

The Effects of Finance and Knowledge on Entrepreneurship Development: An Empirical Study from Bangladesh*

Ahmed Muneeb MEHTA¹, Md. QAMRUZZAMAN², Ayesha SERFRAZ³

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Abstract

Over the past decades, Bangladesh has fought poverty via labor-intensive industry and inclusive financing. The techniques assist underprivileged women in achieving self-sufficiency and encourage them to pursue independent endeavors. However, the majority of female entrepreneurs focused on four key company types: parlor, boutique, clothes, and fashion, all of which have limited access to financing. It was feared that their shortage of finance was hindering the growth of their company. The study's goal is to assess the effects of financial availability and knowledge on women's entrepreneurship development in Bangladesh via the lens of transformational leadership practices. A sample of 580 SMEs was considered for data collection with a structured questionnaire: a five-point Likert scale for getting responses from SMEs. The model coefficients with structural equation modeling revealed that financial accessibility plays a positive and statistically significant role in women's entrepreneurship development. Moreover, knowledge level established positive interlinkage with women's entrepreneurship development. Transformational leadership, which plays a mediating role in leadership practices, has been linked to the development of women's entrepreneurship indirectly and positively. As a result, support for knowledge creation and external financing must evolve and be made available to ensure women's sustainable development through entrepreneurial activities.

Keywords: Access to Finance, Knowledge, Leadership Style, Women Entrepreneurship

JEL Classification Code: O15, P36, P47

1. Introduction

Women make up almost half of Bangladesh's population. As a result, women's engagement in the economy is critical for achieving long-term economic development and poverty reduction. However, women's engagement in the institutional economic sector is insufficient, and the rate of female entrepreneurs is much lower than that of male counterparts. In truth, numerous barriers persist to women's engagement in mainstream business, even though women's level of honesty, commitment, creativity, and knowledge has astounded us. Women's engagement in microcredit programs and the readymade garments sector, in particular, is making a substantial contribution to the country's industrialization and poverty reduction. Similarly, the engagement of women entrepreneurs in the SME sector is critical to the growth of the Bangladesh economy. Small and medium-sized businesses (SMEs) have long been recognized and extensively documented for their contribution to economic development. As a result, the success of the SME sector is inextricably linked to the nation's economic performance. SMEs are increasingly seen as critical to the economy of

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¹First Author. Assistant Professor, Hailey College of Banking and Finance, University of the Punjab, Lahore, Pakistan. ORCID: <https://orcid.org/0000-0001-6333-9077>. [Postal Address: Canal Road, Quaid-i-Azam Campus, Lahore, Punjab, Pakistan]
Email: ahmedmehta@puhcbf.edu.pk

²Corresponding Author. Associate Professor, School of Business and Economics, United International University, Bangladesh. ORCID: <https://orcid.org/0000-0002-0854-2600>. [Postal Address: Madani Avenue, United City, Dhaka, 1212, Bangladesh]
Email: zaman_wut16@yahoo.com; qamruzzaman@bus.uiu.ac.bd

³Assistant Professor, Institute of Administrative Sciences, University of the Punjab, Lahore, Pakistan.
Email: ayeshasarfraz.ias@pu.edu.pk

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a number of nations. In emerging nations, SMEs are seen as the engines of economic development. SMEs are more likely to adopt labor-intensive technology, thus decreasing unemployment, especially in developing nations. In developed countries, SMEs have long been advocates of job creation, innovation, and new goods and services. Because of the substantial contribution of SMEs to economic growth, governments around the world have made it a priority to promote the SME sector to boost their respective countries' economic growth.

As female entrepreneurs are the fastest-growing segment of the worldwide entrepreneur community, many academics have begun to focus on them. According to new research (Kelley et al., 2015), women may make a major contribution to entrepreneurship and economic development by creating new jobs and increasing GDP, which has a positive impact on poverty reduction and social exclusion. Women, on the other hand, are less likely than men to pursue a career in entrepreneurship, and this difference expands as a country's level of development rises. In today's world, women's entrepreneurship is a matter of worldwide importance. It's worth emphasizing that entrepreneurship and empowerment reinforce each other. Women's empowerment, on the other hand, necessitates participation in several development initiatives. As a result, the only viable option for expanding female employment is entrepreneurship. Women's entrepreneurial development benefits their personal development and strengthens their decision-making position in the family and community.

Even though women-owned businesses in Bangladesh remain a minority, current trends are becoming more important economic drivers. Women's entrepreneurship in Bangladesh is hampered by a lack of access to financial resources as a result of societal and political gender bias (Gupta & Hoda, 2021). Women's economic empowerment via female entrepreneurship resulted in many other forms of empowerment for women. For example, socioeconomic opportunity, property rights, social equality, individual rights, family decision-making capacity, family development, market development, and finally, country development. However, female entrepreneurship is not simple (Qamruzzaman et al., 2021). Complexities in the social milieu and administrative structure complicate the growth of women entrepreneurs in Bangladesh. Developed countries have already attained their status as a result of technological advancements. However, women's status is much poorer in underdeveloped nations.

The study's goal is to use structural equation modeling to assess the effects of access to finance, knowledge level, and leadership practices on women's entrepreneurial development. Finance accessibility, knowledge level, and transformative leadership practices all have a favorable and statistically significant relationship, according to a study.

Furthermore, transformational leadership's mediating impacts have been discovered. Furthermore, transformational leadership's mediating impacts have been discovered.

2. Literature Review and Hypothesis Development

2.1. Finance and Women Entrepreneurship

Women entrepreneurs encounter severe challenges to acquiring funding for entrepreneurial activity, particularly in underdeveloped countries, resulting in lower firm success than their male colleagues. Women, on the other hand, are more likely than men to work in the informal economy (Witbooi & Ukpere, 2011). Women entrepreneurs in developing countries, such as Nigeria, face distinct hurdles in obtaining funding. Their cultural practice identifies these barriers as early marriage, male dominance in all areas, and a lack of formal education. Moreover, their spouses are too busy to help at home even when needed. Furthermore, because of strong religious and cultural beliefs restricting women's mobility entirely with their husbands, men refuse to let their wives leave the house (Idris & Agbim, 2015).

To determine access to funding, Chamani et al. (2017) used five different types of loans: commercial bank loans, non-bank financial institution loans, business line of credit loans, and credit cards. Minority entrepreneurs, according to the report, did not receive funding from banks or the government, instead of relying on personal resources. There is a disparity between the number of minority entrepreneurs and their ability to obtain government funding. Women have fewer opportunities to obtain credit than men, according to Noor et al. (2021), for a variety of reasons, including a lack of collateral, a refusal to use household assets as collateral, small amounts of credit requested by women that are unprofitable for formal financial institutions to provide, and loan officers' negative perceptions of female borrowers.

Aliyu et al. (2019) has investigated the role of access to finance for women's entrepreneurship development in Nigeria. Study findings revealed that easy access to finance prompts firm innovation, which guided the operation to sustainable performance in the long run. Additionally, the results indicated that the success of women-owned MSMEs is dependent on the degree of AF in the company. However, it was shown that innovation had a mediating effect on women entrepreneurs' access to finance and business performance. The study's findings will help women entrepreneurs/managers of MSMEs, policymakers, and academics better understand the impact of AF and innovation on women's MSME performance. Women MSMEs should also be encouraged to strengthen their AF and I, which may help them perform better. Women entrepreneurs are certainly

creative by nature; they establish companies and demonstrate entrepreneurial acumen to generate economic value and meet family requirements. Indeed, their contributions to the economic well-being of their families and communities are significant. Kanayo (2013) and Kabeer (2012) emphasize the importance of increasing women's access to finance and economic diversification and development.

H1: access to finance positively assists in Women entrepreneurship development.

2.2. Education and Women Entrepreneurship

Entrepreneurs can develop business opportunities, according to Putnam (2000), by forming direct and indirect networks with their partners, active clients, and contacts with market people or people through social capital linkages. Data obtained from suppliers, distributors, consumers, and even competitors is used by entrepreneurs to make business decisions (Bosma et al., 2004). As a result, how such knowledge is used is determined by its resource dependability, with trust being a key component of social capital (Djankov et al., 2006). Knowledge transfer refers to sharing or disseminating knowledge and providing inputs to problem-solving. In organizational theory, knowledge transfer is the practical problem of transferring knowledge from one part of the organization to another. Like knowledge management, knowledge transfer seeks to organize, create, capture or distribute knowledge and ensure its availability for future users. It is considered to be more than just a communication problem.

According to Zahra and George (2002), the ultimate goal of knowledge is innovation transfer. Although the origin of information affected knowledge transfer, receiver achievement was associated with operational knowledge. Innovation is heavily reliant on contact, which makes creative activities a proxy for learning capacity. Research shows that knowledge and innovation transitions are complex, especially when organizational barriers are present (Lyu et al., 2022).

H2: Knowledge positively assists in Women entrepreneurship development.

2.3. Leadership and Women Entrepreneurship

According to Gupta et al. (2004), leadership capable of sustaining innovation and adaptability in high-velocity and unpredictable settings" is necessary for "continuous value creation and appropriation in a company." According to Gupta et al. (2013), the entrepreneurial leader's two primary responsibilities are developing and communicating a vision for growth outcomes, as well as involving followers and

other stakeholders in achieving this goal. These concepts are recurrent themes in contemporary leadership literature. Modern leadership theory is based on the concepts of contingency, which argue for leadership approaches that are adaptive to the situation, environment, task, and followers. To create value in the business world, a leader's vision and followers' participation are essential. As a result, Avolio and Bass (1995) claimed that most commercial leadership lies somewhere between transactional and transformational leadership. Transformational leadership comprises expressing vision and putting it into action, as opposed to transactional leadership, which entails remuneration and removal of remuneration (or punishment) (Avolio & Bass, 1995).

Transformational leadership consists of four critical components: idealized influence, in which the leader becomes a role model for followers; inspirational motivation, in which the leader inspires followers; intellectual stimulation, in which followers are challenged and motivated; and individual consideration, in which the leader supports and engages the followers' ambitions and interests (Avolio & Bass, 1995). According to Gupta et al. (2004), transformational leadership is about having and expressing a vision and having followers engage and contribute to achieving it. These essential components are also identified in other theoretical and empirically verified approaches to leadership. Geoghegan and Dulewicz (2008), for example, define value-adding leadership as a mix of transformative style and certain characteristics. Similarly, charismatic leadership is defined as a leader who uses his or her communication skills, persuasiveness, and charm to influence others. Charismatic leaders, given their ability to connect with people on a deep level, are especially valuable within organizations that are facing a crisis or are struggling to move forward (Shamir et al., 1993). Similarly, they promoted leadership that commits to value-added activities and in which leaders are committed. The conceptual framework of this study is depicted in Figure 1.

3. Data and Methodology

3.1. Data

The study collected primary data from all public and commercial banks operating in Dhaka city, and 400 respondents were interviewed at various financial institutions and 385 responses were collected. All the structured questionnaires were prepared by following 5 points Likert scale. After the data cleaning and sorting processes, we confirmed that 350 responses were dully filled out with all relevant material. This implies that the response rate is 75%; at the same time, it often decreases the non-response bias in estimation. Table 1 reports the technical details of the research sample.

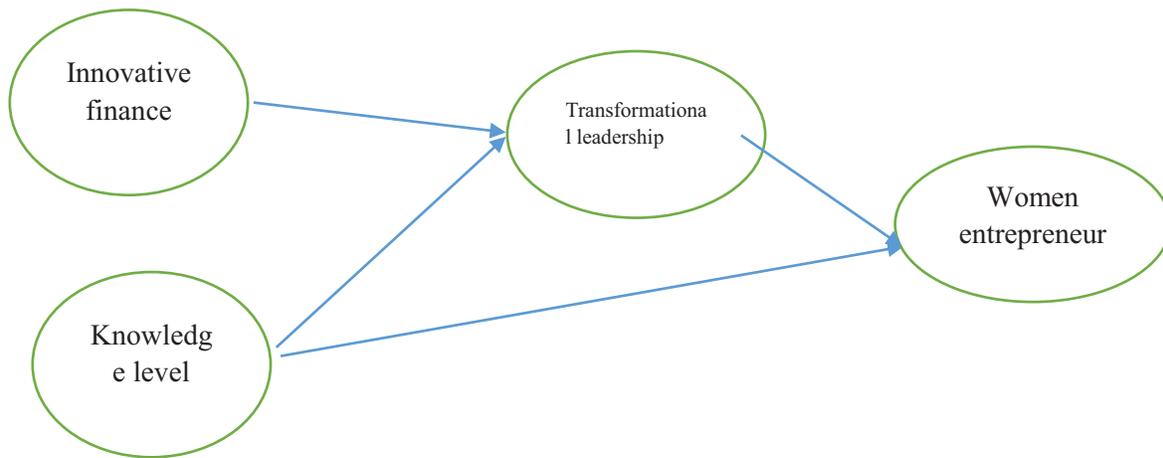


Figure 1: Conceptual Framework and Possible Hypothesis of the Study

Table 1: Technical Details of the Research

Classification		Total	%
Nature of business	Manufacturing units	325	56.03
	Services units	255	43.97
Years of establishment	Less than 10	25	4.31
	Between 10 to 15 years	255	43.97
	Between 15 to 20 years	175	30.17
	More than 20 years	125	21.55
No of employees	More than 150	175	30.17
	Between 25 to 150	150	25.86
	Less than 25	255	43.97
Average revenue	More than 10 million	250	43.10
	Between 5 to 10 million	110	18.97
	Less than 5 million	220	37.93

In terms of the type of procedure undertaken, the sample collection was done quite carefully. Both the sample companies were in the same business: commercial banks. The sample consists of 76 percent men and 24 percent women, with 38 percent having more than 12 years of banking experience, 20% having 9 to 12 years of work experience, and 39 percent having 3 to 9 years of work experience. 9% of the sample in our survey have a four-year degree.

All of the questionnaires were converted to a 5-point Likert scale, with 1 representing strongly disagree and 5 representing highly agreed. The increased presence of research variables in the organization is indicated by the larger-scale point presence in the answer. According to

Groves et al. (2011), a structured questionnaire with a Likert scale allows for standardized replies from a universe sample.

3.2. Measures

For management scholars, the use of constructs to measure the impact of latent variables is crucial. As a result, behavioral researchers always prefer to use pre-established instruments that have been tested and verified previously. As a result, inventing new measuring devices is a lengthy and challenging task. Hence, this research used a previously validated and recognized technique for detecting the latent variable's effect on the dependent variable (Table 2).

The outcome of outer loading and the multicollinearity problem are shown in Table 3. According to the current study, the loading factor should be greater than 0.708 to produce accurate and reliable results. The loading factor levels are used to calculate the reliability and validity values (Hair et al., 2016). This research contains items that fall below the required threshold but were not deleted due to the absence of reliability and validity concerns. The table also includes the variance inflation factor (VIF) values, which illustrates the multicollinearity of the indicators. The VIF threshold should be 3, suggesting that the framework has no problems with multicollinearity.

The results of the study's measurement indicators' dependability are shown in Table 4. According to available literature, each indicator's projected outcome is greater than the conventional threshold, implying that data collected is internally consistent and reliable. The Fornell and Larcker criteria, as well as the second Heterotrait-Monotrait ratio, were used in the study to detect deleterious validity. Fornell and Larcker's diagonal values should be greater than the

Table 2: Measurement of the Study

Variables	Role	Definition	Reference
Transformational leadership	Mediating	Recognize what subordinates need and want, and clarify how those needs will be satisfied when subordinates expend the necessary effort to accomplish the leaders' objectives.	Yammarino et al. (1993)
Knowledge	Independent	Development or implementation of new or altered products or services that create new value for an organization's stakeholders	Chatterjee et al. (2020) Joshi et al. (2010)
Access to finance	Independent	Avail to financial products and services for external financing	Zarrouk et al. (2020)
Women entrepreneurial development	Dependent	Capacity to address market opportunities and capitalize for growth	Farrukh et al. (2020) Shahzad et al. (2020)

Table 3: Outer Loading and Multicollinearity

	AF	KL	TL	WED	VIF
AF1	0.998				2.9161
AF2	0.863				2.0929
AF3	0.853				1.7376
AF4	0.995				2.2146
AF5	0.944				1.0767
KL1		0.904			2.6827
KL2		0.985			1.6186
KL3		0.909			1.7051
KL5		0.838			1.0608
TL1			0.936		2.6359
TL2			0.957		2.4734
TL3			0.879		1.1142
TL4			0.88		1.856
TL5			0.916		1.6172
WED1				0.914	1.5926
WED2				0.889	1.4392
WED3				0.923	1.4866
WED4				0.85	2.161
WED5				0.925	2.208

remaining values. The components were associated with the remaining values of the Fornell and Larcker ratios. The value of HTMT, on the other hand, should be less than 0.85, indicating that there is no discriminant validity concern (Hult et al., 2018). The investigation discovered that there was no problem with discriminant validity.

4. Results

As indicated in Figure 1, we conduct confirmatory factor analysis using Anderson and Gerbing's (1988) two-step procedure to find evidence for our theory hypothesis inquiry using structural equation modeling. Table 5 shows the results of the calculation model. AMOS 22 was used to approximate

Table 4: Results of Reliability Test

	Cronbach's Alpha	rho_A	CR	AVE				
Access to finance	0.911	0.908	0.907	0.816				
Entrepreneurial Knowledge	0.922	0.921	0.874	0.818				
Women in entrepreneurial Development	0.9	0.888	0.897	0.807				
Transformational Leadership	0.89	0.842	0.898	0.79				
Constructs	Fornell and Larcker				Hetreotrait-Monotrait			
	AF	ES	LC	PWEA	AF	ES	LC	PWE
AF	0.896							
kl	0.665	0.905			0.755			
tl	0.695	0.682	0.894		0.637	0.59		
PWE	0.717	0.697	0.633	0.917	0.841	0.751	0.713	

Table 5: Measurement Model Results

	Y	R ²	CR	AVE	The Goodness of Fit Index
AF1	0.856	0.733	0.953	0.79	(p = 0.00)
AF2	0.9	0.810			NFI = 0.917
AF3	0.875	0.766			RFI = 0.895
AF4	0.963	0.927			
AF5	0.848	0.719			GFI = 0.875
KL1	0.832	0.692	0.942	0.731	IFI = 0.938
KL2	0.834	0.696			CFI = 0.938
KL3	0.882	0.778			TLI = 0.922
KL5	0.882	0.778			
TL1	0.844	0.712			RMSEA = 0.03
TL2	0.958	0.918	0.966	0.820	
TL3	0.882	0.778			
TL4	0.948	0.899			
TL5	0.908	0.824			
WED1	0.828	0.686			
WED2	0.862	0.743	0.946	0.779	
WED3	0.829	0.687			
WED4	0.961	0.924			
WED5	0.928	0.861			
AF1	0.827	0.684			

the model. The validity and efficiency of measurement variables were verified using a variety of diagnostic methods. The calculated Cronbach alpha is greater than the cut-off value of 0.70, indicating that the model inquiry calculations are correct.

According to confirmatory factor analysis (CFA), the AVE coefficient is greater than 0.50 in all dimensions, and as a result, the survey instrument’s construct validity has been demonstrated (Hair et al., 1998). Furthermore, CFA was used to verify the composite reliability ratio. As a result, the composite reliability ratio (approximately) is 0.90, indicating that the instrument is reliable. A significant difference in model fit suggests that the measures are not perfectly correlated. Fornell and Larcker (1981) proposed another widely used approach according to which discriminant validity is established if, for each of two constructs, the squared multiple correlation between items and constructs (i.e., the average variance extracted, or AVE), is greater than the squared correlation between constructs (i.e., the shared variance, or SV). This criterion implies that items share more variance with their intended underlying construct than the construct shares with another construct.

To carry out a structural equation model, as indicated by AMOS 22, independent variables are used, each of which can influence the dependent variable directly or indirectly (Table 6). Table 5, column 5, showed that the overall model fit index coincided with the stipulated best fit.

Direct effects of access to capital (a coefficient of 0.192), knowledge (a coefficient of 0.161), and transformational leadership (a coefficient of 0.225) on women’s entrepreneurial development were found to be positive and statistically significant. These findings imply that financial accessibility, knowledge level, and leadership quality have

a significant impact on WED in Bangladesh. Furthermore, the mediating impact of transformational leadership has been demonstrated, with the indirect coefficient of access to money and knowledge level proven to be positive and statistically significant through transformational leadership.

The study used the Gaussian copula technique to perform an endogeneity test, and the findings are shown in Table 7. Accordingly, the test results are statistically significant, indicating that endogeneity is not present.

5. Conclusion and Suggestions

The study’s goal is to assess the influence of access to financing and knowledge level on the development of women’s entrepreneurship in Bangladesh through the mediating role of transformational leadership practices. The outcomes of the study revealed that in Bangladesh, there are positive and statistically significant correlations between access to capital, knowledge level, transformational leadership, and the development of women entrepreneurs. Because the lack of financial support hindered SMEs to obtain sustainable performance, access to finance has been attributed to one of the important factors of entrepreneurial development.

It implies that financial institutions should give lending facilities with financial innovation to women-owned SMEs to ensure their growth. Financial barriers are potentially linked to informational challenges (e.g., principal-agent difficulties) and transactional costs (Stiglitz & Weiss, 1981). For example, traditional financial institutions classify SMEs as “non-bankable” enterprises and high-risk borrowers due to a lack of collateral/income and are thus more likely to reject them. This is due to the possibility that such companies

Table 6: Structural Equation Model Results: Direct Effects and Indirect Effects

Relationships	Path	Std. Dev.	t-value	p-value	Good-Fit Criteria
Panel-A: Direct Effects					
AF → WED	0.192	0.06	3.2	0.000	(p = 0.00)
AF → TL	0.152	0.059	2.576271	0.000	RFI = 0.895
KL → WED	0.161	0.076	2.118421	0.005	GFI = 0.983
KL → TL	0.264	0.073	3.616438	0.023	IFI = 0.938
					CFI = 0.938
TL → WED	0.225	0.056	4.017857	0	TLI = 0.922
					RMSEA = 0.03
Panel-B: Indirect Effects					AIC = 312.01
AF → TL → WED	0.111	0.07	1.585714	0.003	PNFI = 0.723
KL → TL → WED	0.138	0.057	2.421053	0.036	PCFI = 0.745

Table 7: Results of Endogeneity Test

Test	LV	Coeff	p-value	Boot	Test	LV	Coeff	p-value	Boot
Model 1	AF	0.155	0.016	0.906	Model 2	AF	0.067	0.01	0.892
	TL	0.185	0.011	1.132		TL	0.018	0.007	1.372
	KL	0.263	0.021	1.478		KL	0.04	0.012	1.469
	WED	0.187	0.018	2.325		WED	0.179	0.016	2.032
	AF ^c	0.218	0.074	2.209		TL ^c	-0.007	0.11	0.958
Model 3	AF	0.258	0.022	1.734	Model 4	AF	0.171	0.011	1.48
	TL	0.194	0.024	0.306		TL	0.171	0.007	1.218
	KL	0.26	0.019	0.456		KL	0.259	0.012	0.672
	WED	0.236	0.025	0.151		WED	0.032	0.025	0.938
	KL ^c	0.132	0.07	0.116		WED ^c	0.137	0.074	2.367
Model 5	AF	0.097	0.009	1.175	Model 6	AF	0.067	0.004	1.317
	TL	0.204	0.004	0.496		TL	0.056	0.011	0.445
	KL	0.172	0.014	1.572		KL	0.244	0.018	1.041
	WED	0.185	0.024	0.578		WED	0.102	0.025	1.295
	AF ^c	0.028	0.079	1.574		AF ^c	0.257	0.104	1.031
	TL ^c	0.008	0.102	1.864		KL ^c	0.089	0.084	2.131
Model 7	AF	0.171	0.009	1.605	Model 8	AF	0.186	0.022	0.141
	TL	0.121	0.017	0.872		TL	0.196	0.011	0.578
	KL	0.257	0.014	1.533		KL	0.1	0.002	1.66
	WED	0.045	0.023	0.164		WED	0.26	0.001	1.423
	AF ^c	0.226	0.071	1.589		TL ^c	0.078	0.077	1.429
	WED ^c	-0.009	0.078	0.08		WED ^c	0.141	0.081	1.004
Model 9	AF	0.276	0.013	0.594	Model 10	AF	0.041	0.019	1.468
	TL	0.061	0.007	1.534		TL	0.22	0.023	1.966
	KL	-0.013	0.008	2.383		KL	0.096	0.024	2.172
	WED	0.102	0.006	0.227		WED	0.218	0.007	1.091
	TL ^c	-0.01	0.125	0.842		TL ^c	0.176	0.097	1.209
	KL ^c	0.233	0.072	1.233		WED ^c	0.062	0.074	1.97
Model 11	AF	0.017	0.01	1.733	Model 12	AF	0.067	0.005	0.585
	TL	0.182	0.007	1.398		TL	0.247	0.018	0.147
	KL	0.014	0.003	0.067		KL	0.19	0.025	2.227
	WED	0.227	0.013	0.433		WED	0.204	0.013	1.553
	AF ^c	-0.008	0.093	1.064		AF ^c	0.081	0.083	0.35
	TL ^c	0.097	0.103	1.002		TL ^c	0	0.072	1.977
	KL ^c	0.022	0.111	2.403		WED ^c	0.012	0.122	1.872
Model 13	AF	0.127	0.018	1.009	Model 14	AF	0.138	0.01	0.518
	TL	-0.01	0.015	1.437		TL	0.252	0.015	0.228
	KL	0.056	0.024	0.438		KL	0.162	0.009	1.01
	WED	0.015	0.017	1.683		WED	-0.014	0.018	1.532
	TL ^c	0.043	0.094	1.97		AF ^c	0.018	0.116	1.822
	KL ^c	0.223	0.118	0.158		TL ^c	0.085	0.095	1.624
	WED ^c	0.059	0.105	1.948		KL ^c	0.038	0.122	1.315
						WED ^c	0.033	0.095	0.202

would be unable or unwilling to repay their loans. Second, financing costs may be so high that financial institutions, as well as SMEs, may be unable to access them.

High-interest rates, high collateral requirements, limited access to long-term loans, and a weak business plan, according to Meng et al. (2021), are significant impediments to Mongolian SMEs accessing financial services. Despite the availability of resources, SMEs do not have access to or receive external finance from formal financial institutions, although they seek financial services.

Study findings revealed that women's entrepreneurship development is significantly influenced by access to finance, level of knowledge, and leadership practices in the operation. For further development in SMEs primarily owned by women, the following suggestions are incorporated:

1. The government must implement financial policies that focus on women entrepreneurs and provide innovative financing options for this group. Through active participation from formal and informal financial institutions, financial innovation in SMEs financing will create an alternate pathway for SME growth.
2. Business expansion is a byproduct of knowledge creation, which enriches technical expertise and allows SMEs to expand further. As a result, a continual capacity development program can help to establish an environment that fosters knowledge and, eventually, entrepreneurship.

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