

SRI LANKAN FEMALE ENTREPRENEURS: THE LEGAL CHALLENGES FACED

Dr. Thesara V.P. Jayawardane

ABSTRACT

A female entrepreneur is one who plays a significant role in the economic development of a country, who has the initiative, skill and motivation to set up a business or an enterprise of her own and who always looks for high achievement. She may be a catalyst of social change and works for the common good while looking for opportunities and seizes them mainly for economic gains. Female entrepreneurs make numerous business decisions each day, many of which have significant legal implications. Female entrepreneurs appear to make short-term decisions that do not take into account the complicated legal and strategic implications which may arise in the process. The focus of this paper is to view and examine the legal obstacles and barriers effective on the development of female entrepreneurship in Sri Lanka. The study was done mainly with secondary data obtained from the Central Bank of Sri Lanka, along with data obtained from a survey research of a population consisting 200 interviews. The results show that the legal factors do affect the decision making of female entrepreneurs in Sri Lanka. In addition, legal factors such as the bank regulations and laws, including banking interest rate, the required documents and conditions for receiving banking facilities, and the environmental rules and regulations, affect and influence the growth of female entrepreneurship development in Sri Lanka. This paper will discuss which legal challenges pose major implications for the female entrepreneur and how using cost to compare and make decisions has an impact on issues with legal implications that occur early in the start-up process. Towards the end, this paper will propose some solutions to help prevent this from happening. The paper recommends that Sri Lanka ought to imply strong policies and national laws, which can be implemented to offer solutions to address the key concerns.

Keywords: Legal Challenges, Female Entrepreneurs, Sri Lanka

INTRODUCTION

Recent studies show that the female entrepreneurs are important drivers of growth in many of the world's economies (Minniti et al., 2005). A female entrepreneur is a woman who is able to express and execute the urge, skill, motivation and innovative ability to establish a business or industry of her own (Brush et al., 2005). The motive of any female entrepreneur, including the Sri Lankans, is to earn profit through the production of socially beneficial goods or services. She possess qualities such as enthusiasm towards work, willingness to face risks, innovativeness and creativity and she will be eager to make strategic changes in the production process, introduce innovations and to find out new uses for raw materials (Jayawardane, 2015).

With increasing numbers of females starting new businesses in Sri Lanka, it is crucial to gain a better understanding of how to promote women's entrepreneurship, eliminate obstacles women may face in business creation, and facilitate the growth process of their businesses. Female Entrepreneurs in Sri Lanka face many challenges, among which legal constraints are seen at the top of the list. A lack of understanding of the growth of female entrepreneurship might ultimately inhibit competitiveness if a country does not understand, recognize and support contributions of all populations of entrepreneurs (Gatewood et al., 2003). Hence it is important for Sri Lanka to identify the legal challenges these female entrepreneurs face during their business operation.

RESEARCH PROBLEM

The females today are no longer expected to be stay-at-home house-wives, but rather are considered as an innovative and knowledgeable part of the population that contributes to economic growth (Schwartz, 2009). These females contribute positively to existing work cultures, and even challenge them. Female entrepreneurs have proven to focus on creating a cooperative work environment and possess a democratic managerial approach, and prefer teamwork (McCellend et al., 2005).

Female Entrepreneurs have to make business decisions on a daily basis in the early stages of their businesses. These decisions are important, such as the choice of business entity to be formed, contracts, founders' agreements, intellectual property, and selection of advisors and possess legal and strategic implications as female entrepreneurs' starts on their new ventures. To what extent the female entrepreneur understand the legal impact of decisions on her business, is the key to the success of her venture. Some of them believe the key to being a successful female entrepreneur is to make fewer mistakes than the competition. But it is proven that, those with a better understanding of the legal implications of their decisions can reduce many mistakes and thus increase their chances at success.

Female Entrepreneurs often face time constraints necessary to make more cautious and insightful decisions that would consider long-term legal issues and their financial impact. But the over-simplification of decisions may be very risky for the female entrepreneur. "The providence of the country's economic, cultural and legal backgrounds is the necessary condition for making efforts for establishing new and small entrepreneurship activities" (Talebi and Khaksar, 2011, Lamei, 2007). The legal and lawful systems act as a background for facilitating economic activities. Unfortunately, in developing countries like Sri Lanka, where the centralized planning system and governmental economy is moving towards free market, the legal and lawful systems cause important problems and obstacles in the path of female entrepreneurship (Feizbakhsh et al, 2003).

"The scrutinized evidences and studies in Sri Lanka show that even though the governmental laws and regulations fully provide proper backgrounds for female entrepreneurship, these same laws and regulations acted as a barrier against entrepreneurship

growth and consequently, the failure of economic growth and development in Sri Lanka” (Lamei, 2007). As the understanding and recognizing the obstacles and challenges provide methods for applying proper techniques to address them, the present research will make effort to understand legal obstacles of entrepreneurship development in Sri Lanka. This paper is designed primarily to examine the various legal challenges female entrepreneurs come across when making business decisions as well as identifying methods to overcome them.

OBJECTIVES

- To identify the legal challenges faced by the female entrepreneurs in Sri Lanka.
- To examine the immediate legal issues impacted by short-term decisions of female entrepreneurs of Sri Lanka.
- To recognise methods which restrain the legal challenges of female entrepreneurs of Sri Lanka.

LITERATURE REVIEW

Most experts in various humanities fields agree that the female entrepreneurship plays a main role in the development and growth of social, economic and political fields of a country. Schumpeter (2005) is of opinion that if a society faces depression of female entrepreneurship, it will face economic depression as well. The only solution of survival in this changing world is innovation and entrepreneurship in which the improvements of economic performance or growth would be developed (talebi and khaksar, 2011). Therefore, providing backgrounds for female entrepreneurship development is vital and this fact requires systematic researches in order to identify and remove the limitations of female entrepreneurship development by appropriate policy making and strategies. As per (zali & razavi 2008), several researches had been carried out on the obstacles of entrepreneurship development.

Sri Lanka is a country located in the southeast of India with a population of over 20 million people and is a developing country. Sri Lanka’s population remains largely rural with only a fifteen percent (15%) of the population living in urban areas (Central Bank SL 2017). “Female Entrepreneurship development is a complex, long term and comprehensive process which its aim is to increase tendency, intention and taking action for performing entrepreneurial activities. In this definition, tendency means having positive thinking towards entrepreneurship and business” (Kinnear, 2011). Zali & Razavi (2008) states that female entrepreneurial intention means the percentage of mature women in society who are going to establish a business for next 12 months or to support it financially.

Female entrepreneurship appears as a key issue and fundamental tool for economic growth (Gupta & York, 2008) which has the ability to change the structure and regional development and it is a factor in order to increase the gross domestic production of the countries (Morris 2001). The results of the academic researches show that there is a relation among female entrepreneurship and economic development (Chowdhury, 2007); moreover, female entrepreneurship is recognized as the major factor for the economic development of nations, provinces and local regions (Gupta & York, 2008). Thus, economic growth and development are much in debt with the female entrepreneurs who identify the opportunities and make profit from them by making efforts and endeavors (Aidis et al, 2008). This will be the same for Sri Lanka.

Asian countries had focused their attention on establishing its legal backgrounds along with legal and financial supports (Zali & Razavi, 2008). Moreover in Sri Lanka, the economic, social, cultural development programs had paid attention to female entrepreneurship issues and had started this fact by practical activities such as establishing female entrepreneurship centers in universities and developing innovation and entrepreneurship institutions such as universities and growth centers (Ansari & Salmanizade, 2009). Therefore, this paper has studied and analyzed the legal challenges and obstacles faced by the female entrepreneurs with the intention of developing female entrepreneurship in Sri Lanka.

METHODOLOGY

The study was done with secondary data obtained from materials from the Central Bank of Sri Lanka. The Central Bank of Sri Lanka Provides annual statistical time series on socio economic and financial variables including provincially disaggregated data, where available. This research extracted those data to obtain the necessary information on female entrepreneurs of Sri Lanka and the legal constraints they face.

Data obtained from a survey research was also extracted and analyzed for the purpose of this study. The standardized five point’s Likert questionnaire which was used by many researchers with a proven reliability and validity was used in order to respond to the research after the review of related literature and scrutinizing documents and library sources. The questionnaire contains 15 components in which 3 components related to the general demographics of the female entrepreneur and 12 components related to legal dimension.

Out of that data-base population consisting two hundred (200) interviews and case studies, twelve (12) females were chosen from convenience sampling. Convenience sampling is useful where it is otherwise difficult to elicit a sufficient level of response (Bell and Bryman, 2007). These selected females represented the key characteristics and attributes of the total sample group. They were interviewed face to face at a location of their convenience with similar questions that were raised in the data base interview. They elaborated the responses given in previously to provide a wider understanding to the researcher. All these females have faced legal barriers and shared their experiences with the researcher.

VALIDITY AND RELIABILITY

Results were also presented for the respondents to see if the answers have been interpreted correctly. Furthermore, the validity of the result has been discussed with the supervisors, academic consultants, experts of the industry with valuable feedback. Cross checking of the information was done with the aid of industry experts and professional bodies.

In terms of reliability measurement repetition of the study was conducted. Randomly selected few respondents were asked to do the interviews again with a third person. This was done in order to see if the same results were to be obtained. Because of the lack of time, it was not possible to conduct the study more than once for all the respondents. But the chosen sample reiterated that the findings or the answers were more or less identical.

KEY FINDINGS

The female entrepreneurs, who took part in the survey, mostly shared the same legal challenges. These female entrepreneurs considered that they should possess a comprehensive legal knowledge that has a large impact on their business venture. Three such areas are:

- Patents - this provides the owner with exclusive rights to hold, transfer, and license the production and sale of the product or process.
- Copyright - this provides exclusive rights to creative individuals for the protection of their literary or artistic productions.
- Trademark - this is a distinctive name, mark, symbol, or motto identified with a company's product and registered at the Patent and Trademark Office.

Female entrepreneurs agreed that they should understand the different types of businesses which include sole proprietors, partnerships, and corporations as each possess their own advantages and disadvantages. They should also identify which benefits them so to know which type of business they want theirs to become at a later part in the future. As per the survey, female entrepreneurs face many challenges when starting a new venture. Therefore, the legal issues take a backseat, due to a lack of time and knowledge. Female entrepreneurs make business decision each day, many of which have significant legal implications.

As per the research, the below can be listed as some of the common legal mistakes made by the corresponding female entrepreneurs which later became legal challenges to them.

1. Thinking any legal problems can be solved later. Professional legal aid can be obtained for relatively little sum of money at the early stages. It will cost much less to pay and get it right at the initial stage than to try to sort it all out later and correct it.
2. Promising more in the business plan than can be delivered and failing to comply with government laws. In a business plan, only the possible work should be promised, so the person investing can decide whether they are realistic.
3. Starting a business while employed by a potential competitor, or hiring employees without first checking their agreements with the current employer and their knowledge of trade secrets. The law clearly states that if a person is employed by a company, that person cannot operate a competing business.
4. Disclosing inventions without a nondisclosure agreement or before the patent application is filed. The potential venture capitalists usually do not sign a nondisclosure agreement at the beginning.
5. Waiting to consider international intellectual property protection. If an invention is sold or made public, in many countries, they allow a one year period to file a patent application. In Sri Lanka, if the invention is sold or publicized prior to filing the patent application, the invention is un-patentable.
6. Negotiating venture capital financing based solely on the valuation. Valuation is not the only thing one should consider when selecting a venture capitalist or when negotiating the deal.
7. Hiring a lawyer not experienced in dealing with entrepreneurs and venture capitalists. If the chosen lawyers possess little or no experience working with entrepreneurs then they will focus on the wrong things while failing to recognize some of the potential traps.
8. Issuing founder shares without vesting. Simply put, vesting protects the members of the founding team who take the venture forward.
9. Failing to incorporate early enough. For example, if a partner involved in starting the venture drops out and then when the venture is ready to go public, this partner returns, perhaps with an inflated view of what his or her contribution was, demanding equity.

DISCUSSION

As per the survey results stated above, three legal issues were found, that occur early in the start-up process, which will be impacted greatly by female entrepreneurial short-term decisions. Though all female entrepreneurs will not face each of these legal issues, they recognize these situations exist and prepare to contact professionals who can assist them with their decision making.

Business entity formation

In the research we came across a gym instructor who was founding her own ladies only gym. The instructor told that she had looked into forming her business as a corporation, but thought that would be too expensive as she didn't think she had much liability in her venture. This female entrepreneur chose not to protect herself because the cost of protecting her business seemed, in her initial opinion, too high. While she may have purchased liability insurance, it might not cover a significant lawsuit and

thereby put her personal assets at risk. The maximum filing fee for a legal business entity in Sri Lanka is Rs.50,000; handled by an attorney, this may total up to a hundred thousand dollars. Is this amount worth risking one's home and savings? Female Entrepreneurs can choose to form their businesses as one of several different legal entities. Selection of the most appropriate business entity for a particular venture is an important and complex decision. Unfortunately, many female entrepreneurs do not plan ahead (Khandekar & Young, 1985). Among other benefits and safeguards, the appropriate form of business selection can reduce exposure to personal liabilities, minimize tax liabilities, ensure efficient management of the business, and help obtain financing (Blair, Marcum, & Fry, 2009).

A venture may be conducted as a sole proprietorship, partnership, Limited Liability Company (LLC), or a Corporation (Blair et al., 2009). Female entrepreneurs must determine which entity is most appropriate for their particular business venture and goals. The main factors that female entrepreneurs must consider are: the degree to which their personal assets are protected from the liabilities of the business; tax implications; attractiveness of the venture to potential investors and lenders; and costs associated with starting and running the business (Khandekar & Young, 1985).

A single female entrepreneur may choose to do business as a sole proprietorship. In fact, the default entity for a business owned by a single female entrepreneur is sole proprietorship, where the business and the person are considered essentially the same (Khandekar & Young, 1985). A sole proprietorship is relatively easy to form: it usually requires no filing of formation documents with the state in which it is doing business, except for a fictitious business name statement indicating the individual's name and address and the venture's name and address. Income earned by the sole proprietorship is reported on the individual's income tax return, and the liability of the business is also the liability of the said female entrepreneur.

Thus, the female entrepreneur's personal assets may be at risk should the business default in payment of its liabilities. Though sole proprietorship is very popular due to its ease of formation, it is often a poor entity choice in that most ventures pose at least some liability risk.

There are several entity options for ventures with more than one founder, the most familiar probably being the corporation. Corporations provide the female entrepreneur with personal liability protection and some tax benefits to the business. A corporation is a separate legal entity by law, and separate from its owners (Pierce, 2007); as such, it incurs its own liabilities, including tax, contract, and product or service risks. As long as the corporation is properly managed as distinct from its shareholders, personal assets are not at risk. Ownership is easily transferred if a shareholder decides to exit the business. Corporations, however, face many formalities which are required by statutes, including: establishment of a board of directors; an annual meeting; state filings; and an article of incorporation. Corporations incur and must pay their own taxes. When shareholders receive dividends, those dividends are taxable to the shareholder. When salaries are paid to the officers, the officers incur individual income tax liabilities (Blair et al., 2009).

Female entrepreneurs must still follow the formalities and filing requirements, and must establish an agreement allocating profits and losses between them.

The default entity of a business founded by more than one person is a partnership.

A partnership is a business entered into by two or more persons, and is treated as a separate legal entity from its partners (Jennings, 2009). As such, a partnership can be sued and can file a lawsuit; it can own property and acquire debt. While a creditor of the partnership must attempt to collect from the partnership before going after individual partners, the partners nonetheless ultimately bear personal liability for the debt of the partnership

Female entrepreneurs can also choose to form as an LLC, which has the same protection and tax benefits as a Corporation, but which enjoys greater flexibility in terms of taxation and ownership (Blair et al., 2009). Owners of an LLC are called members, and have no personal liability for the obligations of the LLC. The LLC is basically treated as a partnership without the requirement of a general partner, but with the pass-through government taxation to the individual members. (Ribstein, 2008).

When a female entrepreneur chooses to form her venture as a corporation or an LLC, documents must be filed—articles of incorporation for corporations; articles of organization for LLCs—and a fee is charged to offset paperwork handling and regulatory monitoring expenses. Unfortunately, the female entrepreneurial decision to choose one entity over another is often influenced by filing costs and ease of formation, to the exclusion of other considerations (Doran, Whittenburg, & Bunn, 2004).

To identify whether this assumption of whether filing fees matter, we asked the surveyed female entrepreneurs how this affect their decisions to choose one entity over another. Participating female entrepreneurs who had formed their venture as something other than an LLC were asked: If the costs to file an LLC and a corporation were equal, which one would you choose? The survey revealed that 68% would switch to an LLC from a corporation or sole proprietorship if the costs were equal. When sole proprietors were asked if the cost to file as an LLC or a corporation weighed heavily in their decision to remain a sole proprietorship, 65% said yes. This, proved that the cost of filing fees seem to be used to make important legal entity formation decisions.

Contracts and the Agreements made between Founders

Contracts formed early in the start-up process—including founders' agreements, non-compete agreements, and clauses pertaining to essential employees—are extremely important regarding future activities of the venture of the female entrepreneurs. Some female entrepreneurs shared the experience where they were taken out of a business by their partners; and unfortunately they were unable to receive their fair share of the equity in the venture because no founders' agreement exists. In a different scenario, female entrepreneurs are often shocked when a key employee leaves the company to start a competing

business, taking along key customers when a non-compete clause can protect the female entrepreneur's trade secrets and trade practices.

This is mainly because female entrepreneurs usually negotiate and sign contracts without the assistance of legal counsel, due to the costs and time involved. It is not that these female entrepreneurs cannot afford legal help; it is just that it is less expensive and less time-consuming when lawyers are not involved. In making a quick decision, legal costs are simply ignored because of the time involved for an attorney to be consulted, review the contracts, and advise the female entrepreneur.

Founders' agreements are considered as the most important long-term contract which is formed in the early stages of the venture. Such an agreement should clearly state the portion of equity each founder owns and the value of her sweat equity in the firm. They should also include a buyback clause detailing how any remaining founders will buy out the interest of the leaving party, at what value, and how long until the shares are fully vested (Garner, 2006). The founders' agreement should also include clauses regarding non-competition, confidentiality, non-solicitation of employees, and time commitments to the venture. To ensure equitable and fair treatment, this agreement should be finalized very early in the start-up process, when all founders are still happy with each other. Female entrepreneurs often do not take into account that interpersonal problems may occur between founders, especially when the founders are friends or family members (Pierce, 2007).

There are three major reasons why many new ventures do not develop a founders' agreement: (1) they do not know they should have one; (2) they do not think that the team will separate; and (3) as agreements are often completed by lawyers, this costs additional funds and the entrepreneurs therefore choose to forego legal advice. If the venture team does not develop a founders' agreement and one or more members leave, the resolution of all issues will be based on the partnership law as opposed to the entity that the team believes it formed. Sri Lankan company law would generally presume that the members have equal ownership, which may not be the case. Thus, a person who leaves might get more or less than they actually contributed to the venture. Female entrepreneurs should seek the advice of legal counsel when negotiating contracts with suppliers, landlords, investors, employees, and customers, as these agreements can have a major impact on the business.

Intellectual property

One of the surveyed female entrepreneurs mentioned how she chose a name for her start-up business which was a duplicate name of an existing, well-known multinational computer company. Several months later, after building goodwill with its customers, she was asked by the multinational to stop using its name. Either she has to stop using the name for her new venture or they were to take her to courts. This is a clear example of the importance of understanding the concept of intellectual property, what it entails, and when permission must be sought for its use. Legal counsel can assist female entrepreneurs in this area. Female entrepreneurs use their creativity to identify opportunities that are not being met in the market and come up with new ideas as solutions. To protect these new ideas, female entrepreneurs should seek to guard intellectual property (IP) rights from the competition; this may be achieved by controlling the way in which intellectual property is used, distributed, and accessed.

Protecting IP allows creators to benefit from their work, as opposed to others benefiting from it, and promotes creativity by allowing creators exclusive rights to their works that others cannot use without permission. Intellectual property rights are legal frameworks that are established to protect the ideas of individuals which includes two main categories: registered (e.g., trademarks, patents, copyrights) and unregistered (e.g., trade secret) rights.

Female entrepreneurs do not even identify their IP and sometimes they may not pursue protection, believing the costs to enforce their IP rights are too high. Female entrepreneurs may be completely unaware that they are violating the IP rights of another, though this ignorance does not save them from potential costly litigation. Attorneys can offer insight as to the identification and protection of IP, as well as search for possible conflicts. But most female entrepreneurs often use cost comparison (i.e., the cost of hiring an attorney versus the cost of not hiring one) as the deciding factor and end up losing their intellectual property rights or infringing on those of others. If the female entrepreneur is starting a business she may be best served by seeking the advice and counsel of a patent attorney. The added expense of a specialist to deal with IP rights will likely serve to promote the rights of the female entrepreneur in both the short and long term. Although the up-front expenditure may seem costly to the female entrepreneur, and perhaps better spent elsewhere, intellectual property is likely one of the most valuable assets of the business and its protection should be a priority.

RECOMMENDATIONS

The research paper stresses the importance of understanding the legal challenges the Sri Lankan female entrepreneurs face and the various legal and institutional frameworks in shaping women's economic opportunities. These are the recommendations for protection of the female entrepreneurs from legal challenges in Sri Lanka.

It is believed that a good defense is a good education. As a first step, female entrepreneurs should seek to understand these legal issues, which is why this research paper has discussed them in detail. Female entrepreneurs should have a basic understanding of these legal issues that will provide them with a foundation for initial decision making.

Finding professionals to assist them with these early decisions can save time and future costs. This paper has given female entrepreneurs some indicators of when they should take a more deliberative approach to decisions, rather than use cost comparisons.

Based on the three legal issues mentioned above, cost is a frequent factor used by female entrepreneurs to make business decisions. Female entrepreneurs have little time to make good, well-reasoned decisions, and often ignore indicators that suggest

they should be taking time to reflect and ask for advice from others. When female entrepreneurs are about to make a decision and are only looking at cost, they should be seeking assistance from professionals and educating themselves regarding the strategic and legal ramifications of these decisions before making them.

There are ways to help female entrepreneurs decide when it is most important to take the time to make decisions. This research paper recommends specific decision points, to act as signposts to assist female entrepreneurs in noticing that it is time to step back and do something before making any further business decisions. They are as follows:

Get advisors early

Female Entrepreneurs need to effectively utilize their attorney, accountant, consultants, and insurance agents early in the start-up process to generate the greatest benefits for the least expense. The early stages represent the time the venture is most likely to be short on cash but, a key priority for any existing cash early in the start-up process should be to seek advice and education on legal issues. Professionals can serve as wonderful allies to the female entrepreneur by identifying and explaining potential benefits and risks associated with the start-up business. They can see what can go wrong, while female entrepreneurs tend to think only of all that can go right (Goossen, 2004). During the start-up phase, or once the female entrepreneur identifies a potential legal risk, timely contact should be made with the professionals in order to plan to avoid financial harm to the business or the female entrepreneur's assets.

Female entrepreneurs often do not have a concrete indicator as to when to consult an attorney, accountant, consultant, or other early-stage advisor. This is because there is no definitive time frame in which female entrepreneurs see their businesses as starting; this leads them to default to the option of ignoring the opportunity to use advisors early and effectively. There are no early milestones the female entrepreneur can use to measure that their business has started and perhaps an attorney should be contacted to assist with decision making.

Getting legal and strategic assistance as soon as possible may not be as expensive as it might seem. Female Entrepreneurs should utilize their networks of friends, family, and business associates to see who amongst them could assist in explaining these legal issues in more detail, and who may give legal or accounting advice at free or reduced rates.

Government-funded organizations, such as local small business development centers provide a wealth of information and may be able to give counseling, workshops, and training to the female entrepreneur at reduced cost. Networking associations are often inexpensive to join, but provide great knowledge and opportunities for the female entrepreneur.

Budget/Raise capital

New ventures often take twice as long, and cost twice as much, as expected. Female Entrepreneurs will often try to find creative ways to keep costs down. They need to focus on determining spending priorities and capital needs. This research paper recommends that the legal issues should be a main focus in the budgeting of early stages of the venture, before a product is sold or large-scale investors are involved. Most business plans have a token amount of money itemized for legal fees. In reality, these amounts represent only a fraction of the actual expenses required to properly protect the business and all legal issues that may arise.

Each female entrepreneur's venture is unique; thus, its financial forecast will also be unique. Some ventures will have more costs associated with valuable intellectual property or more complex human resource situations due to the individual needs of their particular employees. Professional advisors can assist female entrepreneurs in making a more accurate assessment of future costs associated with professional advice. Although seeking advice does require budgeting or the capital to pay for these services, money spent today will prevent large future expenditures to undo improper decisions made without the assistance of professionals.

Although raising capital is difficult, entrepreneurs who have protected themselves, their ideas, and their assets will find their ventures in better situations to receive funding. Advice can also help raise capital, since advisors are often networked into local investors or are investors themselves. Having good advisors on board can act as a signal to investors that the venture is legitimate and worthy of investment.

Team approach

In order to see the complete picture of a particular business venture, this paper recommends that the consulting team approach should be used. The professional consulting team ought to include a lawyer, an accountant, a lender, an insurance agent, and industry professionals (Schanz, 2007). Relying on one advisor, as stated previously, often will limit the world view of the venture that the female entrepreneur receives. To find these advisors, female entrepreneurs can utilize their networks to obtain referrals for good team members. It is important that the female entrepreneur interview and feel comfortable with each new consulting team member.

A consulting team helps female entrepreneurs seek advice from individuals with different areas of expertise, allowing the female entrepreneurs to make knowledgeable and well-rounded decisions. This approach may use some of the short-term financial resources of the female entrepreneur, but it will maximize the benefits and reduce the legal risks in the long term, thus increasing the sustainability of the business.

Team approaches also encourage female entrepreneurs to reflect more on their businesses and not limit their decision making solely to cost comparisons.

Decisions by reflecting

Female entrepreneurs need to take time to reflect on decisions that must be made in the start-up stages of their businesses. Reflection involves careful consideration of multiple factors in making a decision, with a better understanding of the consequences of different decisions. Cost comparisons are used as sole factors when female entrepreneurs do not take time to reflect. Taking time to reflect will assist them in making better, more informed decisions. In turn, better decisions lead to less risk and more potential for growth. How might a female entrepreneur reflect? First, they can educate themselves. There are many resources available to female entrepreneurs who are willing to do the homework. The Internet, workshops, classes, panel discussions, and speakers can often broaden the breadth of knowledge on legal issues related to female entrepreneurship. This education should also include the advice of the professional consulting team, as well as time to reflect upon the advice prior to making crucial decisions.

Finally, although every minute may seem to be spoken for regarding tasks to be completed, female entrepreneurs should devote time each day to reflect on impending decisions they must make about the business. Taking the time to make sound business decisions today will likely provide profits tomorrow. The best resource a female entrepreneur can give herself is time to think when making critical decisions upon embarking on her new venture's journey.

CONCLUSION

A female entrepreneur is one who plays significant role in the economic development of a country and the Sri Lankan female entrepreneur is regarded as a person who has the initiative, skill and motivation to set up an enterprise of her own and who always looks for high achievement.

When identifying the female entrepreneurial skills, it is best to identify the obstacles and eliminate their challenges in order to develop female entrepreneurship in Sri Lanka. With respect to the female entrepreneurship and legal challenges, limitations and barriers, identifying and studying the present laws and regulations can be a great help to create small businesses and to promote female entrepreneurship activities in the country.

The objectives of this research paper was to identify the legal challenges faced by the female entrepreneurs in Sri Lanka, to examine the immediate legal issues impacted by short-term decisions of female entrepreneurs of Sri Lanka and to recognise methods which restrain the legal challenges of female entrepreneurs of Sri Lanka. The outcome of the study resulted from questionnaire collected data and secondary data from Central Bank of Sri Lanka which together signified that the laws and the present regulations are obstacles for achieving appropriate female entrepreneurship development in the country.

The key legal challenges faced by female entrepreneurs include: not having a knowledgeable background about legal concepts that have large implications on the business venture, promising more in the business plan than can be delivered and failing to comply with the law, starting a business while employed by a potential competitor, or hiring employees without first checking their agreements with the current employer, hiring a lawyer not experienced in dealing with entrepreneurs, disclosing inventions without a nondisclosure agreement or before the patent application is filed, negotiating venture capital financing based solely on the valuation, waiting to consider international intellectual property protection and issuing founder shares without vesting.

It is necessary to overcome these challenges or minimize them in order to conduct an efficient business. The research paper affirmed that using cost to compare and make decisions has an impact on issues with legal implications that occur early in the start-up process. The research paper also made recommendations and solutions to help the female entrepreneurs at the times of these legal barriers. These include getting advisors at early stage of the venture, raising the budget and capital, decisions made with a team approach and also decisions made by reflecting. The paper recommends that Sri Lanka ought to imply strong policies and national laws, which can be implemented to offer solutions to address the key concerns. Therefore, it is recommended that Sri Lankan Government develop appropriate rules for maximum efficiency of the female entrepreneurial activities in order to develop female entrepreneurship in the country.

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Dr. Thesara V.P. Jayawardane
Senior Lecturer, Department of Industrial Management
University of Moratuwa, Moratuwa, Sri Lanka.
Email: thesaraj@uom.lk