The Growth Correlates of Urban Informal Micro Entrepreneurship in Sri Lanka

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Abstract
The micro enterprise approach has been seen as one of the most accomplishable pathways to achieve prospected economic growth through innovation and creativity which in turn bring market development, productivity and social cohesion in the global south. Enterprise growth is the nutshell of the suggested expansion. Informal microenterprises are ubiquitous in urban Sri Lanka serving as the major income, employment source, but record no or least graduation. This paper aims at examining the determinants of micro enterprise growth in order to support policies for encouraging growth oriented micro entrepreneurship. Data collection was done from multi stage cluster sampled 300 micro entrepreneurs under non experimental and survey research design using questionnaire and interview instruments. Dichotomous dependent variable on growth was regressed on prospected demographic, socioeconomic, firm and institutional independents by utilizing binary logistic model. It was found that gender, favorable change in education, administrative issues, availability of credit, tradition or parents’ occupation, previous employment, infrastructure availability and two psychological measures: entrepreneurial self-efficacy, locus of control play a crucial role for positive enterprise growth while parent’s occupation or previous employment have no predicting power over the growth performance. Policy implications drawn from the findings of this study recommend a multipronged approach for improving micro entrepreneurship in the sector.

Keywords: micro entrepreneurship, growth determinants, logistic models, urban informal sector, Sri Lanka

1. Introduction
The crucial role provided by microenterprises in achieving the economy’s inclusive growth by promoting market development, productivity and social cohesion in developing as well as developed world is well acknowledged (Green, Kirkpatrick, & Murinde, 2006). It includes a wide range of development objectives such as creation of income, wealth and employment (Daniels, 1999); income distribution and reduction of poverty (Liedholm & Mead, 1999); production and supply of goods and services that meet the basic needs of the poor (Cook & Nixson, 2005); and creation of seed beds of industrialization (Grosh & Somolekae, 1996; World Bank, 2004). Moreover, the growth and competitiveness of enterprises of the informal sector are positively related to the growth of the formal sector through production linkages (Pieters et al., 2010). Despite some of the contradicted challenges, microenterprises’ contribution of its potential role in the process of development has been significant in many countries (Levy & Bradbury, 1995; Mullei, 2002; WB, 2013). Therefore, the microenterprise approach has been accepted as a policy based approach to the informal sector which takes micro entrepreneurs as the core of the informal sector that need help to become growing, self-sustaining businesses in order to contribute significantly to foster economic growth, generation of productive employment and poverty reduction (Gunatilaka, 2008; Mead & Liedholm, 1998; Pisani & Patrick, 2002; WB, 2013). The informal sector is a major source of employment which accounts for 50 to 60 per cent of the labor force and about 30 to 40 percent of gross national product in many Asian countries (ILO, 2012; ILO & WTO, 2009; UN-HABITAT, 2006). 62 percent of Sri Lanka's workforce is in the informal economic sector out of which 65 percent accounts for the micro and small enterprises sub sector, including self-employees (CBSL, 2013; Gunathilake, 2008). Further, it has been reported that more than 40 percent of the urban population are employed in the informal sector while 45 percent of them are in microenterprises (Arunatilake & Jayawardena, 2005; Ebert, 1999; Gunathilake, 2008; Hettige, 1989; Nanayakara, 2006; Relocation of Underserved Settlements Project-RUSP, 2009). A large part of the increase in employment in the last couple of decades is due to self-employment and unpaid family workers (i.e. informal sector) amounting to 41 percent of the total employment in 2012 while the share of self-employment in the microenterprise sector remained high at around 30 percent throughout (CBSL, 2013; Kelegama & Thiruchelvam, 2001). Even though informal microenterprises are ubiquitous in the urban sector, serving as the major source of employment in Sri Lanka, a majority of them reported to have no growth or the growth projection of them is far from satisfactory (Arunatilake & Jayawardena, 2005; Ebert, 1999; Gunathilake, 2008; Hettige, 1989; Nanayakara, 2006). Therefore, this study was initiated to examine what factors impede microenterprises to move forward.