are employing between 1 and 5 workers, 48 companies (0.5 %) are reported a workforce between 50 and 100 employees and only 18 companies are (0.20 %) reported a workforce of over 100 employees.

Table 1: Profile of Enterprises in North Cyprus (2004)

Size	Employees	Number Enterprises	% Enterprises
Micro and Small	0-10	9,130	99.30
Medium	11-15	48	0.50
Large	16>	18	0.20
TOTAL		9,196	100.00

Source: State Planning Organization (2004)

4. DATA AND METHODOLOGY

Data

The data collection covered three urban areas (Lefkoşa, Gazimağusa and Girne) and five rural areas (Beyarmudu, Vadili, Akdoğan, İskele and Lapta) of the Turkish Republic of Northern Cyprus. Two hundred (n=200) female business owners were selected out of the total population of 660 female business owners². These female owned businesses have been registered either in the Chamber of Commerce or the Chamber of Trade and Handcrafts or to both. These two different business associations were sampled to provide greater heterogeneity and to reduce the possibility of biasness.

Out of 200, total usable responses were 193. Out of these 193 female entrepreneurs 70 entrepreneurs were from Lefkoşa, 70 were from Gazimağusa (20 of these enterprises are from the rural areas of Gazimagusa) and 53 were from Girne (13 of them are from the rural areas of Girne).

Methodology and Model

In this study, the revised instruments of Lerner et al. (1997) and Maysami and Goby (1999) are used to identify the factors that have significant impact on the level of performance of female entrepreneurs in North Cyprus. From a theoretical perspective five factors, namely social earning theory, human capital, motivations and goals, demographic variables, and environmental factors are taken into account for statistical model building and hypothesis testing.

²Labor Force Survey of State Planning Organization (2004, pp. 2)

The questionnaire used by Lerner et al. (1997) was translated into Turkish Language by back to back translation method and distributed to the respondents.³ In total 37 questions were asked where 9 out of 37 questions were scale questions ranging from Strongly Disagree =1 to Strongly Agree =5. The questionnaire aimed at identifying the factors affecting the performance of female entrepreneurs and a pilot survey was conducted with 7 women-entrepreneurs prior to revising and finalizing the questionnaire. In the restructuring of the questionnaire for North Cyprus, a number of factors, problems and characteristics of women owned enterprises which were also discussed in the literature were taken into account and adopted to particular conditions of North Cyprus. The data was collected through face to face personal interviews.

First we used the factor analysis to eliminate the variables that were not significant enough to include in our analysis. Then, simple regression analysis was conducted to analyze how each dependent variable was affected by the values of the independent variables (explanatory variable).

The single regression model was used to avoid the multi-collinearity problem between the independent variables. Therefore the relationship between one dependent variable Y and one independent variables X_i is tested with the following formula:

$$Y_i = \beta_0 + \beta_1(X_i) + \varepsilon_i$$

The Dependent Variables

The dependent variables used to measure business performance are based on four indicators, namely: revenue/sales, profitability, income and number of employees⁴. In this study, three out of these four variables are used to measure business performance. These variables are: revenue, profitability and the number of employees. Income was excluded due to unavailability of reliable data.

³ The questionnaire was provided us by Lerner et al. (1997) who also gave us permission to use the same questionnaire in our study.

⁴ These dependent variables were suggested by Brush and Hisrich (1991), Brush and Werf (1992) and Lerner et al. (1997).

The Independent Variables

The independent variables used in this analysis are categorized under social learning theory; human capital; motivations and goals; demographic variables; and environmental factors to capture the impact of these variables on dependent variable, in other words the business performance of female entrepreneur.

Social Learning Theory: The founder of the business, father or mother of the female entrepreneur may have a positive impact on the performance of the female entrepreneurs' business. Five options were given to female entrepreneurs to choose from the founder of her businesses. These options were herself, her husband, her father , her father in law and others.

Human Capital: The significance level of human capital on business performance measured by education level, education area, previous occupation, previous entrepreneurial experience, previous employment, experience in industry, involvement in start-up, and business skills are expected to have positive affect on business performance.

Motivations and Goals: Motivation variables such as achievement motives, independence motives, economic necessity motives and goals are expected to be positively related with the business performance of female owned businesses.

Demographics: The effects of demographic variables on business performance were tested by female entrepreneur's age, marital status, and number of children and age of children. For each variable different question were asked.

Environmental Factors: Environmental factors' variables are composed of industry variables such as the economic sector (services, retailing, and manufacturing), type of ownership (sole ownership and limited company), problems at start-up stage, types of firm competitiveness, and sources of finance.

5. FINDINGS

Statistical Analysis of Female Entrepreneurs in North Cyprus

Demographic Profile

The demographic profile of female entrepreneurs in North Cyprus is summarized in Appendix I. According to the findings, the average age of the woman entrepreneur in North Cyprus is 38 and the majorities (81.9%) of all respondents are mothers, mostly with one or two children (25.9% and 44%, respectively). The average ages of the entrepreneurs' children are 18.6 for the first child, 17.3 for the second child, 16.8 for the third and 14.2 for the fourth child. This shows that most of the women entrepreneurs in North Cyprus have grown up children rather than young children which are more demanding on their time.

Education Level

The majority of female entrepreneurs in North Cyprus have high school education (61.1%) whereas twenty five percent of them have a university degree, of which 24.4 % hold a B.A. degree and 3.1 % of them have M.A. degree.

The Founder of the Business

Almost 70.0 % of female owners are founders of their businesses. On the other hand, only 16.1 % of these female owned businesses are founded by their husbands and 5.7 % of them are founded by their fathers. These findings indicate that women entrepreneurs in North Cyprus are risk takers and do not rely on their husbands and fathers to start a new venture. Most of these businesses (48.7 %) are family business. Twenty one percent are registered as limited companies (Ltd.) and 15 % are registered as sole ownership.

The Sectoral Distribution of Businesses

86.5 % of the female entrepreneurs in the study are operating in the trade sector and 8.3 % in retail, and 4.1 % of them are operating in the manufacturing sector. Almost all of these female owned enterprises are small businesses whereas 49% of these businesses have no employees and only 30.1% of them have employees between 1 and 3. These findings are similar to the general structure and distribution of all businesses among the economic sectors in North Cyprus indicating that female owned enterprises do not show any difference with the rest of the businesses.

Reasons to Enter in Business Sector:

When we examined the reasons for female business owners to enter business we found that 23.8% of these female business owners believe that there was a business opportunity and

19.2% of them stated that they are in business because this is what they like and prefer to do. On the other hand, 11.4% of them are in business because of their husbands' encouragement.

The Role of Economic Expansion and Growth

Although the female owned businesses existed in North Cyprus since 1930s, the numbers of businesses owned by females did not show a significant increase until 1999. According to the findings majority of female owned businesses are newly established and the number of these businesses has been increasing since 1999. In that respect it is important to point out that 50% of sampled female owned businesses were established between 1930 and 2000, i.e. in seventy years, whereas other 50% of sampled female owned enterprises were established during the last six year (2000-2006), in other words, during a period where there was economic expansion and growth.

Disadvantages for Being a Female

Most of the female entrepreneurs (83.9 %) stated that being a female is not a disadvantage for them. Only 15 % of female entrepreneurs in this sample said that, being a female entrepreneur has some disadvantages. In this respect the most important disadvantage stated by the female business owners is "not being able to travel abroad alone". This shows that there is still a conservative attitude towards females in North Cyprus.

The Size of the Start-up Capital

In terms of the size of the start up capital, most of the female entrepreneurs (34.2 %) started up their businesses with a very small amount of capital, such as less than 10,000 YTL (i.e. less than 8,000 US dollars). In terms of business turnover, almost half of the businesses have turnover less than 30,000 YTL (i.e. 23,000 US dollars).

Finding of the Regression Analysis

Factor analysis was applied for nine questions (importance of firm, goals, financial records, competition factors, problems, motivation factors, achievement motives, competition methods and short term plans) that were scale from 1=strongly disagree to 5=strongly agree. For each question factor averages were calculated and the factors with factor loadings less than 0.5 were eliminated from further analysis.

As indicated earlier, single regression analysis was used to examine the impact of each independent variable on each of the three dependent variables. Table 2 presents the Pearson correlation coefficients (R), the beta scores (β), t-test and F-test results of the regression models showing the impact of independent variables (competitiveness, achievement motives, business planning, education level, vocational training, first child's age, previous experience, age of the entrepreneur) on three business performance indicators (namely revenues, profitability and the number of employees).

Table 2: Variables Affecting Revenues, Profitability and Number of Employees

Variable	β	T-stat	r	F-stat
Revenue				
Competitiveness	0.567	3.125*	0.272	9.767
a. Productivity/Sales per Employee	0.359	4.564*	0.395	20.829*
Achievement Motives	0.419	2.560**	0.219	6.555*
Business Planning	0.105	0.832	0.075	0.693
Education Level	0.299	2.333***	0.201	5.450**
Profitability				
Vocational Training	-0.309	-1.817*	0.143	3.301***
First Child's Age	0.014	1.721***	0.149	2.963***
Previous Experience	0.131	1.012	0.080	1.024
Number of Employees				
Achievement Motives	0.450	2.417**	0.180	5.841**
Competitiveness	0.303	1.641***	0.123	2.694***
a. Productivity/Sales per Employees	0.366	4.124*	0.311	17.008*
b. Labor cost	-0.366	3.760*	0.294	14.137*
Experience in Industry	-0.018	-0.084	0.006	0.007*
Age	0.01	1.187	0.090	1.410

* p < 0.10 *** p < 0.01

** p < 0.05 n = 193

Business Revenue as Dependent Variable: First, business revenue was taken as the dependent variable and a number of independent variables were used to run a regression analysis in order to find how business revenues (i.e. performance of business) were affected by the changes in these independent variables. It appears that competitiveness has the highest positive impact on business revenues (0.567). Productivity (0.359) and total annual sales (0.200) have strong positive relationship with business revenues. It seems that business planning do not have a significant impact on the revenues of their companies. Furthermore, achievement motives and education level of women entrepreneurs in Cyprus are positively associated with business revenues.

Business Profitability as Dependent Variable: When the business profitability is used as dependent variable, we found that the first child's age is positively and significantly related to the profitability of companies owned by women entrepreneurs. However, it appears that vocational training is negatively related to business profitability. This is justified by the fact that the great majority of women entrepreneurs does not attend and participate in training programs as they indicated in the interviews. Furthermore, level of previous work experience of the female business owners is not statistically significant for profitability of their businesses.

Number of Employees as Dependent Variable: The number of employees is used as the third business performance indicator. Here, it is found that achievement motives and competitiveness are positively and significant related to the number of employees of female owned businesses. Sales per employees (0.366) show strong and positive relationship however, the labor cost (0.366) has a negative relationship with the number of employees. On the other hand, results show that previous work experience and ages of women entrepreneurs in North Cyprus are not statistically significant factors for the number of employees in female owned enterprises.

6. CONCLUSION

With the primary data obtained from 193 female business owners the characteristics of female entrepreneurs in North Cyprus are examined, and the factors affecting their business performance are analyzed. Ninety two per cent of female business owners are between 18 to 50 years old, and average age of the female entrepreneurs is 38. Most of the female business

owners are married (80%), and have two children (44%). They are mostly high school graduates (61%) who saw a business opportunity and started their business. These businesses are mostly family businesses (49%), they are operating in trade sector (87%) and mostly they have no hired employees (49%), in other words they are small businesses.

Another important finding shows that, 50% of female owned businesses were established after year 2000 which indicates that high economic growth in North Cyprus during the early 2000s encouraged female entrepreneurs to start up their businesses. Majority of female entrepreneurs started up their businesses with a minimum amount, less than 10,000 YTL, and in the initial year they earned less than 30,000 YTL.

It was also found that Social Learning Theory was not significantly associated to performance of female businesses in North Cyprus. In other words, the parents of the female entrepreneurs were not necessarily the founders of the businesses of their daughters. This finding also observed from interviews that, most of females in this sample start up their businesses because they believed that such stores were needed in the economy.

Regarding the Human Capital theory, we found that education level of female entrepreneur was associated with business performance. Similarly, it is found that motivation factors are also positively associated with business performance. Furthermore, environment factors were analyzed and found that sources of finance, social rights of employees, market range, type of business and type of firm do not have an impact on performance. However competitiveness was significantly related to business performance.

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APPENDIX 1

Demographic Breakdown of Female Entrepreneurs (n=193)

Age	Frequency	Percent
18-20	2	1.0
21-30	51	26.4
31-40	70	36.3
41-50	54	28.0
51-60	14	7.3
61-70	1	0.5
71-80	1	0.5
Total	193	100.0
Marital Status		
Married	154	79.8
Single	26	13.5
Divorce	9	4.7
Widower	4	2.1
Total	193	100.0
Number of Children		
One Child	50	25.9
Two Children	85	44.0
Three Children	18	9.3
Four Children	5	2.6
No Children	35	18.1
Total	193	100.0
Education Level		
Primary School	14	7.3
Secondary School	8	4.1
High School	118	61.1
University	47	24.4
Master	6	3.1
Total	193	100.0
Average Age of Children		
First Children	18.6	
Second Children	17.3	
Third Children	16.8	
Fourth Children	14.2	

Average Age of Female Entrepreneurs	38	
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Founder		
You	133	68.9
Your Husband	31	16.1
Your Father	11	5.7
Your Father in Law	2	1.0
Others	16	8.3
Total	193	100.0
Type of Business		
Family Business	94	48.7
LTD	41	21.2
Limited Partnership	11	5.7
Sole Proprietorship	10	5.2
Franchise	6	3.1
Sole Owner	29	15.0
Total	191	99.0
Missing System	2	1.0
Total	193	100.0
Business Sector		
Manufacturing	8	4.1
Service	16	8.3
Trade	167	86.5
All	1	.5
Total	192	99.5
Missing System	1	.5
Total	193	100.0
No. of employees (Current)		
None	94	48.7
1 part-time	14	7.3
1-3	58	30.1
3-5	8	4.1
5-10	4	2.1
10-15	3	1.6
More than 15	6	3.1
Total	187	96.9
Missing System	6	3.1
Total	193	100.0