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Impact of Entrepreneurs' Perceptions of Public Policies on Business Performance of Indigenous Handicraft Industries in Sri Lanka: An Empirical Study

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Abstract

Recent scholars have not adequately studied how the entrepreneurs' perceptions of Public Policies (PPs) of Sri Lanka impact on the Business Performance (BP) of indigenous handicraft industries after the economic downturn. This study attempts to assess the impact of entrepreneurs' perceptions of PPs on the BP of indigenous handicraft industries in Sri Lanka employing a quantitative method. A structured questionnaire was administered, and data were gathered from 315 different indigenous handicraft industries selected purposively from seven indigenous craft villages as clusters. Data were analyzed using Partial Least Squares Structural Equation Modelling (PLS-SEM). The results revealed that entrepreneurs' perceptions of regulatory policies, tax policies, trade policies, and environmental policies have a negative impact on the BP while entrepreneurs' perceptions of financial policies and human resources policies have a positive impact on the BP of indigenous handicraft industries. Thus, the empirical evidence of the study confirmed that the entrepreneurs' perceptions of PPs have discouraged the BP while entrepreneurs' perceptions of financial, and human resource policies were highly influenced the improvement of BP of indigenous handicraft industries.

Keywords: *Business Performance, Entrepreneurs' Perceptions, Indigenous Handicraft Industries, Public Policies*

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1. Introduction

The foundation of indigenous handicraft industries in Sri Lanka hails from the country's rich cultural heritage and traditional artisanal practices, flourishing through a variety of craft types such as woodcarving, textile batik, cane and bamboo weaving, lacquer work and ceramic art (Blue Lanka Tours, 2022). Moreover, wood-based handicraft production in Sri Lanka has been linked with promotion of cultural heritage, rural livelihoods and export expansion, especially given the utilization of local raw materials and cottage scale production (De Zoysa, 2011). Therefore, Sri Lankan handicraft industries occupy a unique position at the intersection of heritage culture, rural enterprise and export potential and it combines deep tradition and artisan skill with modern needs of market access and competitiveness (De Zoysa, 2011). Evolving from this tradition, the handicraft industries have increasingly been viewed as a contributor to both gross domestic product (1.06% in 2019) and foreign earnings (24% of export earnings), with the sector having experienced significant growth, particularly in the niche export segment (Kosswatte, 2020).

According to the Export Development Board in 2017, craft industries constitute nearly all manufacturing-oriented establishments in the country; however, their share of employment is not accurately recorded, largely due to informal and small-scale operations. The Department of Census and Statistics by its Labor Force Survey in 2017 similarly reported that Industrial and Craft Industries represent only a negligible part of the national economy, with a much smaller employment share compared to the services and agricultural sectors. In 2019, a report published by the National Craft Council has mentioned that there are 2832 artisans of those registered with them in the country. Further, Labour Force Survey revealed that manufacturing and crafts industries contribute 17.5% of the total employment in Sri Lanka.

The 'National Policy Framework for SME development', which is the Sri Lankan strategic policy framework, guided the handicraft enterprises and emphasized the preservation and promotion of traditional crafts (National Craft Council, 2020). A key role was played by the Ministry of Traditional Industries & Small Enterprises Develop in upgrading and expanding the sector, aiming to boost GDP and support inclusive rural growth (World Bank, 2020). Institutional support from bodies like the Sri Lanka Export Development Board helps artisans through market access programs, export incentives, and training (Export Development Board, 2025). Key policy instruments include subsidies for raw materials, skill development initiatives, export facilitation, and cluster development to enhance collaboration and innovation (Export Development Board, 2025).

Sri Lankan government time to time formulate and implement some policies which affected the sustainability of handicraft industries (Ministry of Industry & Entrepreneurship Development, 2025). Mohan and Stokke (2000) mentioned governments have co-opted the participatory development strategies because of domestic and international pressures for the implementation of government decisions. In this context, the implementation strategy has become that of creating partnership between public sector and beneficiary organizations which creates the dispersion of responsibility (Fatma, 2021). There are instances in which these policies have not been effective for the sustainable performance of the indigenous handicraft industries, and it is evident that government support has specifically failed, for example, the policies have not attained their stated goals (Majeed et al., 2023). Despite the Sri Lankan government attempting to encourage indigenous handicraft industries implementing different strategies, the sector remains constrained by low productivity, weak market linkages, and challenges in differentiating products in global markets, outdated technology, weak supply chain infrastructure, limited access to finance and markets, and declining engagement of younger artisans (Ministry of Industry, 2025). Policy implementations failures have been identified in respective contexts, but those studies have not been concerned to generalize such findings to each context of the respective industry (Majeed et al., 2023). Although a few studies (Teo et al., 2020) have examined policy effectiveness, lack of sufficient recent empirical findings of the evaluation of policy influence on indigenous handicraft industries in Sri Lanka shows a significant gap. Therefore, the study attempts to examine

empirically how the entrepreneurs' perception of public policies impact on business performance of indigenous handicraft industry in Sri Lanka. The findings of this study will benefit the policy makers to understand the reality of public policies and design public policies to motivate indigenous handicraft industry in Sri Lanka.

2. Literature Review

Public Policies (PPs): PPs are defined as governing and making decisions about how to respond to a situation or issue affecting people (Anderson, 2015). To achieve this, governments use a variety of methods to develop rules, set standards, and create processes for government intervention in economic activities, social services, education, healthcare, industry, etc. (Dye, 2017). Public policy is grounded in several key theoretical perspectives. Institutional Theory posits that formal structures such as laws, regulations, norms, and government frameworks may shape organizational behavior and performance outcomes (Meyer & Rowan, 1977; North, 1990). Resource‐Based View (RBV) emphasizes that firms derive competitive advantage when they acquire and deploy valuable, rare, inimitable, and non‐substitutable resources (Barney, 1991; Wernerfelt, 1984), which can include finance, technology, infrastructure, and skilled human capital enabled or constrained by public policies. In addition, Stakeholder theory suggests that firms must manage relationships and address the demands of various stakeholders including government, community, employees, and customers for legitimacy and sustainable performance (Freeman, 1984; Mitchell et al., 1997). Furthermore, Public Policy Evaluation Theory provides a framework for assessing the effectiveness and relevance of government interventions, enabling the analysis of how regulatory, fiscal, and developmental policies are translated into measurable business performance outcomes (Dunn, 2018; Vedung, 1997). These theories together provide a conceptual foundation for understanding the different dimensions of policies.

The PPs related to the handicrafts industries of a country can be identified in several dimensions. In the literature of PPs relevant to this research, such dimensions are regulatory, tax, financial, trade, infrastructure, and human resource policies (Ayyagari et al., 2017; OECD, 2021). Tambunan (2019) highlighted that the PP dimensions as regulatory, tax, financial, marketing or trade, infrastructural, educational and training policies which have been researched in the contexts of the Small and Medium sized Enterprises (SMEs). The government has imposed safety regulations and labour regulations in favour of employees and the outside stakeholders of the businesses (Ministry of Labour, 2025). The government has, moreover, stepped to introduce appropriate policy reforms and provide greater incentives to form an entrepreneurial development environment for handicrafts industries in the country. There have been number of steps taken in the Sri Lankan context to regularize the sector by the annual budgets (Jayasekara & Thilakarathna, 2013). In the European economy also, SMEs are the backbone, which accounts for around 99% of all enterprises, and contribute, to economic development, growth, and employment (IPS, 2013). Djankov et al., (2010) state, one of the most important factors that promotes the development and growth of SMEs is the tax system of the country. Tax systems play an important role in encouraging growth, investments, innovation, trade facilitation, and international mobility of the sector (OECD, 2009).

Indigenous handicraft industries require capital for their production; hence, they rely on the support of the financial institutions of the country (Ayyagari et al., 2017). PPs are implemented specifically to support this industry by providing loan schemes and so on. However, firms face difficulties with collateral requirements (Beck & Cull, 2014). Therefore, PPs are implemented to facilitate the loan guarantee schemes for easing access to their financing requirements. The government trade policies substantially affect handicraft industries. These policies may include export barriers, exchange rates, import quotas for raw materials, and customs tariffs that affect the production as well as the marketing of the products (Ferrantino, 2024). Market access is another critical policy area for the government to support small businesses. Handicrafts industries often struggle to access markets due to limited resources and lack of exposure (Asian Development Bank, 2020). The government whilst providing the industry with the necessary resources and training to compete with larger businesses create opportunities for handicraft industries to participate in government

procurement and market access as well (UNCTAD, 2018). Additionally, the government can spend money on marketing programs that are geared to particular requirements of handicraft industries, including social media or internet marketing efforts.

Human resource development is also crucial for the growth of handicraft industries. The government can provide technical assistance through training programs, workshops, and mentorship programs (Vijayakumar, 2013). These programs can equip handicraft business owners with the skills and knowledge needed to run successful businesses. Handicraft industries can receive support from the government through valuable advisory services that aid in ensuring compliance with legal and regulatory requirements, securing funding, and expanding into new markets (NEDA, 2014). Additionally, education on technology transfer and skill development trainings are available to help them grow and succeed.

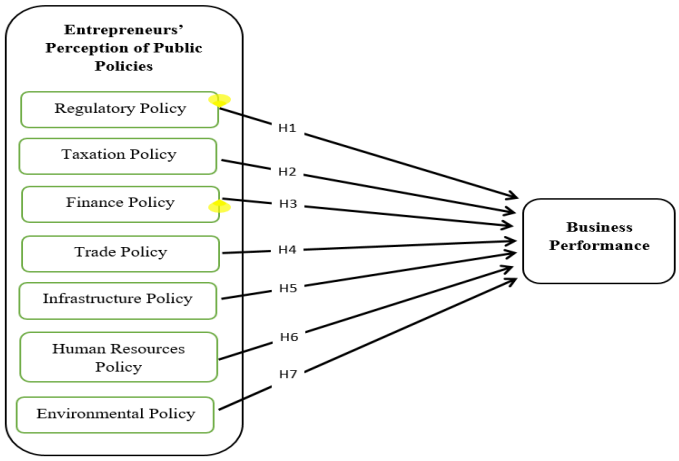
Business performance (BP): BP is defined as attaining the objectives of a business firm on time, and managing well (Richard et al., 2009). Further, Theeranuphattana and Tang (2007) defined performance as a mental effort that develops a picture of the past and is used as an evaluator of the current situation and, it can be developed at any level that the firm may choose in a detailed aggregated form. Performance can be measured using subjective measures like personal data including turnover, absences, and tardiness to measure performance, whereas some researchers measure the same with sales volume and value, units produced, the number of errors, and the amount of scrap which falls into the category of objective measures (Campbell, 1990). Besides, performance measurement is generally defined as the process used to quantify the efficiency and effectiveness of an 'action' taken in relation to the business process. Furthermore, it is a methodical approach to collecting, analysing, and evaluating how an action of a project, program, or initiative achieves its desired outcomes, goals, and objectives. In most of the business environments BP measurement is carried out in accounting based upon the cost and financial accounting practices (Neely, 2005). It indicates that, profitability, sales turnover, sales growth, and return on investment are prominent on scaling the financial performance of business firms with the argument of increasing the income and profit which considers the organization to have the best performance (Richard et al., 2009).

The performance of a company can be measured in both financial or accounting terms through traditional measures (Walker & Brown, 2004), and through a number of other measures, both non-financial (Jennings & Beaver, 1997) including personal satisfaction, growth in your job, improved skills, lifestyle flexibility, business continuity, satisfied customers, customer retention, and career advancement. Non-financial measures can also be used to evaluate the success of a business. Walker and Brown (2004) state that one can measure the personal fulfilment of achieving life goal through three measures (the level of personal achievement as anticipated, the extent to which one is responsible for their lifestyle, and the extent to which one is independent from others), rather than just through financial success. However, the ultimate goal of achieving financial results is the ability of a business to continue to exist and operate, whereas the ultimate goal is achieving the goals of the business owner through non-financial results (Walker & Brown, 2004).

Conceptual Framework: The proposed conceptual research model in this study seeks to investigate the impact of the entrepreneurs' perception towards the different dimensions of the PPs on the BP of indigenous handicraft industries in Sri Lanka. Rational Choice Theory (RCT) provides a good foundation for understanding public policy and how it is perceived by entrepreneurs. RCT is an economic-based theory closely related to Coleman (1990) and Becker (1976), who assert that every human being on earth is rational and bases every action on costs and benefits to achieve maximum satisfaction or utility. In relation to public policy, it is assumed that public policy is made and responded to on the perceived costs and benefits and incentives. In relation to entrepreneurship, public policy in terms of taxation, subsidies, regulations, and institutional support is perceived by entrepreneurs through a rational choice theory framework. Entrepreneurs consider this theory in terms of the costs and benefits for their business activities. When public policies have benefits for entrepreneurs, they are considered positive by entrepreneurs, while when they have costs for entrepreneurs, they are considered negative by entrepreneurs. This theory is important in clarifying why some entrepreneurs may react

positively while others react negatively to public policies, considering the difference in the perception of public policies by entrepreneurs based on their goals and objectives. As illustrated in Figure 1, the model conceptualizes seven key dimensions of entrepreneurs' perception towards the public policy, regulatory policy, tax policy, financial policy, trade policy, infrastructure policy, human resources policy, and environmental policies, as independent variables. Drawing upon prior research on policy effects in SME and traditional industries (Priyanath & Premaratne, 2014; Teo et al., 2022), each dimension represents a distinct area of governmental intervention that may either facilitate or constrain firm-level outcomes in the indigenous handicraft industries. Financial performance, market performance, operational performance, innovation performance, and human resource performance are the five separates but connected dimensions that make up business performance, the dependent variable (Kodithuwakku & Priyanath, 2022).

Figure 1: Conceptual Framework



Source: Created by Authors, 2025

Regulatory Policies and BP: Regulatory policies influence a variety of aspects of businesses in indigenous handicraft industries including compliance, innovation, and competitive standing in the market and therefore, play an important role in shaping BP in the handicraft industry (Cleff & Rennings, 2011). For example, stringent regulations can impose high compliance costs and administratively difficult processes that make it more difficult for handicraft industries to grow and innovate. According to Dwivedi and Kumar (2024), handicraft industries typically struggle with excessive demands on their ability to comply with very stringent performance requirements and rules from platforms where they sell their products, these excessive compliance requirements and rules ultimately inhibit the ability to conduct business. Excessively strict enforcement or licensing requirements may also deter artisans from pursuing growth and/or innovation by suppressing creativity and market competitiveness (Dwivedi & Kumar, 2024). Moreover, regulatory policies intended to protect quality and/or the environment may unintentionally become barriers to the ability of the handicraft sector to operate successfully through the introduction of supportive mechanisms that would otherwise hinder operational efficiency and ultimately hinder the ability of indigenous handicraft industries to expand and grow successfully in a sustainable manner (Sitohang & Wiwoho, 2022). Therefore, the study proposes the following hypothesis.

H1: Entrepreneurs' perception of regulatory policies has an impact on the business performance of indigenous handicraft industries in Sri Lanka.

Taxation policies and BP: Business operations are often obstructed by taxation policy as it relates to BP in the handicraft industries due to their limited financial resources and administrative ability to comply with the requirements of the taxes imposed (Subhikshan & Hayagrivas, 2023). As a result of high tax rates and lower net income, handicraft industries find it difficult to invest in the necessary improvements to their operations and innovate (Dwivedi & Kumar, 2024). The administrative burden of complex tax compliance due to large amounts of detailed reporting and filing increases overhead costs for handicraft industries that could otherwise be reinvested into their business operations and diverts time and resources away from productive activities that lead to increased operational efficiency (Slemrod & Bakija, 2017). In addition, the cash flow pressures created by frequent and timely tax payments and enforced penalties reduce the opportunities for small-scale artisans to expand their businesses and market presence and discourage them from formalizing their business (Bird & Zolt, 2008). This implies a favourable taxation policy impact on the BP of indigenous handicraft industries.

H2: Entrepreneurs' perception of taxation policies affects the business performance of indigenous handicraft industries in Sri Lanka.

Financial Policies and BP: There are several problems for handicraft industries that have made it difficult for them to access finance to grow their businesses (Dwivedi & Kumar, 2024). Examples of these problems include eligibility requirements that require formal documentation and credit history that most do not have; requiring an excessive amount of security that is not possible to achieve (Claessens & Laeven, 2003), and lengthy application processes related to these credits that take a lot of time and resources (Claessens & Laeven, 2003). Dwivedi and Kumar (2024) stated that these barriers not only hinder immediate access to finance but also discourage long-term investment, therefore stifling innovation and growth within this sector. Although the government has an interest in promoting entrepreneurship in the handicrafts sector, the design and implementation of financing policies will often result in a positive impact on operational efficiency and sustainability of handicraft businesses. The following hypothesis will be used to test this relationship regarding indigenous handicraft industries in Sri Lanka.

H3: Entrepreneurs' perception of access to finance policies has an impact on the business performance of indigenous handicraft industries in Sri Lanka.

Trade Policies and BP: Many trade policies promote the handicraft industries in developing countries despite being intended to support trade between countries (Throsby, 2010). The effect of tariffs on Indian exports has led to large-scale reductions in export levels in several industries including the textile and handicraft sectors, which employ millions of people and contribute significantly to GDP (Global Trade Research Initiative, 2025). Furthermore, restrictive trade policies and lack of supporting trade-related infrastructure in Egypt have resulted in the decline of approximately 50% of the country's total handicraft exports from 2013 through 2017 demonstrating the adverse effects trade policies can have on industry performance (Mohamed, 2022). The absence of comprehensive export promotion programs may also reduce the ability of handicraft products to compete in global craft markets (Traiyarach & Banjongprasert, 2022). Therefore, while trade policies are necessary to support international trade, poorly conceived and/or poorly implemented trade policies can create substantial barriers to the growth and sustainability of handicraft industries. The study proposes to develop the following hypothesis regarding this relationship in relation to the indigenous handicraft industries of Sri Lanka.

H4: Entrepreneurs' perception of trade policies affects the business performance of indigenous handicraft industries in Sri Lanka.

Infrastructure and BP: The government's infrastructural and transport policy has a direct impact on the operational landscape of the handicraft industries. The BP and efficiency of handicraft industries can be promoted by the presence of sufficient infrastructure such as adequate roads, telecommunication, and reliable transport (Teo et al., 2020). Artisans from remote locations do not have access to markets because of underdeveloped transport facilities, and communication which increase their cost, delay delivery times, and restrict the extent of competition (Donner, & Escobari, 2010). The availability of sufficient infrastructure helps improve the ability of handicraft businesses to adopt technological advancements and implement efficient production practices, which affects their overall productivity, growth, and performance (Kulawardena e al., 2026). These infrastructure shortfalls increase the cost of doing business, as well as limit the size and sustainability of the handicraft business; this indicates that there is a need for targeted government policies to resolve these challenges. The following hypothesis is proposed to evaluate this relationship within Sri Lankan indigenous handicraft industries.

H5: Entrepreneurs' perception of infrastructure and transport policies affect the business performance of indigenous handicraft industries in Sri Lanka.

Human Resources Policies and BP: Indrakularasa (2024) states that government education and training policies in Sri Lanka have had an important effect on the BP of the handicraft industry as compared to other Asian countries. Although there are a wealth of cultural heritage and an opportunity for the industry to grow into a successful business, the handicraft industries face significant challenges due to the

lack of adequate training and modern skills (Wijesinghe & Fernando, 2018). Kodithuwakku and Priyanath (2022) indicates that although intellectual human capital positively impacts financial performance among indigenous craft industries, the lack of structured training programs has limited the ability of owners to obtain the skills and knowledge needed. Additionally, Koswatte (2020) indicates that the lack of integration between traditional craft knowledge and contemporary business practice-related areas, including marketing and branding, limits the ability of Sri Lankan handicrafts to compete in the global marketplace. These deficiencies in education and training policies of the government have resulted in operational inefficiencies, diminished innovation and restricted market access, all of which have had an adverse effect on the overall BP of the handicraft industry in Sri Lanka. Consequently, the study proposes the following hypothesis.

H6: Entrepreneurs' perception of education and training policies affect the business performance of the indigenous handicraft industries in Sri Lanka.

Environmental Policies and BP: Although environmental policies adopted by the Sri Lankan government are necessary to foster sustainable development, they create barriers to the business success of the handicraft sector. Increasing operational costs associated with stringent governmental regulations, including the prohibition on the use of specific natural resources, compliance with waste management requirements, impact the operations of small artisans/entrepreneurs that are utilising traditional materials and production processes to create their products (Shantha & Ali, 2014). Even though prohibiting the use of single-use plastic is good for the environment, it has presented packaging-related difficulties for local artisans producing handicrafts thereby raising costs and complications for locally produced products (Koswatte, 2020). Attention to government regulatory compliance with respect to the environment diverts attention away from other critical operational functions of the business including innovation, product development, and market development, thereby hindering overall competitiveness. Therefore, governmental environmental policy is necessary to support sustainability, but the lack of support for implementation can negatively impact the operational efficiency, innovation, and profitability of the Sri Lanka handicraft sector. The study formulates the following hypotheses to evaluate this relationship in the indigenous handicraft industry in Sri Lanka.

H7: Entrepreneurs' perception of environmental policies affects the business performance of the indigenous handicraft industries in Sri Lanka.

3. Materials and Methods

To examine the hypothesized cause–effect relationships between the independent and dependent variables mentioned in the conceptual framework above, the present study adopted a causal research design in quantitative method. It offers a formal, objective, and systematic process for testing hypotheses (Bhattacherjee, 2012). The study administered a questionnaire survey, which plays a central role in this empirical investigation and is primarily questioning individuals on pretested specific topics and describing their responses. The data for the questionnaire were collected from entrepreneurs of indigenous handicraft industries mainly through face-to-face interviews. Due to the lack of reliable national level data of total entities and their products, the study used data available in the National Craft Council in Sri Lanka. Although there are 150 traditional craft villages registered with the National Craft Council (2019), indigenous handicraft industries are not clearly identified and listed with this classification. Therefore, based on the registration details of traditional craft villages, the study purposively selected seven indigenous handicraft villages using specific criteria such as presence of craft industries rooted in indigenous knowledge and strong artistic identity serving as clusters. The study used a purposive sample due to the absence of a clearly defined sample frame for indigenous handicraft industries, enabling the selection of information-rich cases relevant to the research objectives. These villages comprise 364 indigenous handicraft entities, which formed the target sample of the study (see table 1). All 364 owners were approached

in person for participation, and 315 owners successfully completed the survey which was sufficient for PLS-SEM analysis, representing an 88.7% response rate.

Table 1: The sample

Craft Village	Craft	District	No. of entities
Bope Poddala	Wood Carving	Galle	121
Batuvita	Masks	Kalutara	41
Pahala-hapuvida	Lacquer	Matale	30
Sigiriya	Jewelry	Matale	46
Neelawala	Jewelry	Kandy	51
Heenpendala	Wood Carving	Galle	45
Hitthetiya	Musical Instruments	Matara	30
		Total	**364**

Source: Created by Authors, 2025

A close-ended structured questionnaire was designed in a consistent manner to capture the perceptions of respondents and measure all the constructs of both PPs and BP. A 07-point Likert scale was applied to assess each questionnaire item. The owners of handicraft enterprises were asked to indicate the degree of their agreement with each statement by selecting the appropriate ranking on this scale.

Entrepreneurs' perception of regulatory policies was measured using 10 items adopted from Hahn et al. (2000) and OECD (2012), Entrepreneurs' perception of taxation policies was evaluated employing 14 items adopted from Oloyede et al. (2024). Entrepreneurs' perception of access to financing policy is assessed with the support of 6 items adopted fromy Jayeola et al. (2022) and Musabayana et al. (2022). Entrepreneurs' perception of trade policies was measured using 16 items adopted from Cavoli et al. (2025) and Musabayana et al. (2022) and entrepreneurs' perception of infrastructure policies was evaluated using 17 items adopted from Ahmadu et al. (2025) and Musabayana et al. (2022). The entrepreneurs' perception of human resources policies were assessed using 15 questionnaire items adopted from Mathushan and Shantha (2024) and Sujani and Devi (2022) while entrepreneurs' perception of environmental policies were assessed employing 12 items adopted from Ramakrishnan et al. (2015). Entrepreneurs' perception of BP conceptualized as a multidimensional construct, which consist of financial performance, market performance, operational performance, innovation performance, and human resource performance. Entrepreneurs' perception of financial performance remains a critical component, as it reflects profitability, sales growth, cash flow, and future viability (Kumari et al., 2025). Entrepreneurs' perception of market performance of a business is characterised by the dimensions such as customer satisfaction, market share, and sales expansion, which indicate the firm's ability to compete effectively in dynamic environments (Sulastini & Darmawi, 2022). Entrepreneurs' perception of productivity improvements, cost efficiency, and process efficiency that directly affect the increase of long-term performance, are used to measure operational performance (Surya et al., 2025). Finally, entrepreneurs' perception of human resource performance denotes the contribution of employee capabilities, motivation, and retention to organizational outcomes, and reinforcing the significance of human capital in driving the firm success (Johnson, 2023).

PLS-SEM was employed to test hypotheses statistically, because it simultaneously enabled the examination of multiple independent and dependent variables given the sample size and non-normal distribution of data (Hair et al., 2019). Furthermore, demographic data were analysed using the SPSS Version 26. The study applied SmartPLS Version 4, a component-based approach, given its suitability for exploratory research in model estimation and evaluation and its growing acceptance in recent literature (Ringle et al., 2022). Following, the guidance of Hair et al. (2019), the PLS-SEM analysis proceeded in two steps: first, the measurement model was assessed for indicator and internal consistency reliability and validity to confirm the relationships between observed indicators and their latent constructs to proceed for structural model analysis; second, the structural model was tested using multiple-regression techniques to evaluate the explanatory power of predictors, the magnitude of effect, and significance of the hypothesized paths among the latent constructs.

4. Results and Discussion

The identification of the respondents of the sample, i.e. the owner of the firm, was identified through their demographic characteristics. The age distribution of the sample shows that the mean age of the owners is estimated as above 50 years. The sample's age ranged from a minimum

age of 20 years to a maximum age of over 60 years. It indicates that most of the owners are likely to be above the age group of 50 years, while only 7.9% falls into the age group of 41 to 50 years whereas, 25.4% belong to the age group of 31 to 40 years. The descriptive results further indicate 72.4% of the respondents are males while 27.6% are females. The sample also proved that 79% are married and 19.7% are unmarried out of which 1.3% are reported as widowed at the time of survey. The descriptive results reveals that 59.7% of the owners were educated up to either O/L or A/L whereas 34.6% of the owners reached the education level below the O/L. Owners, whose highest education was beyond the level of A/L or tertiary level accounted only for 5.7% which included that 3.2% of them secured a degree status while 1.6% with postgraduate qualifications. The business experience of the sample indicates that fever than 27% of the respondents had less than 10 years of experience while 73% of the owners experienced more than 10 years in their respective businesses.

Hypothetical relationships of the conceptual model were evaluated as a two-step approach by using the PLS-SEM. Firstly, the reliability and validity of the constructs of the measurement model were assessed and all indicators met the minimum threshold standardized factor loading of 0.7. In addition, all the factor loadings were statistically significant at 95% confidence level while t-stat values of the constructs exceeded 1.96 (See annex 1). The Cronbach α and the Composite Reliability of all the constructs exceeded 0.7 confirming internal consistency reliability. The validity of the constructs that were obtained through the convergent validity was above the 0.5 threshold. Moreover, the application of Fornell and Larcker (1981) criterion confirmed that inter construct correlation values were lower than the square roots of the AVE values satisfying discriminant validity (See annex 2). Hence, the results show the excellent internal consistency of the indicators of the constructs.

The latent variable scores of the first-order constructs were used to assess the second order constructs in the model. The model's path coefficient values exceeded the minimum threshold value of 0.7. Bootstrapping was used to assess the significance of each path coefficient resulting in t-stats confirming that all were significantly different from zero at the 0.05 level. The constructs' Cronbach α and Composite Reliability were both greater than the minimum value of 0.7 which meant the second order constructs were developed consistently and exhibited internal consistency (See annex 3). The AVE for each constructs was greater than the minimum required for convergent validity of second order constructs (0.5). The Fornell Larker criterion was used to evaluate the discriminant validity of the inter-construct relationships indicating that all correlation coefficients were greater than the square root of their respective AVE; thus, confirming the constructs' discriminant validity (see annex 4). All the above support the conclusion drawn from the results.

The impact of PPs on BP of the handicraft industries in Sri Lanka were evaluated using structural model of PLS-SEM analysis. The efficiency of the model was assessed by using the steps and guidance recommended by Hair at el., (2014). Step 1: multi collinearity issues, step 2: significance of the path coefficients, step 3: level of R^2 for the proportion of the variance of business performance, step 4: effect size f^2 for measuring how much the public policies improve the explained variance of business performance. The VIF values for all paths of the structural model below the recommended threshold of 5 indicated that the minimal collinearity confirmed the absence of multi-collinearity between the public policies and the business performance (See annex 5). The path relationships analyzed by the regression coefficient beta (β) and the significance of the regression coefficient β using the t-stat of the PLS-SEM bootstrap process indicated that strength and the direction of the predictor on outcome variable business performance which is significant of the model, since met the required threshold levels above 0.1 and 1.96 respectively, hence appropriate for deciding the effect of predictor variables of public policies on the outcome variable business performance. The hypothetical relationships of different dimensions of public policies on business performance and their strengths are presented in Table 2. Moreover, R^2 resulted as 84.5% indicated that the explanatory power of the entrepreneurs' perception of public policies on the variance of business performance of the model is substantial. Major reasons for the higher explanatory power are the homogeneous characteristics of the sample, focus on context specific industries, and the use of the pre-tested questionnaire.

Table 2: Path Coefficients and Significance among Constructs

Hypotheses		Path (β)	t-stat	P-value	Decision
H1	Impact of the entrepreneurs' perception of regulatory policy on business performance.	-0.106	2.207	0.027	**Accepted**
H2	Impact of the entrepreneurs' perception of tax policy on business performance.	-0.163	2.015	0.014	**Accepted**
H3	Impact of the entrepreneurs' perception of access to finance policy on business performance.	0.104	2.107	0.035	**Accepted**
H4	Impact of the entrepreneurs' perception of trade policy on business performance.	-0.238	3.682	0.000	**Accepted**
H5	Impact of the entrepreneurs' perception of infrastructure and transportation policy on business performance.	-0.083	1.851	0.064	**Not Accepted**
H6	Impact of the entrepreneurs' perception of education and training policy on business performance.	0.212	4.898	0.000	**Accepted**
H7	Impact of the entrepreneurs' perception of environmental policy on business performance.	-0.189	3.952	0.000	**Accepted**

Source: Survey Data, 2025

Discussions: The results of PLS-SEM, as mentioned in Table 2 above indicate a statistically significant relationship between the entrepreneurs' perception of regulatory policies and the BP (β= - 0.106, t-stat = 2.207, p = 0.027) hence, the results support the Hypothesis H1. Therefore, the study proposes that the entrepreneurs' perception of regulatory policies for the indigenous handicraft industries act as a constraint rather than facilitating the business performance of indigenous handicraft industries. Mainly, entrepreneurs face issues such as obtaining certification, continuous supply of raw materials, lack of information flows, obtaining license and renewal of license, etc. due to the strong rules and regulations. This outcome aligns with a broad body of research emphasizing that overly rigid, complex, or poorly enforced regulations tend to hinder the development of indigenous handicraft industries. Ayyagari et al. (2017) argue that such regulatory burdens raise compliance costs and impede competitiveness, particularly in developing economies. The study by Tambunan (2008) shows that Southeast Asian countries such as Indonesia and Malaysia have successfully enabled SMEs to establish connections with value chains and formal markets through the process of regulating authority and reforming polices towards specific targets as well as focusing on the decentralization of these reforms in order to benefit SMEs. Li and Rama (2015) reinforce this observation through their findings regarding the influence of regulation on SMEs, particularly in East Asia, with their finding that predictability and transparency of regulation to SMEs are critical factors influencing investment decisions and survival rates of SMEs in East Asia.

The PLS-SEM results indicate that there is a strong statistically significant impact of the entrepreneurs' perception of taxation policies and BP, thereby accepting hypothesis H2 (β = -0.163, t = 2.015, p = 0.014). Empirical results show excessive tax burdens, inefficiencies in both tax administration and tax literacy negatively impact the performance of the indigenous handicraft industry in Sri Lanka. In rural areas, SMEs are also limited in their access to professional tax consultants, further complicating their ability to comply with tax regulations (OECD, 2015). Steep taxes coupled with a lack of tax education and poorly administered systems have created challenges for SMEs in Zimbabwe by significantly reducing profits and growth opportunities (Tengerapena et al., 2025). In Uganda, the cost and difficulty associated with tax compliance were the strongest predictors of poor financial performance among SMEs, demonstrating that a complex tax system creates an unmanageable burden on SMEs (European Commission, 2022). Across several countries including Sri Lanka, high tax rates, refund delays, lack of transparency, and multiple levies

throughout the production cycle reduce handicraft industries' BP.

The results on the impact of the entrepreneurs' perception of access to finance policies on the BP of indigenous handicraft industries indicate that there is a significant positive impact (β = 0.104, t-stat = 2.107 and p = 0.035) supporting the hypothesis H3. In the Sri Lankan context, studies show that indigenous handicraft industries face substantial barriers to credit due to the absence of fixed assets required as collateral, lack of reliable financial records, and weak relationships with formal financial institutions (Niranjala & Jianguo, 2021). The Central Bank of Sri Lanka, (2020) reported that although the government provided refinance and credit guarantee schemes, many of the handicraft firms indicated that delays in loan processing and lack of tailored financial products to suit their unique needs in the business processes. Jayasekara (2019) further argue that commercial banks in Sri Lanka remain risk-averse toward SME lending due to high non-performing loan ratios in the sector, which discourages financial innovation. However, the empirical results of the study confirm that finance policies have a significant impact on the business performance of indigenous handicraft industries in Sri Lanka. The financial sector including banking and non-banking sector facilitates indigenous handicraft entrepreneurs to reduce financial barriers allowing them to operate more efficiently and financial policies in Sri Lanka help to reduce financial uncertainty that help to improve business performance.

The impact of the entrepreneurs' perception of trade policies on BP which resulted β = -0.238, t-stat = 3.682 and p = 0.000 indicates a statistically significant negative relationship and supports the hypothesis H4. Previous research findings in Sri Lanka confirm that SMEs face compounded challenges from both tariff and non-tariff measures. Bureaucratic trade-barriers reduced the export volume of SMEs in UK to other EU countries by 17% and imports also by 23% Du et al. (2024). Cavoli et al. (2025) reported that increased customs paperwork and regulatory divergence caused the thousands of small firms to exit European markets. This is echoed by Musabayana et al. (2022), who found that German SMEs experienced declining competitiveness in cross-border trade due to stricter rules of origin and administrative costs. Moreover, the World Bank (2020) highlights that trade facilitation gaps and fragmented logistics networks in Sri Lanka increase the cost-to-export ratio for SMEs compared to larger firms.

The empirical results of the impact of the entrepreneurs' perception of infrastructure and transport policies on the BP indicate that there is a negative non-significant relationship (β = 0.083, t-stat = 1.851 and p = 0.064), hence the results do not support the hypothesis H5. However, the negative beta coefficient value suggests that infrastructure may adversely affect business performance of indigenous handicraft industries. Navarathne (2023) pointed out that the SMEs in rural areas in Sri Lanka faced considerable challenges due to the poor road connectivity, communication and the instability of electricity power supply, which may result in limiting the access to markets and the increased operational costs. These infrastructural deficiencies raise both fixed and marginal costs, increase the minimum efficient scale of production, and place SMEs at a disadvantage relative to larger firms (Musabayana et al., 2022). In Sub-Saharan Africa, over 75% of SMEs in Ghana reported that frequent power outages and poor road networks curtailed their productivity and profitability, resulting in high failure rates (Ahmadu et al., 2025).

Furthermore, it indicates a significant and positive relationship between the entrepreneurs' perception of human resources policies and the BP, which resulted in the β = 0.212, t-stat = 4.898 and p = 0.000. Hence, the empirical results support the hypothesis H6. This outcome is strongly supported by prior empirical research as well. Recent studies in Sri Lanka have found that although training and development initiatives exist, their misalignment with firm-level needs and lack of strategic focus dilute their performance-enhancing potential (Sujani and Devi, 2022). In the European context, Musabayana et al. (2022) demonstrated that the restructuring of vocational education and training (VET) in the UK, particularly the removal of industry-led coordination bodies, substantially limited SMEs' access to tailored technical training. Shantha, (2024) empirically established that generic training interventions often failed to yield measurable improvements in turnover or survival for manufacturing SMEs in the UK, especially when they did not reflect firm-specific operational needs. Empirical results of this study further confirm that the human resource

development policies in Sri Lanka helps to improve skills, techniques, and knowledge of human resources engaging in indigenous handicraft industries in Sri Lanka.

The empirical results of β = -0.189, t-stat = 3.952 and p = 0.000 between the entrepreneurs' perception of environmental policies and the BP of indigenous handicraft industries indicate that the relationship is significantly negative thus the results support the hypothesis H7. The disproportionate placement of environmental regulations has become a burden to the handicraft enterprises. Due to the limited resource base of these handicraft firms, which are located in various cottage environments, the negative impact of the environmental policies on their business performance is evident. In the Asian context, particularly in China and Southeast Asia, SMEs face substantial upfront investment requirements to comply with environmental regulations, which has been shown to reduce profitability and growth potential (Ramakrishnan et al., 2015).

5. Conclusion and Recommendations

This study empirically examined the effect of the entrepreneurs' perception of PPs especially its prominent dimensions on the BP of the indigenous handicraft industry in Sri Lanka. The results revealed that out of the seven hypotheses, four hypotheses showed a significantly negative effect on BP confirming that the entrepreneurs' perception of regulatory policies, tax policies, trade policies, and environmental policies have a negative impact on the business performance of indigenous handicraft industries in Sri Lanka, while the entrepreneurs' perception of financial policies and education and training policies have a positive impact on the business performance of indigenous handicraft industries. However, entrepreneurs' perception of infrastructure and transportation policies had a positive impact on the business performance of indigenous handicraft industries, the relationships were not statistically significant.

The study makes several empirical contributions as it is a comprehensive empirical evaluation of the impact of the entrepreneurs' perception of seven public policies on the BP of indigenous handicraft industries in Sri Lanka and thereby provides new empirical evidence in the context of indigenous handicraft sector in Sri Lanka. The study provides evidence-based insights for policymakers to identify bottlenecks and implementation gaps that hinder sectoral performance. Thus, this study fills a notable gap in empirical literature of policy research by evaluating how the design and implementation of public policies collectively shape the sustainability and BP of indigenous handicraft industries.

Policies that resulted in increasing compliance costs and complexity to the owners tend to reduce the BP and the sustainability of the firm. Therefore, the finance policies that creates opportunities for financial provisions do not solely increase the BP of handicraft industries. The impacts of the government's training and education programmes on businesses have been positive compared with the other policies. National policies that are coherent and well-coordinated are essential for the continued success of the handicrafts sector; in contrast, labyrinthine responsibilities, multiple similar roles, and weak monitoring and accountability are detrimental to effectively achieving formulated policies. The policymakers must design a comprehensive strategy with clearly defined responsibilities for all institutions and rigorous follow-up mechanisms to prevent delays in decision-making, and to improve the BP of enterprises involved in handicrafts. To achieve this, vocational education and training in skills areas related to design, marketing, and technological advancements must be increased, especially for young people and women, who are involved in the handicrafts sector. In addition, national policies should promote the preservation of traditional craftsmanship by providing opportunities for value-added input to production through branding, marketing, qualifying standards, and making it easier to expand into new markets (through exports or e-commerce). Finally, national environmental regulation should be developed with the intention of protecting the environment through environmentally sustainable production practices and support for environmentally friendly manufacturing operations through subsidies, tax incentives, technology transfers, and simplified standards so that the sustainable development objectives do not pose any challenges to small-scale producers' livelihoods.

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Annex 1: Measurement of the first-order constructs

Construct		Outer Loadings	t-stat	CR	Cro. ∝	AVE
1. Financial Performance				**0.975**	**0.973**	**0.779**
Q8.1	The business has been able to increase the sales revenue income.	0.754	28.71			
Q8.2	The net operating is at a satisfactory level.	0.954	229.67			
Q8.3	The business entity's net returns to sales are at a satisfactory level	0.958	272.94			
Q8.4	The operating performance is at a satisfactory level to increase the income-generating capacity of the entity.	0.918	131.67			
Q8.5	My firm has been able to increase its market share during the past few years compared to its competitors.	0.728	21.59			
Q8.7	My business entity's future cash flow potential is strong enough to increase profitability	0.915	106.01			
Q8.8	My firm has been able to increase net operating income	0.965	304.76			
Q8.9	The gross profit margin is big enough to the total net sales of the business	0.944	135.31			
Q8.10	The relative net profit margin to sales of the firm after taking into account all the expenses is at a satisfactory level.	0.908	102.77			
Q8.11	The profit margin is proportionately big enough to the total resources of the entity which have been used.	0.775	32.56			
Q8.12	The investment made in intellectual capital in my firm significantly influences its profitability	0.954	248.01			
Q8.13	The relative profit being earned on the total capital invested is proportionately big enough/ at a satisfactory level.	0.768	29.25			
2. Market Performance				**0.967**	**0.965**	**0.805**
Q9.1	My business has a substantial market share in the industry.	0.944	104.02			
Q9.4	My business has average customer retention rate.	0.931	95.54			
Q9.5	Frequently update marketing strategies.	0.759	26.54			
Q9.6	A substantial percentage of sales are generated by new customers.	0.899	123.04			
Q9.7	Differentiate products/services from competitors	0.934	182.08			

Q9.8	The customer base has changed over the past year	0.921	109.16			
Q9.9	Evaluate the effectiveness of marketing efforts.	0.825	46.51			
Q9.10	Adapt to changing market conditions.	0.948	120.33			
3. Operational Performance				**0.943**	**0.942**	**0.777**
Q10.1	My business is efficient in delivering goods and/or services to customers.	0.788	30.32			
Q10.2	Satisfied with the quality of the products and/or services of my business.	0.836	47.66			
Q10.4	Business has ability to manage inventory and control costs.	0.947	217.9			
Q10.5	My business can adapt to changing market conditions.	0.961	228.68			
Q10.6	Satisfied with our level of innovation in terms of developing new products or services or improving existing ones.	0.866	37.43			
Q10.8	My business frequently experiences equipment breakdowns or maintenance issues.	0.879	67.62			
4. Innovation Performance				**0.944**	**0.941**	**0.683**
Q11.1	Frequently introduce new products or services.	0.764	30.53			
Q11.2	My business conducts research and development activities.	0.850	55.83			
Q11.3	The business has introduced significant process improvements in the past year.	0.814	33.81			
Q11.5	Collaborate with other businesses or research institutions to develop new products or technologies.	0.739	28.71			
Q11.6	Prioritize innovation within the business.	0.907	58.04			
Q11.7	Received any awards or recognition for the innovation efforts of the business.	0.734	24.94			
Q11.9	My business foster a culture of innovation.	0.813	26.67			
Q11.10	Obstacles have been encountered in pursuing innovation and overcoming them.	0.857	65.41			
5. Human Resource Performance				**0.970**	**0.966**	**0.766**
Q12.1	Measure employee satisfaction in my business.	0.852	73.17			
Q12.2	Measures have been taken to ensure employee retention in the organization.	0.884	130.98			
Q12.3	Evaluate employee performance using performance measure tools.	0.860	95.54			
Q12.4	Training and development programs do offer to employees.	0.874	44.37			

Q12.5	Ensure a safe and healthy work environment for the employees.	0.909	91.32	
Q12.6	Steps have been taken to promote diversity and inclusion in the business.	0.843	33.26	
Q12.7	My business handles employee conflicts and grievances.	0.862	39.11	
Q12.8	Firm established a code of conduct or ethics policy for the employees	0.844	33.57	
Q12.9	Ensure that the employees are properly compensated for their work.	0.947	100.35	
Q12.10	Employees play a role in driving innovation in the business.	0.873	65.16	

Source: Survey Data, 2025

Annex 2: Discriminant Validity of the First Order Constructs

	FP	HRP	IP	MP	OP
FP	**0.883**				
HRP	0.613	**0.875**			
IP	0.535	0.873	**0.826**		
MP	0.764	0.466	0.416	**0.897**	
OP	0.737	0.451	0.349	0.760	**0.882**

Source: Survey Data, 2024

Annex 3: Analysis of the Second-Order Constructs

Construct		Outer loadings	t-stat	CR	∝	AVE
1. Regulatory Policies				**0.913**	**0.911**	**0.693**
Q1.1	I faced difficulties in obtaining licenses or permits required for running business operations.	0.878	55.48			
Q1.3	It takes a longer time to obtain the necessary licenses and permits.	0.862	60.70			
Q1.4	Frequently complied with environmental regulations for the business.	0.783	32.79			
Q1.6	Frequently we have to comply with safety regulations.	0.832	50.21			
Q1.7	Faced any difficulties in complying with labor laws and regulations.	0.766	27.60			
Q1.8	Time and resources do you have to allocate to comply with labor laws and regulations.	0.869	55.35			
2. Taxation Policies				**0.964**	**0.716**	**0.747**

Q2.2	Feel the burden for small business taxes are on cash flow and profitability.	0.848	55.94			
Q2.3	Changes in tax deductions, credits, or exemptions affected decision to invest in business.	0.828	44.30			
Q2.4	It is easy to stay informed and compliant with changes in tax policies that affect small businesses	0.854	55.63			
Q2.5	Tax policies for small businesses provide adequate support for growth and innovation.	0.878	63.5			
Q2.6	Pay in taxes as a percentage of revenue.	0.923	115.7			
Q2.7	Current tax policies affect business.	0.896	86.68			
Q2.8	Tax deductions, credits, and exemptions affect business operations.	0.932	109.9			
Q2.9	Keep track of changes in tax policies and regulations.	0.777	32.29			
Q2.10	Time and resources are spent on tax compliance.	0.786	29.15			
Q2.11	It is easy to understand and comply with tax regulations.	0.905	94.26			
3. Financial Policies				**0.883**	**0.879**	**0.734**
Q3.4	Businesses use alternative financing sources, such as crowdfunding, angel investors, or peer-to-peer lending.	0.885	73.01			
Q3.4	Satisfied with the terms and conditions of the financing options available to business	0.889	72.01			
Q3.5	Ever received financing from any government-supported program or initiative.	0.854	49.33			
Q3.6	Government should do more to support small business financing.	0.798	28.37			
4. Trade Policies				**0.902**	**0.816**	**0.701**
Q4.2	Faced any barriers or tariffs while exporting products to other countries.	0.856	56.56			
Q4.3	Received any benefits or incentives from the government to encourage exports.	0.850	61.41			
Q4.11	Government trade policies had much of an impact on overall profitability as an SME	0.786	32.45			
Q4.12	Had to change business strategy or product offerings due to government-imposed trade barriers.	0.809	35.74			
Q4.13	Believe that government trade policies have created a level playing field for all businesses operating in industry.	0.881	53.37			

5. Infrastructure Policies				**0.969**	**0.966**	**0.790**
Q5.1	Access is important to reliable and efficient transportation infrastructure for business operations.	0.904	112.5			
Q5.3	Access is important to high-speed internet and other digital infrastructure for business operations.	0.911	71.93			
Q5.5	Access is important to reliable and affordable energy and utilities for business operations.	0.787	30.58			
Q5.6	Experienced any challenges with energy or utility infrastructure that have negatively affected business.	0.922	64.09			
Q5.7	Noticed any recent improvements or changes in transportation or infrastructure policies that have positively affected business.	0.946	69.22			
Q5.8	Noticed any recent negative impacts on business due to changes in transportation or infrastructure policies.	0.785	28.27			
Q5.10	Satisfied with the overall state of transportation and infrastructure policies and regulations affecting small businesses.	0.918	108.0			
Q5.12	Rely on transportation infrastructure to transport goods to customers or receive supplies for business.	0.850	43.78			
Q5.13	Satisfied with the availability and reliability of transportation services in area, such as public transportation or shipping and logistics providers.	0.957	213.6			
6.	**6. Human Resources Policies**			**0.962**	**0.960**	**0.787**
Q6.1	Business benefited from government-sponsored education and training programs.	0.862	50.89			
Q6.2	Ever applied for any government grants or loans for employee training programs.	0.949	171.9			
Q6.3	Feel that the education and training programs offered by the government are relevant to the needs of business	0.926	143.3			
Q6.4	Noticed any changes in the skills of employees after participating in government-sponsored training programs.	0.922	133.7			
Q6.5	It is difficult for business to access government-sponsored education and training programs.	0.943	178.4			
Q6.7	More likely to participate in government-sponsored education and training programs if they were offered at a reduced cost.	0.769	24.52			

Q6.8	Believe that education and training policies play an important role in the success of small businesses.	0.850	47.90			
Q6.9	Think that the government should focus more on education and training policies for small businesses.	0.942	141.8			
7. Environmental Policies				**0.967**	**0.966**	**0.768**
Q7.1	Perceive the environmental regulations imposed on business by the government.	0.837	47.91			
Q7.3	Experienced any challenges in complying with environmental regulations, such as obtaining permits or meeting emission standards.	0.743	26.19			
Q7.4	Environmental policies have affected business costs, including compliance costs and investment in green technologies.	0.817	37.49			
Q7.5	Received any support or incentives from the government to adopt environmentally friendly practices.	0.793	32.83			
Q7.6	Think environmental policies have affected business competitiveness in the market.	0.940	126.0			
Q7.7	Observed any changes in customer preferences or demand for environmentally friendly products or services.	0.855	56.71			
Q7.8	Balance the environmental impact of business with financial goals and objectives.	0.924	68.65			
Q7.9	See the future of environmental policies affecting business and the industry as a whole.	0.945	187.2			
Q7.10	Suggest for improving the effectiveness and efficiency of environmental policies.	0.936	176.3			
Q7.11	Feel that environmental regulations affect business operations and profitability.	0.946	152.4			
8. Business Performance				**0.975**	**0.973**	**0.779**
Financial Performance		0.906	94.72			
Human Resource Performance		0.807	26.87			
Innovation Performance		0.747	22.67			
Market Performance		0.840	44.45			
Operational Performance		0.811	44.64			

Source: Survey Data, 2025

Annex 4: Discriminant Validity of the Second Order Constructs

	AFP	BP	ENP	ETP	ITP	RGP	TRP	TXP
AFP	**0.857**							
BP	0.586	**0.874**						
ENP	0.524	0.818	**0.877**					
ETP	0.543	0.836	0.722	**0.887**				
ITP	0.642	0.867	0.780	0.822	**0.889**			
RGP	0.584	0.822	0.802	0.772	0.815	**0.833**		
TRP	0.758	0.861	0.765	0.824	0.715	0.799	**0.887**	
TXP	0.662	0.775	0.847	0.825	0.793	0.827	0.793	**0.864**

Source: Survey Data, 2025

Annex 5: VIF Values

	VIF
AFP -> BP	2.598
ENP -> BP	4.088
ETP -> BP	3.940
ITP -> BP	3.956
RGP -> BP	4.483
TRP -> BP	4.848
TXP -> BP	4.552

Source: Survey Data, 2025