

UNDERSTANDING WOMEN'S ENTREPRENEURIAL JOURNEY: DETERMINANTS OF LABOR MARKET PARTICIPATION

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Abstract

The government has made significant efforts to increase employment opportunities in a variety of sectors, but these initiatives are not effective in handling the annual increase in workers brought on by a quick increase in population. The study aimed to find out factors that are more dominant and affect the participation of women's workforce in entrepreneurship. The study was quantitative. One hundred were applied women's labor in Padangsidempuan. Data were collected by questionnaires and analyzed by KMO and Bartlett Rotated Component Matrix. The results show that 10 internal sub-factors are grouped into 3 factors given the name of personal desire, circumstances, and help the family economy factors with the most dominant factor being the personal desire factor, with a variance value of 23.366%. External factors are grouped into 3 factors, namely environment, opportunities, and entrepreneurial potential factors, the most dominant factors are environmental factors, with a variance value of 24.727%.

Keywords: *internal factors; external factors; women; labor force participation; entrepreneur*

INTRODUCTION

The Indonesian government has made significant efforts to expand employment opportunities across various sectors (Falah & Syafri, 2024). However, these efforts have not been entirely effective in addressing the increasing workforce each year, which is primarily driven by rapid population growth (Kniivilä, 2019). Meanwhile, economic needs continue to rise, making job creation a crucial issue for the development of the labor sector (van Niekerk, 2020). In response to these challenges, women's participation in the economic sector has gained increasing attention. Women's involvement in economic activities is not a new phenomenon (Alobaid et al., 2020), but their shift towards entrepreneurship as a means of economic empowerment highlights a growing trend in labor market dynamics (Amber & Chichaibelu, 2023).

Initial observations in Padangsidempuan City, North Sumatra Province, reveal that women who engage in independent economic activities generate notable income. While the earnings are not always significant, some women entrepreneurs achieve income levels comparable to or even exceeding those of women employed in government or corporate settings. These women operate in diverse sectors such as salons, printing, kiosks, sewing, agricultural trade, livestock, travel, culinary, and workshops (Nugraha et al., 2021).

A particularly intriguing finding is that many of these female entrepreneurs do not hold high academic degrees (Zhang et al., 2022). This suggests that, contrary to conventional beliefs, there is no rigid correlation between formal education and entrepreneurial success (Li & Wu, 2022). This shift signifies a transformation in how women perceive financial independence, encouraging greater

self-reliance in the modern era. Moreover, this phenomenon aligns with the increasing trend of women entering the workforce by creating their employment opportunities. However, it also raises critical concerns regarding the dual role of women, as they are responsible for both household management and economic contributions (Mussida & Patimo, 2021).

The dual role of women is deeply embedded in the concept of cultural dualism, which divides responsibilities into domestic and public spheres. Domestically, women take on roles as wives, mothers, and household managers, while in the public sphere, they actively contribute to economic activities based on their skills and available job opportunities (Maulana, 2021). Women working in formal institutions often face rigid working hours, typically from morning to afternoon (Bartlett et al., 2021; Rosnita et al., 2014). This structural constraint makes entrepreneurship an attractive alternative, as it allows women to control their working hours, thereby balancing domestic and economic responsibilities more effectively.

While previous studies have explored women's participation in entrepreneurship, this study contributes new insights by examining the factors that most significantly influence their decision to become entrepreneurs, particularly in the context of a developing region like Padangsidempuan City. Unlike existing research that primarily focuses on macroeconomic indicators or institutional barriers, this study provides a localized perspective that highlights socio-cultural and economic determinants shaping women's entrepreneurial choices.

From a theoretical perspective, this study enriches the discourse on women's labor force participation by integrating the concepts of cultural dualism (Maulana, 2021) and human capital theory (Becker, 1993), offering a nuanced understanding of how women navigate employment decisions beyond formal education. This approach challenges traditional assumptions that formal qualifications are the primary drivers of labor force participation, emphasizing instead the role of adaptive skills, entrepreneurial motivation, and socio-cultural support systems.

Practically, the findings of this study provide valuable insights for policymakers, development agencies, and entrepreneurship programs aiming to foster women-led businesses. By identifying key determinants that influence women's transition into entrepreneurship, this research can guide targeted interventions such as skill development initiatives, flexible financing models, and gender-responsive policies that support female entrepreneurs.

The increasing global discourse on gender equality in economic participation underscores the importance of understanding these factors in greater depth. As modernization continues to open new pathways for women in the workforce, recognizing and addressing the challenges they face in balancing domestic and public roles is crucial to fostering inclusive economic development. Therefore, this study aims to identify and analyze the dominant factors influencing women's participation in entrepreneurship, providing both theoretical advancements and practical implications for future workforce policies.

METHODS

This study employs a quantitative approach to examine the factors influencing women's participation in entrepreneurship in Padangsidempuan City, North Sumatra Province. The research follows an exploratory design, as it seeks to identify and structure relevant variables affecting female entrepreneurship (Hair et al., 2019). Due to the exploratory nature of the study, the variables were formulated based on initial observations and literature on women's labor force participation (Minniti & Naudé, 2010).

The population in this study includes all female entrepreneurs in Padangsidempuan City, while the sample consists of 100 respondents selected using purposive sampling (Djamba & Neuman, 2002). The criteria for selecting respondents include: (1) women who are actively engaged in entrepreneurship, (2) have operated their businesses for at least one year, and (3) are involved in decision-making regarding their business activities.

Primary data were collected using structured questionnaires, which were designed based on previous studies on women's entrepreneurship (Bosma et al., 2020; Kelley et al., 2021). The questionnaire employed a Likert scale (1–5), where 1 represents "strongly disagree" and 5 represents "strongly agree" (Likert, 1932). The questionnaire was pre-tested on a small group of 20 respondents to ensure clarity and reliability. Validity Analysis employed the Kaiser-Meyer-Olkin (KMO) test analysis. Principal Component Analysis (PCA) with Varimax Rotation was applied to identify dominant factors influencing women's entrepreneurship (Fabrigan & Wegener, 2012).

The study is grounded in Push and Pull Theory of Entrepreneurship (Gilad & Levine, 1986). The internal factors reflect push motivations, where women engage in entrepreneurship due to necessity (e.g., financial needs, lack of alternative employment). The external factors align with pull motivations, where women pursue entrepreneurship due to opportunities in the market or favorable conditions.

Table 1. Presents The Identified Sub-Factors Categorized Under Internal and External Dimensions

Item	Internal sub-factors	External sub-factors
1	Fulfillment of basic needs	Look at market or community needs
2	The desire to be independent	Conducive environment
3	The low income of the husband	It is difficult to become a civil servant
4	Investing capital	Influence of the social environment
5	Education level	Motivated by other people's success
6	Have a high entrepreneurial spirit	Seeing opportunities or business opportunities
7	Do not have other expertise/skills	See the potential profits from entrepreneurship
8	To earn side income	Seeing the high level of public buying interest
9	To fill free time	Difficult to find work/limited job opportunities
10	Replacing the husband's role	Have entrepreneurial connections or networks
11	To anticipate future events	Encouragement from husband
12	Desire or aspiration to become an entrepreneur	Parental entrepreneurial background
13	Working hours are more flexible	To fulfill the need for worship
14	Easy to run	
15	Helping the family financially	

RESULTS

The results of the validity test for the internal factors of the 15 question items can be presented that 10 items are significantly correlated, meanwhile, the 5 items are not significantly. Significantly correlated items are statement items 1,2,3,5,7,10,11,12,14 and 15. The results of the validity test for external factors can be presented 10 items are significantly correlated, meanwhile, for the 3 items, were not. The items that have a significant correlation are items 1, 2, 3, 4, 7,8, 9, 10, 11, and 12. The results of the reliability test for internal and external factors shown that the items used are reliable for collecting data. The valid internal and external factors are sequentially processed for the Kaiser-Meyer-Olkin (KMO).

Table 2. KMO and Bartlett's test for Internal Factors

Indicator	Value
Kaiser-Meyer-Olkin Measure of Sampling Adequacy	.611
Bartlett's Approx. Chi-Square	
Test of Sphericity	121.114
Df	45
Sig.	.000

Based on Table 2, the KMO Measure of Sampling Adequacy is 0.611, so the data above influences labor force participation and can be analyzed further.

Table 3. KMO and Bartlett's test for Eksternal factors

Indicator	Value
Kaiser-Meyer-Olkin Measure of Sampling Adequacy	.576
Bartlett's Approx. Chi-Square	166.066
Test of Sphericity	
Df	45
Sig.	.000

Based on Table 3, the KMO Measure of Sampling Adequacy is 0.576, so the data above influences labor force participation and can be analyzed further.

Based on the results of exploratory research on internal factors that are considered to influence women's workforce participation in creating their jobs, namely (1) fulfillment of basic needs (2) desire to be independent, (3) low income of the husband, (4) level of education, (5) does not have other skills/expertise, (6) replaces husband's role, (7) anticipates future events, (8) desires/aspirations to become an entrepreneur, (9) easy to do, and (10) helps the economy family. Sequentially abbreviated to P1, P2, P3, P4, PS, P6, P7, P8, P9, P10.

Table 4. Internal Factors that Influence Women's Labor Force Participation in Creating Their Jobs

Item	Variable		
Internal factors	Personal Desires	Circumstances	Helping the Family Economy
P1	0.840		
P2	0.639		
P3		0.665	
P4	0.527		
P5		0.764	
P6		0.688	
P7			0.601
P8	0.517		
P9			0.694
P10			0.770

Based on Table 4. the Rotated Component Matrix analysis shows 3 (three) component factors. The components that group into factor/variable I (one) are named the PERSONAL DESIRES factor, namely the components: Fulfillment of basic needs with a coefficient of 0.840, desire to be independent with a coefficient of 0.639, level of education with a coefficient of 0.527 and desire/aspirations for entrepreneurship with a coefficient of 0.517. The components that group into factor/variable two are named the CIRCUMSTANCES factor, are the components: husband's low income with a coefficient of 0.665, Not having other skills/skills with a coefficient of 0.764 and replacing the role of the husband with a coefficient of 0.688. The component that groups factors/variables 3 (three) is named the variable HELPING THE FAMILY ECONOMY, is the component: anticipating future events with a coefficient of 0.601, easy to implement with a coefficient of 0.694 and helping the family economy with a coefficient of 0.770 Thus, it can be seen that the internal factors that can influence female labor force participation in the district. Tanete Riattang, according to data obtained from respondents, consists of 3 factors, namely: personal desires, circumstances, and helping the family economically.

Based on the results of exploratory research on external factors that are considered to influence the participation of women in the workforce in creating their jobs, namely (1) looking at market/society needs, (2) conducive environment, (3) difficulty becoming a civil servant (4) influence of the social environment, (5) seeing the potential profits from entrepreneurship, (6) high buying interest from the public, (7) difficulty finding work, limited employment opportunities, (8) Having entrepreneurial network connections, (9) encouragement from husband, (10) the background of parents who are entrepreneurs. Sequentially abbreviated to P1, P2, P3, P4, P5, P6, P7, P8, P9, P10.

Table 5. External Factors that Influence Women's Labor Force Participation in Creating Their Jobs

Item external factors	Variable		
	Environment	Opportunity	Entrepreneurial potential
P1		0.843	
P2		0.859	
P3	0.598		
P4	0.454		
P5			0.545
P6			0.745
P7			0.552
P8			0.662
P9	0.769		
P10	0.743		

Based on Table 5, the Rotated Component Matrix analysis shows 3 (three) component factors. The components that group into factor/variable 1 (one) are named the ENVIRONMENT variable, namely the components: difficulty becoming a civil servant with a coefficient of 0.598, influence of the social environment with a coefficient of 0.454, encouragement from the husband with a coefficient of 0.769 and parental background who are entrepreneurs with coefficient 0.743. The component that groups into factor/variable 2 (two) is named the OPPORTUNITY factor or in other words, the presence of opportunity is the component: seeing market/community needs with a coefficient of 0.843, conducive environment with a coefficient of 0.859. The component that groups into factor/variable 3 (three) is named the factor ENTREPRENEURIAL POTENTIAL, namely the component: seeing the potential profits from entrepreneurship with a coefficient of 0.545, high buying interest from the public with a coefficient of 0.745, difficulty finding work/limited employment opportunities with a coefficient of 0.552, having entrepreneurial connections/networks with a coefficient of 0.622.

DISCUSSION

The findings of this study indicate that both internal and external factors significantly influence women's labor force participation in entrepreneurship. This aligns with the study by Hardianto et al. (2023), which classifies external factors into three key dimensions: environment, opportunities, and entrepreneurial potential. However, while Hardianto et al. (2023) provided a broad categorization, this study delves deeper into the specific sub-factors influencing women's decision to engage in entrepreneurship, particularly in the regional context of Padangsidempuan City.

Factor analysis was conducted to determine the most dominant factors, following the approach used by Buljayanti et al. (2021). The Total Variance Explained method was applied to identify the number of factors formed, using eigenvalue > 1 as the selection criterion (Setiawan et al., 2022). This ensured that only the most meaningful factors were retained in the final analysis.

The results revealed that among internal factors, the most influential were: Personal Desire to Become an Entrepreneur (Variance = 23.366%). This finding is in line by Šostar and Ristanović, (2023), who argued that personal motivation plays a crucial role in female entrepreneurship, often outweighing external constraints. The high variance value suggests that intrinsic motivation, including the desire for financial independence and self-fulfillment, is a key driver for women opting for entrepreneurship. While personal motivation is essential, it is important to recognize that motivation alone is insufficient without adequate support mechanisms such as business training, mentorship, and access to capital. Future studies should explore the interaction between motivation and external support systems to provide a more holistic perspective. Condition Factors (Variance = 15.548%). This category includes necessity-driven entrepreneurship, where women start businesses due to economic pressures such as low household income or lack of job opportunities. This aligns by Akhtar's et al. (2020), who found that financial instability often pushes women toward entrepreneurship as a survival strategy. While necessity-driven entrepreneurship can serve as a short-

term solution, its long-term sustainability remains questionable. Policymakers should differentiate between necessity and opportunity entrepreneurship to create targeted interventions that move women from survival-based businesses to growth-oriented ventures. Helping the Family Economy (Variance = 12.364%). Women frequently engage in entrepreneurship to support their households financially, particularly in economies where gender roles still emphasize women's contributions to family well-being (Lari et al., 2022). While supporting the family is a significant motivator, the challenge lies in balancing economic participation with household responsibilities. A deeper investigation into work-life balance challenges could provide further insights into the sustainability of female-led businesses.

For external factors, the analysis revealed that: Environmental Factors (Variance = 24.727%). This finding is consistent with Morgunova and Bolkina (2021), who highlighted that the social and business environment significantly influences women's entrepreneurial decisions. A supportive environment, including networking opportunities, mentorship, and business-friendly policies, enhances women's ability to sustain their businesses. While environmental factors are crucial, cultural norms and gender biases often pose significant challenges to female entrepreneurs. Further research should investigate how socio-cultural constraints interact with environmental enablers to shape women's entrepreneurship experiences. Opportunity Factors (Variance = 15.708%). The availability of business opportunities, market demand, and access to customers is a key determinant in women's entrepreneurial engagement. This supports the findings of Buljayanti's et al. (2021), who argued that identifying and seizing business opportunities significantly impacts entrepreneurial success. Critical Review: While recognizing opportunities is essential, the ability to capitalize on them depends on access to financial and knowledge resources. Policies should focus on providing financial literacy training and access to credit facilities to bridge this gap. Entrepreneurial Potential (Variance = 12.994%). Women who perceive themselves as capable entrepreneurs are more likely to succeed in business. This aligns with research by Setiawan et al. (2022), which found that self-efficacy plays a critical role in determining entrepreneurial success. Critical Review: While entrepreneurial potential is an important factor, it is often shaped by prior exposure to business, education, and training. Future studies should explore how entrepreneurial education and mentorship programs influence women's confidence and business success rates.

The findings indicate that personal motivation and environmental support are the two most dominant factors influencing women's labor force participation in entrepreneurship. However, the study highlights a key issue: while motivation and opportunities exist, structural barriers such as financial constraints, lack of training, and socio-cultural norms still hinder women's entrepreneurial success. Thus, future research and policy interventions should: 1) differentiate between necessity-driven and opportunity-driven entrepreneurship to tailor support programs accordingly; 2) address work-life balance challenges by introducing flexible working arrangements and family support programs; 3) enhance financial literacy and access to capital to empower women in scaling their businesses; and 4) investigate the role of gender norms in shaping female entrepreneurship experiences.

CONCLUSIONS

This study identifies two main factors influencing women's workforce participation in entrepreneurship: internal factors (personal motivation, circumstances, and family economic conditions) and external factors (environment, opportunities, and entrepreneurial potential). Through Factor Analysis Prerequisite Tests, the study confirms that both internal and external factors significantly contribute to women's decisions to create their jobs, as evidenced by KMO values of 0.611 (internal factors) and 0.576 (external factors). The most dominant factors influencing women's workforce participation in entrepreneurship are: Internal Factors: 1) Personal desire (Variance = 23.366%); 2) Circumstances (Variance = 15.548%); and 3) Helping the family economy (Variance =

12.364%). External Factors: 1) Environmental influences (Variance = 24.727%); 2) Opportunities (Variance = 15.708%); and 3) Entrepreneurial potential (Variance = 12.994%).

This research contributes to entrepreneurial and labor force participation theories by empirically validating the influence of internal and external motivators on female entrepreneurship. Unlike previous studies that focused solely on individual motivation or external support, this study provides a holistic approach by integrating both perspectives through a factor analysis model. Additionally, the study reinforces Human Capital Theory, which suggests that an individual's skills, knowledge, and motivation influence workforce participation, while also expanding on Push and Pull Theory, demonstrating how economic necessity (push) and business opportunities (pull) shape women's entrepreneurial decisions.

The findings offer valuable insights for policymakers, business development programs, and women empowerment initiatives: (1) Policy Implications: Governments and financial institutions should enhance access to funding and entrepreneurial training to strengthen women's business potential, and Policies should support work-life balance initiatives, allowing women to manage dual roles effectively. (2) Educational and Training Programs: Entrepreneurship education should incorporate skills development tailored to women, emphasizing business sustainability and market adaptation. (3) Community and Business Support: Networking and mentorship programs should be expanded to connect women entrepreneurs with experienced business leaders and investors.

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