

POTENTIAL ENTREPRENEURSHIP IN URBAN INFORMAL SECTOR MICROENTERPRISES IN SRI LANKA

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ABSTRACT: *Microenterprises and also the attached entrepreneurs in the developing countries are very diverse. Therefore, issues and barriers related to microenterprises are at a wide range. It is crucial in identifying underlying segmentation stories beforehand any policy intervention that direct to improve micro entrepreneurship. This study aims to identify de facto typologies and potential entrepreneurship in urban informal sector in Sri Lanka. Data were drawn from a sample of 300 micro entrepreneurs chosen under multi stage cluster sampling method. Ward's hierarchical clustering method identified five main segments considering demographic, socioeconomic, business related and also psychological factors related to entrepreneurs. According to the characteristics recorded, identified five clusters were labeled as survival, potential, survival-forever, transitory and self-sufficient for cluster 1 to 5 respectively. Survival or survival-forever groups were not operatable for a growing firm due to their setup and other related characteristics while self-sufficient group had least capacity to expand within micro basis. Cluster two and four had growth oriented characteristics and hence potential groups that were finalized as the viable micro entrepreneurial blocks which have greater potential to grow with complementary assistances.*

KEYWORDS: Micro Enterprises, Urban Informal Sector, Ward's Hierarchical Clustering, Q Analysis

INTRODUCTION

The typical feature of the informal sector, heterogeneity, is often created by simultaneous inclusion of urban poor people who depend on informal subsistence activities for their livelihood, as well as relatively higher-income people most of which are entrepreneurs running more profitable microenterprises that use capital and hire labor. These variations of firm size, firm life, profitability, growth potentials, as well as differential returns to physical and human capital can be largely explained by individual abilities, skills, capacities, motivations, resource acquisition and preferences (Mead & Liedholm, 1998; Cunningham & Maloney, 2001). Especially, these variations might be attributed to the involuntary entrance: either lack of any other viable option to generate a livelihood has been pushed to microenterprise sector (Tokman, 2007; Damayanthi, 2016); excluded by the formal sector (Williams & Yousef, 2015), motivated by the need of satisfying lower order psychological needs as described by Maslows' hierarchy of needs (Roy & Wheeler, 2006) or queuing for jobs in the formal sector (Levenson & Maloney, 1998; Gunathilake, 2008; Damayanthi & Premaratne, 2015). Since the final outcome depends on which basis they have been in, the understanding of the complexity arisen from the heterogeneity- by means of nature, structure, motivation, constraints and determinants of the current behavior- and identifying the potential niche of micro entrepreneurship are crucial for any strategy, policy interventions aiming at alleviating poverty and improve the economic welfare of the sector. Effective policy intervention to foster sustainable ventures is crucial as micro entrepreneurship in the informal sector is not some minor peripheral feature of the developing countries (Woodward et al., 2014). It is assumed that more than 45 percent

of the urban poor in the country dependent on microenterprise activities. Therefore, any urban poverty reduction program has great deal with urban informal-sector microenterprises. Thus it is encouraged to provide them necessary assistances, in most cases, microcredit or microfinance to start or improve small business (ESCAP, 2007). However, it is well acknowledged that returns of such assistances vary tremendously in achieving prospected goals due to afore mentioned heterogeneity among the entrepreneurs. But, there is a severe dearth studies that analyzes this diversity which help to identify viable or sustainable entrepreneurs to direct scarce resources into the right path. Filling this void, the main objective of this study is to identify *de facto* typologies and potential entrepreneurship in urban informal sector in Sri Lanka.

LITERATURE REVIEW

Empirical literature

Microenterprises and also the attached entrepreneurs in the developing countries are very diverse in terms of activities conducted, ability or skill acquired, inherent abilities, attitudes, experiences, level of education, social and institution access and so on (Cunningham & Melony, 2001; De Mel et al., 2008; Mead & Liedholm, 1998; Roy & wheeler, 2006). Therefore, issues and barriers related to microenterprises are at a wide range in nature as described above and therefore the heterogeneity of the sector is unavoidable in practice. Accordingly, the decisions and objectives on entry/exit or survive as well as future vision vary considerably among them (Roy & wheeler, 2006; Williams & Yousef, 2015). Further, it is reported that this heterogeneity exists across the countries and regions as well (Freytag & Thurik, 2007; Grilo & Thurik, 2008). It can be a form of differing returns to factors, small size, lack of growth, or even differential returns to human and physical capital may be due to variance in individual abilities and preferences and the noisy process of discovering them, distorted labor and credit markets or an inefficient regulatory framework. In consequence of all these factors, there can be seen simultaneous occurrence of high return short lived firms, high return long lived firms, low return long-lived as well as about to fail young firms. Therefore, it is crucial in identifying underlying segmentation stories beforehand any policy intervention that direct to improve micro entrepreneurship or micro enterprises (Cunningham & Malony, 2001; Daniels, 1999; Grilo & Thurik, 2008; Grim et al 2010; Mead & Liedholm, 1998; Roy & Wheeler, 2006; Show, 2004).

For most scholars micro entrepreneurs are formal sector excluded people (Levenson & Maloney, 1996; Williams & Yousef, 2015; 2014). This exclusion can be aroused as consequence of low skill low education levels (Mead, 1998; Roy & Wheeler, 2006) high unemployment or other macroeconomic issues that constrain formal sector absorption of these people (Williams & Yousef, 2015; Daniels, 1999; Levenson & Maloney, 1996). For micro entrepreneurs who are in the sector as a result of exclusion, an enterprise is only a temporary livelihood for survival and hence they may not have in the vision of a growing firm. Regardless of the rate of return they get from the activity they will exit with formal sector employments. Hence, there may be young firms with high returns but no expansion and also wish to close (Mead & Liedholm, 1998).

If micro entrepreneurship have been derived as a result of parents' experience, credit or fund availability, rate of return and existence depend on the skill level and related entrepreneurial

qualities (Evans & Jovanovic, 1989). The capacity to develop is least for the low-skilled low-educated owner-firms (Morrissions et al., 1994). And on the other hand these micro entrepreneurs might be constrained from administrative barriers like licenses, various approvals and fees as in Levenson and Maloney (1996). In the absence of underlying difficulties and barriers, firms operating in this category may differ from the others with high capability of expanding.

Scholars have identified a considerable portion of micro entrepreneurs have satisfying behavior. So they are said to be non-optimizing firms (Cunningham & Maloney, 2001; Williams & Yousef, 2015). Basically, people who retired and seek supportive income start microenterprises not having a wish of a growing firm but to survive. They may not be constrained by credit or other types of resources but by their objective.

As described above, growth and expansion of microenterprises are said to be constrained by many other factors and thereby forming different segmentations among micro entrepreneurs. For instance, Grim et al. (2010) studied how entry costs and starting capital affect marginal returns to capital in microenterprises in the Sub-Saharan Africa context. Using microenterprises data from six West-African countries they show that different levels of starting capital can explain the heterogeneity observed in micro entrepreneurs. Show (2004) described survival and entrepreneurial microenterprises considering factors that are more similar to Mead & Liedholm (1998). He identified location: rural, suburbs, infrastructure facilities: roads, transport, and product type: simple, technology based, earning capacity in identifying typologies in rural microenterprises in Hambamthota district in Sri Lanka.

Conducting more comprehensive study Mead & Liedholm, (1998) explored different typologies that may exist among microenterprises. Accordingly, micro entrepreneurs are diverse with their needs, targets, constraints, issues they faced, operating sector and product, gender, etc. Further her study confirmed the significance of heterogeneity of the correlational patterns among enterprises as well as entrepreneur characteristics in forming various clusters. She described more clearly that the growth of a microenterprise is a complex process because they are very heterogeneous and made up of diverse sets of currents and countercurrents. Therefore, policies and projects must take account of this diversity, types of enterprises and on particular in which stage it is operated in the enterprise's life cycle etc. Then "the more the design of policies and projects can be based on a firm grasp of this diversity, the more likely it will be that scarce developmental resources can contribute effectively to the dual goals of growth and poverty alleviation" (Mead & Liedholm, 1998).

Theoretical literature and conceptual framework

Different levels of inward back ward relationships of the above discussed determinants, in other words, correlation, covariance patterns of independent variables lead to put these micro entrepreneurs in to different segments. This heterogeneity is one of the inherent features of the informal sector micro entrepreneurs that make policy makers vulnerable in designing effective policies. Theories pointed out the possible sources of heterogeneity, broadly, in four different paths: differences of firm centered cost structures; market imperfections; distributional differences of resources and accesses; psychological aspects of motivation.

In standard microeconomic theory, firm's growth follows from the assumption of profit-maximizing behavior and from the shape of the cost functions. Under perfect competition, a firm grows until it has reached the size where long-run marginal cost equals price, which is its

objectively assessed “optimal size” (Mansfield 1979). In neoclassical framework Lucas (1978) posits that the basic reason behind the coexistence of large medium small and micro firms in an economy is the cost function. According to Evans & Jovanovic (1989) who expanded Lucas’ idea, if an entrepreneur is well aware of his exact costs relationships he will have the ability to maximize profit over their expectations in the short run. Consequently this might make negative repercussions on competitors with the possibility of keeping them out of the business. As Cunningham and Malony (2001) explained this framework derives two implications. First, the actual distribution of mature firm size will contain coexistence of larger, more capital-intensive, high earnings firms with very small ones. Second, among small firms there should be long-lived firms at their long-run size, start-up firms that find themselves extremely profitable and desire to expand, and startup firms that are about to fail. Further, “non-optimizing,” or “satisfying” modes of production could be exists under the assumption that the entrepreneurs are maximizing utility but not profit. Moreover, it is implied that individual abilities may lead to make variations of returns to human and physical capital. Therefore, other than small size, lack of growth, sub divisions of the sector can be explained by the individual abilities and preferences.

Neo classical theories of occupational choice described diversity of firms and their motivations through market imperfections. Accordingly, there may be involuntary entries to the micro enterprise sector. As discussed by Cunningham and Malony (2001) these non-volunteers are mainly consists of the young who entered into the labor market newly, migrants, and possibly laid off, retired, middle-age workers. Since there is no alternative, they have become self-employed. However, there are coexisting with voluntary self-employed. This implied that willing to growth would definitely differ among them though they are coexisting.

From the resources point of view credit constraints on entrepreneurs are well documented in the developing country context. If credit-market imperfections constitute an important barrier to growth for some firms, there would be potential entrepreneurs who are willing to expand but lacks access to resources. Eclectic theory describes that entrepreneurship will be contrasted by lack of resources and macroeconomic conditions, even the locality where the enterprise established. Further, the supply limitations of basic infrastructure will hinder growth of some enterprises than others due to uneven access (Audretsch, 2002).

Differences in motivational patterns within the entrepreneurial population are considered mostly by the psychological aspects. Psychological theories of motivation recognize that people differ in motivational aspects. Maslow’s well-known hierarchy of needs theory (Maslow, 1954) suggests that if the owner of a firm likely to have his/her lower-order needs substantially satisfied, then the higher-order needs will be the primary motivators. Therefore, growth objectives would only be pursued to the extent of satisfying needs. Motivation-hygiene theory (Herzberg, 1966) posits on the factors leading to job satisfaction. This concept is different among the entrepreneurs. One factor that might have effected positively on one may affect negatively to another. Therefore, as an analogy to Herzberg’s findings, it is plausible to suggest that some factors may motivate growth if growth is expected to bring about a positive change, whereas negative expectations concerning the same factor may have little or no influence on growth willingness. Likewise, other factors may not motivate growth even if positive outcomes of growth are expected, whereas expected negative changes for the same factors may reduce growth willingness (Davidson, 1989a).

According to McClelland (1961) nArch theory, different people have different levels of nAch (need for Achievement). Those who are high in nAch strive for achievement satisfaction, which

is obtained through succeeding in relatively demanding tasks where the outcome is dependent on the skill and effort of the individual and where the result is easily measurable. High nAch individuals are therefore attracted to self-employment, and as businessmen, they use profits and (possibly) growth as success measures vice versa (Davidson, 1989a).

Extracting out from the above discussion, four types of conceptual constructs can be derived identifying representative measurable variables under each of the conceptual factor. Then different correlation patterns of selected root covariates have assumed to be derived latent constructs for segmentations or more formally “typologies” within urban informal micro entrepreneurs. Accordingly, the following hypothetical conceptual frame work was built on the above theoretical background and empirical literature in order to identify existing typologies in the sector.

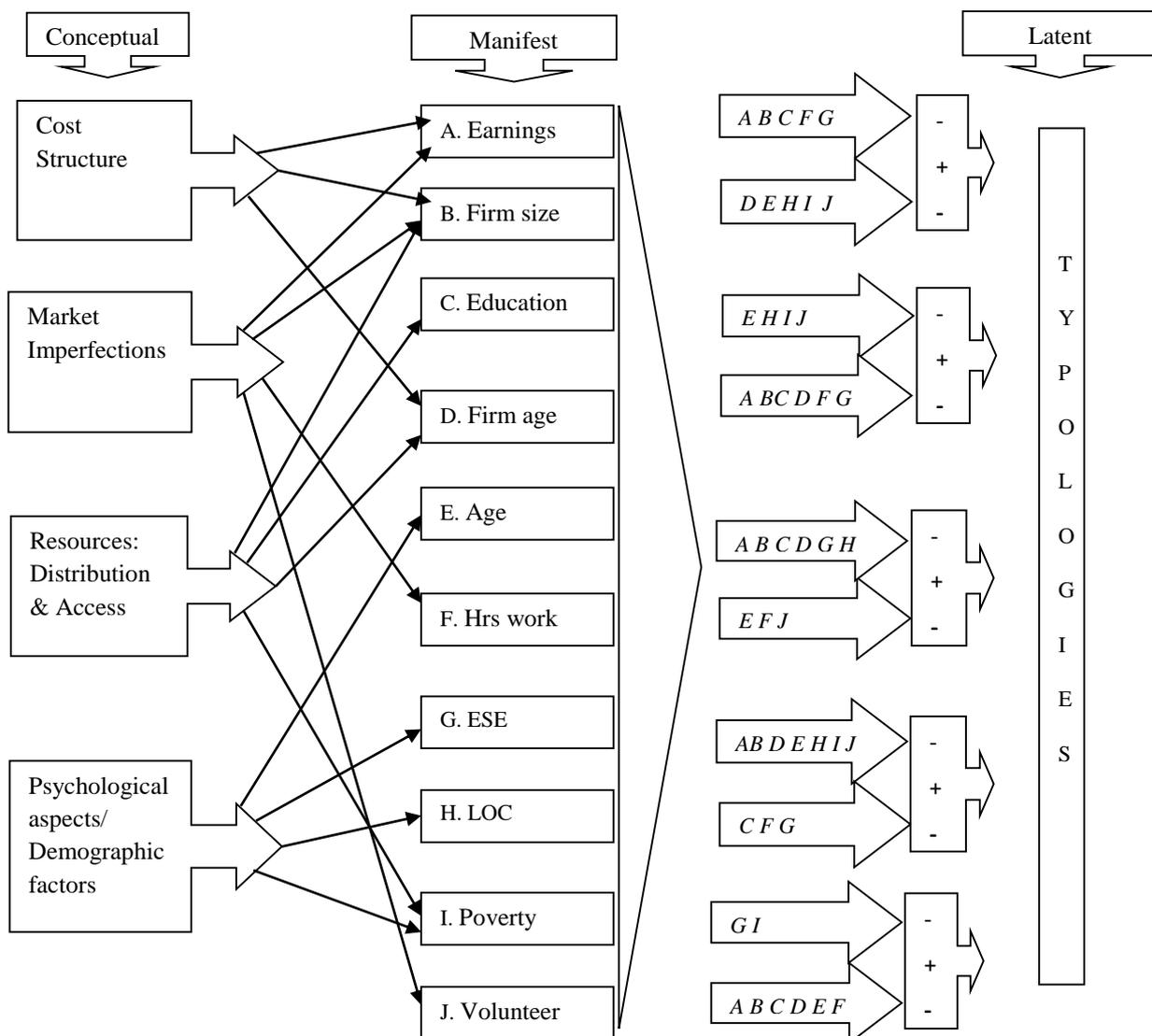


Figure 1: Hypothetical conceptual framework for typologies

Source: Author’s construction based on literature survey

METHODOLOGY AND DATA

Research design and sample

Research design: This study carried out the research on the characteristics of microenterprises within urban underserved population. Therefore, the basic form of the research is cross sectional, researching at a point of time, in nature where utilization of both experimental and non-experimental designs is possible. However, considering the resources and the available time period this study occupies non experimental research design (Bhattacharjee, 2012). The unit of analysis is micro entrepreneur that represents the sector.

Working definitions: Informal sector in the study was defined according to their characteristics: ease of entry; reliance on indigenous resources; family ownership of resources; small scale of operation; labor-intensive and adapted technology; skills acquired outside the formal school system; and unregulated and competitive markets (ILO, 1991). And microenterprises were defined as non-agricultural household-based enterprises employing less than five persons including the owner (DCS, 2010).

Sampling: Multi stage cluster sampling method was used for the study. From 48 wards of Colombo municipal council the most USS concentrated wards were selected at first. By considering the spread of each settlement categories- slums, shanties, scatter settlements- 6 wards were selected so that all the categories were represented. From the selected wards seven geographical clusters were selected and then sub clusters or enumeration areas were selected from each cluster. Finally, random sample of micro entrepreneurs were selected. Registered list of micro entrepreneurs is not available for the informal sector as usual in many other countries. Therefore, in the selected localities, randomly chosen business places were approached and the questionnaire was administered. However, the survey team was advised not to visit adjacent places, not to take in to account very small scale side businesses (a house wife who is selling few lunch packets by the side of her house, selling or running small scale groceries in front or by the side of the house but primarily engaging with house works. Nevertheless, they were guided to minimize bias within the enumeration area and keep diversity of selecting observations. Overall, the survey teams visited 300 households or enterprises sites in 12 enumeration areas.

Specification of the Empirical model

The research problem related to conceptual basis in Figure 1 requires the use of interdependent statistical techniques because there is no distinction has been made between dependent and independent variables. Since the operational objective is to search for groups the elemental format behind this research problem is latent structure analysis for similarities. This is the strategy that searching for dimensions proceeds in the absence of a prior basic structure. However, differentiation should be made performing analysis on units instead of variables. Group of persons could then be formed instead of group of variables. This type of working method is called Q analysis. Most techniques of cluster analysis are of this Q type, for “clusters” usually indicate group of units (Tacq, 1997). Then it could investigate for each two micro entrepreneurs to what extent they resemble each other making use of their scores on root variables. Entrepreneurs having approximately equal scores on the different variables could then be placed in the same group. Researcher can use inductive as well as deductive methods in finding these latent structures (groups). For this analysis it is reasonable to use deductive method due to unavailability of baseline research for the country and the sector as well.

Under this technique objects are classified so that each object is very similar to others in the cluster with regard to some predetermined selection criterion. The resulting clusters or objects should then exhibit high internal (within-cluster) homogeneity & high external (between-cluster) heterogeneity. In the sense, clusters are homogenous inwardly, because inter person correlations within a cluster are strong, and heterogeneous outwardly because inter personal correlations over clusters are weak.

The use of cluster analysis for the current study mainly attributed to three objectives. Firstly, the primary value of the method lies in the classification of data, as suggested by ‘natural’ groupings of the data themselves, or in other words an empirically based classification of objects. This is comparable to factor analysis in its objectives of assessing structure. But cluster analysis differs from any other in grouping objects, whereas other methods i.e., factor analysis, are primarily concerned with grouping variables. Secondly, clustering can perform data reduction procedure objectively by reducing the information from an entire population or sample to information about specific, smaller subgroups for example if there are some attitudes of a population which identifies the major groups within the population, then the data can be reduced for the entire population into profiles of a number of groups in this fashion unless meaningless. The researcher can have a more concise understandable description of the observations; with minimal loss of information. And with a defined structure, observations can be grouped for further analysis. Thirdly, relationship identification, with the cluster defined and the underlying structure of the data represented in the clusters, the researcher has a means of revealing relationships among the observations that was not possible with the individual observations (Hair, et al., 1998).

For this study, magnitudes of variables are more important than the pattern. Therefore, “correlational measures are rarely used because emphasis in most applications of cluster analysis is on the magnitude of the objects not the pattern of values” (Hair et al, 1998). Hence, distance measures are used for the study. The proximity matrix is calculated applying squared Euclidean distance which is estimated as,

$$d(x, y) = \sum_{i=1}^n (x_i - y_i)^2 \quad (1)$$

or alternatively as,

$$d(x, y) = \frac{\sum_{i=1}^n (x_i - y_i)^2}{n} \quad (2)$$

This concept is easily generalized to more than two variables. The Euclidean distance is used to calculate specific measures such as the simple Euclidean and squared or absolute Euclidean distance which is the sum of squared differences without taking the square root as in equation 2. The squared Euclidean distance has the advantage of not having to take the square root which speeds computations markedly, and it is the recommended distance measures for the centroid and Ward’s method of clustering.

In Ward’s method the distance between two clusters is the sum of squares between the two clusters. This method is distinct from other methods because it uses an analysis of variance approach to evaluate the distances between clusters. In general, this method is very efficient. Cluster membership is assessed by calculating the total sum of squared deviations from the

mean of a cluster. The criterion for fusion is that it should produce the smallest possible increase in the error sum of squares.

$$\begin{aligned} d_{KL} &= \sum_{i \in K \cup L} \|\vec{x}_i - \vec{m}_{K \cup L}\|^2 - \sum_{i \in K} \|\vec{x}_i - \vec{m}_K\|^2 - \sum_{i \in L} \|\vec{x}_i - \vec{m}_L\|^2 \\ &= \frac{\eta_K \eta_L}{\eta_K + \eta_L} \|\vec{m}_K - \vec{m}_L\|^2 \end{aligned}$$

Ward's method states that the distance between two clusters (K, L) is how much the sum of squares will increase when the clusters are merged. Where m is the cluster centers while η is the points on it.

$$d_{KL} = \frac{\|\bar{x}_K - \bar{x}_L\|^2}{\left(\frac{1}{n_K} + \frac{1}{n_L}\right)}$$

Then if Ward values denoted by W

$$W = \sum_{m=1}^g \sum_{j=1}^k \sum_{i=1}^n \|x_{ijm} - \bar{x}_{jm}\|^2$$

Where $I = 1 \dots n$ observations with $j = 1 \dots k$ variables for each i , and the number of clusters ranges from $1 \dots n$ where each i has its own cluster at the beginning. Then fusion will be taken place minimizing error sum of squares where x_{ijm} is the value of the i^{th} of n_m observations in the m^{th} cluster and \bar{x}_{jm} is the mean of variable j in the m^{th} cluster. Iteration starts with $g = n$ clusters that each consists of a single observation ($n_m = 1$) and calculates the distances of the n observations from the n clusters is 0. And the process as more distance points are forced to share a common center until $n_m = n$ and $m = 1$ (Ward, 1963).

Ward's method keeps this growth as small as possible. Given two pairs of clusters whose centers are equally apart, this method prefers to merge the smallest ones. Therefore, suggested better another approach is to use both these methods to gain benefits of each. Hence, a hierarchical technique was employed to establish the number of clusters; while k means profile the cluster centers from the hierarchical results as the initial seed points. In this way, the advantages of hierarchical methods are complemented in this study by the ability of the non-hierarchical methods in order to 'fine-tune' the results.

EMPIRICAL RESULTS AND ANALYSES

Sample characteristics and descriptive analysis

In terms of demographic characteristics majority of the sample consist of males (79 percent) while female representation is only a small fraction (21 %). As it is observed from Table 1 approximately half of entrepreneurs are 18 – 40 age groups while a higher proportion, 26.4 percent, is between of 30 to 40 years. This shows that the majority of them belong to country's

working population. It is interesting that a considerable percent of entrepreneurs were in 40 – 50 years age group.

Table 1: Age and education level of micro entrepreneurs

Age	% of entrepreneurs	Education level	% of entrepreneurs
Below 18 yrs	0.7	No schooling	3.0
18 - 30 yrs	17.6	Primary	7.1
30 - 40 yrs	26.4	Secondary	28.7
40 - 50 yrs	23.6	Ordinary level	34.5
50 above	31.4	Advanced level	23.0
		Graduate	3.0

Source: Author's calculations based on sample survey

Level of education reported in Table 1 shows only 3 percent of the entrepreneurs were illiterate, while only 7 percent of them were educated to primary level indicating higher level of educational attainment in the country. Although more educated entrepreneurs like A/L passed and graduates were only a very few percent, as it is common to the urban underserved sector, almost three third of the sample have educated up to O/L. It was shown that most of the households have at least one A/L educated member although educational level of parents is very low. It was quite interesting to reveal that some very successful innovative and therefore wealthy micro entrepreneurs are illiterate though they are dealing with large modernized firms (evidences from key informants and individual interviews).

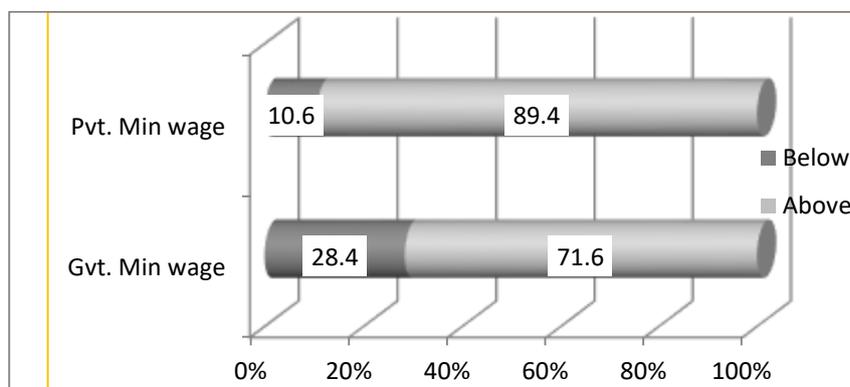
The repartition of microenterprises by activity in USS sector is given in Table 2. There is a very wide range of microenterprise activities in urban underserved settlements, although not evenly spread across the different wards. It can be seen from the sample survey that commerce is the most popular revenue source or microenterprise activity in the sector of which grocery owners shared almost one third of the micro entrepreneurs. Share of food processing was recorded as second major economic activity whilst communications, stationary shops and unprocessed food sellers are significant proportion as well. Other sectors, however much less significant in numbers or quantity nevertheless constitute an important part of the informal sector, most notably, contributory to the whole economy. Especially, small industry productions like candles, shoes and food preparations like string hoppers; and kind of innovative industrial productions which involve recycling procedures.

Table 2: Main microenterprise activities

Main category	Enterprise activity	% of microenterprises
Commerce	76.3	
	Groceries	29.7
	Food Processing	14.5
	Communications/stationeries	12.2
	Vegetable/fruits	11.7
	Established traders	6.3
	Mobile traders	1.9
Services	18.6	
	Dress making	6.8
	Tinker/Welding	6.1
Manufactures	5.1	
	Innovative products	3.4
	Small industries	1.7

Source: Author's calculations based on sample survey

One the enterprise earning is considered there can be seen a group of entrepreneurs who are earning three to six times the government minimum wage (refer Table 3). This percentage is about 36 percent. And around 35 percent of them earns equal amount to minimum. Compared with private sector minimum wage as in the Figure 2 , only 10 percent were below the wage line. Almost 40 percent earns more than double the minimum. However, there is also a neutral as well as inefficient group on one tail and effectively successfully earning group in the other tail. Among them there is a wide variation could be seen. Two-thirds of micro entrepreneurs make at least two times the minimum wage and 22 percent of micro entrepreneurs make three times the minimum wage. It shows that the minority who are above the poverty line shows relatively higher earnings while the majorities who are below the line earn low.

**Figure 2: % distribution of micro entrepreneurs by earning status to minimum wage**

Source: Author's calculations based on sample survey

Table 3: Comparison of microenterprise earnings to minimum wage of main employment sectors

Status of earning	Gvt. minimum wage % of micro entrepreneurs	Pvt. minimum wage % of micro entrepreneurs
Below min. wage	28.5	10.6
Equal to min. wage	35.3	18.8
2 times above	24.2	36.2
3 times above	6.8	21.7
4 times above	1.4	5.8
More than 5 times	3.8	6.7

Source: Author's calculations based on sample survey

When the motivation factors are analyzed, to be independent has become significant to start microenterprise in this sector (24 percent in Table 4). Secondly, having a training or previous experience was an influential factor while 13 percent them have started businesses because of the family background. Further it was evident that the main objective of the business is to fulfill basic needs of the family for the majority of micro entrepreneurs in underserved sector.

Table 4: Motivation factors of micro entrepreneurs^a

Rank ^{bc}	Retired	Independence	Difficult find a job	Higher income
1	13.7	23.9	10.6	10.9
2	3.4	29.1	14.2	16.8
3	3.9	19	17	10.5
	Disable/ill	Family tradition	Free	Training
1	1.7	12.6	8.9	17.7
2	1.5	4.9	17.5	12.7
3	0.7	2	31.4	15.7

Source: Author's calculations based on sample survey

^a% of micro entrepreneurs

^bas given by the respondents

^cmultiple responses were possible

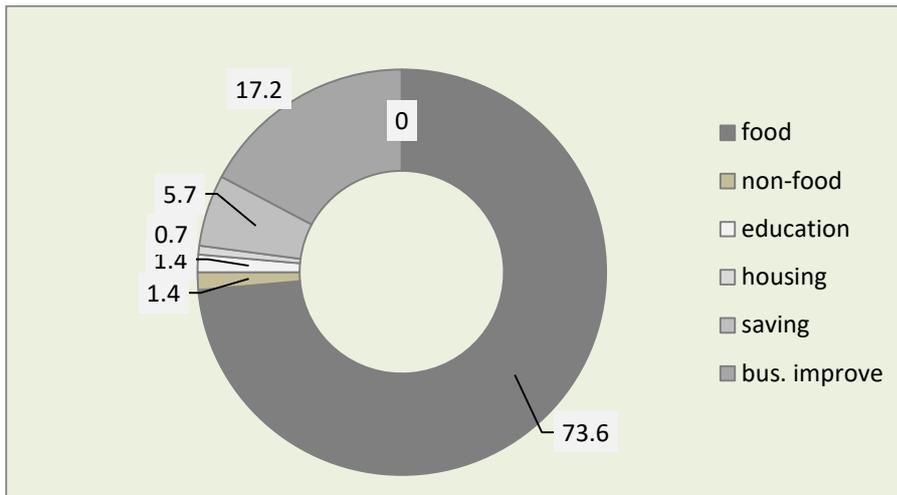


Figure 3: % distribution of micro entrepreneurs by the main purpose of the business

Source: Author’s calculations based on sample survey

Identification of potential micro entrepreneurship

Cluster one: As shown in Table 5 and 6, entrepreneurs in cluster one, are relatively old. They are on average ten years older than the youngest with mean age of 49 years. Almost half of the people in the segment are 50 years and above age shows older, but not the oldest group (51.7 in cluster 3). Most of them are at mature stages of domestic cycle having only less percentage of dependents-baring households. They revealed the second lowest educational level as well. Education level of this group is very low consisting 2.2 percent with no education. More than 50 percent of this group has only O/L or below. Entrepreneurs in this segment work least number of hours a week compared to any other group, apparently earning the least.

Table 5: Basic continuous variables

Variable	Mean values				
	Cluster 1	Cluster 2	Cluster 3	Cluster 4	Cluster 5
Net income ‘000	15.90	30.48	21.93	18.41	34.56
Firm size	1.61	4.86	1.52	1.79	2.24
Yrs of education	9.15	11.29	4.24	10.35	10.13
Firm life yrs	17.09	14.77	8.63	3.66	10.25
Hours weekly	45.22	78.90	84.69	73.96	75.31
Age	48.80	42.50	51.60	38.90	45.10

Source: Author’s calculations based on sample survey

Table 6 : Entrepreneur characteristics by cluster: demography and education

Characteristic	Clusters				
	1	2	3	4	5
Age					
below 18	0.0	0.0	0.0	0.9	0.0
18 - 30 yrs	4.3	9.5	3.4	29.1	12.7
30 - 40 yrs	26.1	38.1	13.8	34.5	20.0
40 - 50 yrs	21.7	38.1	31	13.6	34.5
50 above	47.8	14.3	51.7	21.8	32.7
Total	100	100	100	100	100
No of children					
Age 1 to 3	23.9	57.1	20.7	44.4	36.4
Education					
No Schooling	2.2	0.0	27.6	0.0	0.0
Primary	4.3	0.0	51.7	0.0	1.8
Secondary	43.5	19	20.7	24.3	27.3
O/L	32.6	33.3	0	45	32.7
A/L sat	15.2	33.3	0	26.1	38.2
Graduate	2.2	14.3	0.0	4.5	0.0

Source: Author's calculations based on sample survey
(as a percentage of cluster)

Enterprise related entrepreneur characteristics are presented in Table 7. Accordingly, percentage of people who have done salaried jobs previously is lowest for this group while unemployed is the highest. This group has the longest lived firms as well. More than 50 percent of the firms are above 10 years while one fourth of them are above 25 years. Majority of the group is volunteers to the field but this is not because they want to become real entrepreneurs. As shown by Table 8, more than 30 percent of them have chosen their activity more irrationally while other 50 percent seemed to be forced by the family tradition, socio economic background or experience. Least rational selectors are presented in this group while desire and experience are the major deriving forces in the cluster. Further, as they are least educated not surprisingly, have no idea about supportive services or institutions to improve the business. Food processing and groceries are more popular activities in the group as reported in Table 11.

Table 7 : Entrepreneur characteristics by cluster: previous job and experience

Characteristics	Clusters				
	1	2	3	4	5
Previous job					
Unemployed	63.0	52.4	44.8	48.6	56.4
Salaried	28.3	38.1	41.4	32.4	34.5
Own business	8.7	9.5	3.4	18.9	9.1
Experience					
Below 2 years	4.3	14.3	17.2	45	12.7
2 - 5 years	15.2	0.0	24.1	34.2	20
5 - 8 years	4.3	4.8	17.2	11.7	14.5
8 - 10 years	4.3	23.8	13.8	7.2	14.5
10- 15 years	28.3	14.3	13.8	1.8	16.4
15 - 20 years	13	23.8	10.3	0.0	16.4
20 - 25 years	6.5	4.8	3.4	0.0	1.8
Above 25	23.9	14.3	0.0	0.0	3.6

Source: Author's calculations based on sample survey

(as a percentage of cluster)

When entrepreneurship skills are concerned, this group shows that they have least entrepreneurship skills as shown in Table 9. Their sales targets are not competitive and easily set for shaping basic needs. Therefore, they think that they have ability in management and score higher (1.24, 1.19). Their efforts on new markets are least (-1.8) whilst the most effective feature of an entrepreneur, "work under pressure and conflict", is very low (0.14). Further, financial recording is also very low in this group. With respect to locus of control reported in Table 10, entrepreneurs in this cluster are internally as well as externally controlled. They believe that they must be fortunate enough to get something and even though they work hard it would not work successfully unless they are lucky (1.4). Nonetheless, they depend on the others for decision making.

As expected formal financial connections are very low for the group thus they have started firms by using private savings (refer Table 12). And more preciously they do not intend to get any external funds. As they are self-satisfactory by the nature, most of them expressed they don't need any future financing for the business (71%). It was shown that a considerable proportion of people have stated that they applied for loans but did not received. This, in one hand showed that they had tried to get improved at early stages but had no correct assistance. Therefore, later they seemed to have fallen in to the category of thinking "impossibility". As shown in Table 13, firm size is higher than only the lowest (1.52) in the cluster 3 and working site is temporary but specific to most of them. 95 percent of their clients are the public. This cluster records very low amount of established businesses but some innovative products. People those who are not willing to do any change is highest for this group. In addition, the majority of them are least likely to become formal (67 %).

When business related problems are considered as reported in Table 14, the entrepreneurs in cluster one are the people who have the highest proportion with credit problem. A considerable percentage of members have described “credit as a primary problem”. However, it should be clearly differentiate that they need assistances to get out of poverty as the majority of them are below the poverty line (refer Table 15). It could be emphasized that they are not credit constrained entrepreneurs instead consumption constrained poor.

Table 8: Motivation factors and future vision of micro entrepreneurs by cluster

Characteristic	Cluster*				
	1	2	3	4	5
Entry motivation					
Involuntary	0.0	0.0	6.9	0.9	0.0
Semi voluntary	67.4	61.9	55.2	46.8	58.2
Voluntary	32.6	38.1	37.9	52.3	41.8
Activity selection					
Irrational	34.8	28.6	65.5	55.0	49.1
Forced	58.7	52.4	20.7	32.4	32.7
Rational	6.5	19.0	13.8	12.6	18.2
Awareness					
No idea	91.3	76.2	96.6	86.5	81.8
Not Satisfactory	8.7	14.3	3.4	7.2	16.4
Satisfactory	0.0	9.5	0.0	6.3	1.8

Source: Author’s calculations based on sample survey

(*as a percentage of the cluster)

Cluster two: This cluster is more educated hard working and rich. They are the largest firm owners in the sector (4.6). Compared to the other groups they are younger with mean age 42 years but not the youngest. It was recorded that more than 75 percent of them are below 50 years of age of which half represents 40 years or below. Accordingly, this group seems to be dominated by the households who are at the second stage of domestic cycle because 57 percent of them have children below 10 years of age (refer to Tables 5 and 6). Further higher percentage of members of this cluster are more educated having O/L or above level. This proportion is 75 percent of the group. And 14 percent are graduates. Table 7 shows that a considerable share of the cluster has done salaried job before entering in to the microenterprise sector.

Table 9: Entrepreneurial self-efficacy level by cluster

Item	Clusters					Cornbach's α
	1	2	3	4	5	
Marketing	0.11	0.16	-0.11	0.74	0.05	0.724
Innovation	0.51	0.52	0.56	1.01	0.44	0.567
Management	0.95	0.84	0.27	0.63	0.74	0.539
Risk-taking	0.52	0.63	1.07	0.1	0.74	0.548
Financial control	0.70	1.09	0.61	0.84	0.29	0.448
Total ESE	2.80	3.24	2.39	3.31	2.25	0.778

Source: Author's calculations based on sample survey

Table 10: Locus of control by cluster

Item	Components				
	Cluster 1	Cluster 2	Cluster 3	Cluster 4	Cluster 5
1. I am usually able to protect my personal interests.	0.50	0.87	0.57	0.30	-0.05
2. My life is determined by my own actions.	1.01	0.99	0.80	0.54	1.07
3. When I make plans, I am almost certain to make them work.	0.07	1.13	0.46	0.36	0.15
4. When I get what I want, it's usually because I worked hard for it.	0.81	-0.01	0.89	0.99	0.85
5. To a great extent my life is controlled by accidental happenings.	0.73	0.66	0.82	0.85	0.88
6. Often there is no change of protecting my personal interests from bad happenings.	0.94	0.85	0.77	0.62	0.95
7. When I get what I want, it's usually because I'm lucky.	1.14	0.59	1.05	0.80	1.09
8. it's not always wise for me to plan too far ahead because many things turn out to be a matter of good or bad fortune.	0.26	0.26	-0.54	0.50	0.11
9. Whether or not I get to be leader depends on whether I'm lucky enough to be in the right place at the right time.	0.80	-0.18	-0.12	0.75	0.39
Average LOC	0.70	0.57	0.52	0.63	0.60

Source: Author's calculations based on sample survey

More than half of the cluster shows involuntary and semi voluntary entrance, confirming their motivation from the background effects as shown in Table 8. This includes again labor market imperfections and economy wide nature of unemployment. O/L or A/L qualification itself does

not provide good opportunities in the labor market in the country. Therefore, they seem to be excluded from the formal labor market. However it is not a sign of any kind of social exclusion. It was confirmed by their reasons behind moving into sector as in Table 8. 87 percent of them have claimed that they had a great difficulty in finding job. However, a considerable proportion of them (57%) think that microenterprise activity pays higher than a salaried job. And they likely to be independent having experience backed by the family background. Considerable percentage of them has chosen the current activity by doing a market search. Specially, none of them have chosen their activity on easiness. This shows that their trend towards effective entrepreneurship. As shown in Table 9, entrepreneurial self-efficacy is very high for them. Marketing ability is higher for them with very strong ability of establishing goals. Fairly high risk taking capacity and therefore innovation is high as well. However, Table 10 reports that locus of control is considerable factor in relation to attitudes.

As shown in Table 11, this group records the highest percentage in innovative products (9.5%). Furthermore this cluster is rich in containing more established business. As regards firm characteristics reported in Table 13, unlike cluster one and three entrepreneurs in this cluster have better working sites (38%). Most of them have their own (or other) but permanent sites. Clientele consists of firms showing more stable market situation for the enterprises. One fourth of members have sub contracts with firms. Therefore, not surprisingly the majority of them is in a vision of expanding the firm and likes to become formal. 67 percent which is the highest percentage among the groups likes to establish formal registered firm.

Table 11: Main enterprise activities and clients by cluster

Activity	Clusters				
	1	2	3	4	5
Food processing	17.4	28.6	32.1	8.1	9.1
Innovative productions	6.5	9.5	3.6	1.8	0
Groceries	26.1	9.5	28.6	29.7	43.6
Mobile traders	4.3	0.0	0.0	0.9	1.8
Dress making	15.2	14.3	3.6	7.2	1.8
Small industry productions	4.3	0.0	7.1	0.9	0.0
Unprocessed food	6.5	0.0	17.9	11.7	9.1
Communications	2.2	9.5	3.6	22.5	10.9
Tinkering/welding	8.7	19	0.0	3.6	7.3
Established business	4.3	4.8	0.0	6.3	14.5
Saloon/Beauty culture	4.3	0.0	3.6	7.2	1.8

Source: Author's calculations based on sample survey

However, only a least proportion of entrepreneurs have formal banking connections (14%) though it is the highest among the groups as shown in Table 12. They have use personal or private loans to start the business; supplier credit is also considerably high for them. But surprisingly a considerable percentage of people do not intend to get or in an idea of getting future funds. It seems very irrational from the formal behavior and their firm background but with their social background. Being marginalized and exclusion from the formal banking sector are the major facts behind this irrational behavior.

When considered the problems reported in Table 14, it was irrational that their inconsideration of credit problem. This can be rationalized with their low level awareness on one hand and unfavorable experience from the financial institutions on the other. Least knowledge about using credit for business improvement might have prevented them from identifying real issues or primary problems like credit. Further, they have been affected by the general economic phenomenon like inflation. These factors unwillingly reduced their investment into the business but have gone out for the consumption in order to maintain the usual level. Apparently, this group is vulnerable from the view of business development but not consumption shocks. This can be further indicated by the poverty levels. Although the majority of them completely depend on the enterprise income more than 85 percent of them are above the monetary poverty measure. And more interestingly, food is not the main prioritized objective for a considerable proportion of members in the cluster (refer to Table 15).

Table 12: Initial capital source and future funds of microenterprises by cluster

Source	Clusters				
	1	2	3	4	5
Initial capital					
Bank loan	6.3	14.3	3.4	10.9	1.8
Pvt loan	21.6	28.8	27.7	29.6	26.5
Pvt savings	58.7	38.1	41.4	52.2	45.5
Supply credit	6.5	19	3.4	5.4	7.3
Not needed	6.5	0.0	24.1	1.8	18.7
Future funds					
No need	71.7	57.1	69	47.7	41.8
Costly	4.3	0.0	0.0	9	14.5
Not received	13	9.5	3.4	9.1	14.5
Don't know how to apply	2.2	0.0	0.0	0.0	7.4
Bank loan	4.3	23.8	6.9	18.1	7.3
Pvt loan	4.3	9.6	17.2	13.5	14.5
Supplier credit	0.0	0.0	0.0	2.7	0.0

Source: Author's calculations based on sample survey

Cluster three: As reported in Table 5 and 6, cluster three is least educated, oldest, retired and hard working group with low earnings. More than 50 percent of them are above 50 years and are at mature stages of domestic cycle. Also "no schooling" is highest (27.6%) among them whilst more than 75 percent them have only primary or below. As shown in Table 7, regardless of the age they are considerably less experienced in the field. 17 percent of them have experience below two years. Majority of this group had had salaried jobs compared to the other clusters. Data reported in Table 10 further shows that this group is fairly volunteer to the field. As they are at their older ages, pensioned and just waiting for the rest of life they have no vision to expand and have no need of getting aware. Therefore, awareness level is very low for them while 97 percent of them have no any idea even about supportive services. Compared to the other segments, entrepreneurs in cluster three seemed to be more irrational in selecting

economic activities. As demonstrated in Table 9, management capacity or entrepreneurial skills are at very low level. Specifically, there cannot be seen any motivation towards marketing while innovation is less as well. However, contradictorily the nature of risk taking is higher for them. This is also confirmed by the low scores of locus of control. Food processing and commerce are the most popular activity among this group where the skills are least required (refer to Table 11). As depicted in Table 12 they have started the activities with their savings or loans from relatives /friends. Since the activities are least capitalized or no capital is needed for most of them. One fourth of them have stated that they had no starting capital needed. Further, considerably higher (69%) percentage of members of this cluster have expressed that future funds are not needed.

Table 13: Business premise, clients and vision of microenterprises by cluster

Characteristic	Cluster				
	1	2	3	4	5
Premise					
Permanent own	28.3	38.1	27.6	36.9	49.1
Permanent other	26.1	57.1	37.9	46.8	34.5
Temporary specific	39.1	4.8	24.1	10.8	12.7
Temporary	6.5	0.0	6.9	5.4	3.6
Clients					
Firms	2.2	4.8	3.4	0.9	0.0
Public	95.7	66.7	89.7	89.2	92.7
Firms & Public	2.2	23.8	6.9	9.0	7.3
Preference to be formal					
Yes	39.1	66.7	48.3	58.6	63.6
Future plans					
No Change	21.4	14.3	41.3	18.9	20
Improve	76.1	85.7	58.6	77.5	78.2
Shut Down	2.2	0.0	0.0	3.6	1.8

Source: Author's calculations based on sample survey

Since they are retired and seemed to have connections with their previous working places like port, railway, hospitals etc. they have some sort of sub contracts supplying prepared food etc. therefore a part of clientele for them is firms. Further, firm size is the lowest with highest percentage of self-employees and more resembles cluster one in many aspects. Table 5.29 further shows that this cluster contains the highest percentage of memberships who do not intend to do any change in their business (41%). As expected and withstanding their mindset, this group is least likely to become formal or established. They are also survival firms like cluster one but with a little deviation, almost 60 percent of them are self-employed. Notwithstanding that they are younger firms they have no vision to expand or improve.

According to Table 14, credit is not a primary problem for this group compared to the others. No resources or labor issues related but economic downturns. And highest percentage of people is free from business problems. Table 15 reports that enterprise income is not the main source for a considerable portion of this group. Thus this group is least dependent on microenterprise income since majority of them were previously employed. They are in the sector to survive for the rest of the life having a supportive income.

Cluster four: This is the largest of the subgroups with the youngest entrepreneurs (mean age 38.9 years) and with youngest firms as in Table 5. They have better earnings though not the highest. Above 65 percent of the members are below 40 years of age of which 30 percent fall in to 18 – 30 age group. This is the youngest entrepreneurs group in the sector therefore majority of them are at early stages of the domestic cycle with more inward responsibilities. This cluster is fairly more educated with a considerable percentage of members having O/L or above qualification. Especially, no schooling or primary only educated people are not presented in the cluster. This shows higher level of human capacity within the group. This group constitutes the new entrants to the labor market. Thus, not surprisingly the majority of them are unemployed previously as shown in Table 7. Apparently, 45 percent of the members are less experienced whilst more than 60 percent has less than five years experience in the field. Majority of them are volunteer to the sector and may have been pushed by the background as well as socio economic reasons. Going with the common trend the awareness level is very low among the members so as activity selection is more irrational (refer to Table 8).

As reported in Table 9, majority of the members are skilled entrepreneurs but least likely to take risks (0.1). Therefore, innovation is low. They reported a sort of internally controlled in nature and more dependent on outside advices and supports in the decision making process. They showed no quick responses to day today business issues. The majority of this cluster stated that their difficulty in finding an alternative or job as the main reason for attending business activities. Least experience leads them to choose the “desired” activity (47%). However, a considerable percentage assumes that enterprise income is higher than salaried with more freedom. As regards firm characteristics reported in Table 13, more than 75 percent of the entrepreneurs in this group have permanent premises. Persons in this group is backed by the parents and thus having other arrangements fairly satisfactory. However, a higher percentage of people have formal sector loans and hope to get formal credit as well. This must be the second generation and therefore their background is fairly good regarding formal sector connections. A considerable proportion of members have pointed that their main problem is credit while general macroeconomic situation related problems takes the priority (22.5%).

Table 14: Main business problems of micro entrepreneurs by cluster

Problem	Clusters					Total ^a
	1	2	3	4	5	
Credit (primary)	26.1	9.5	10.3	11.7	14.5	17.29
	6.5 ^b	4.8	3.4	6.3	7.3	
Demand	13.0	9.5	3.4	6.3	7.3	19.08
	13.0	23.3	0.0	9.0	12.7	
Other Resources	8.7	4.8	6.9	1.8	1.8	12.21
	15.1	23.3	0.0	10.8	5.4	
Earnings	2.2	4.8	10.3	1.8	0.0	19.87
	6.5	14.4	0.0	9.0	18.0	
Competitiveness	10.9	28.6	6.9	18.0	16.4	36.64
	24.2	14.3	17.2	20.5	21.2	
Labor	2.2	9.5	0.0	3.6	5.5	12.21
Raw materials	2.2	0.0	0.0	0.0	1.8	3.44
Infrastructure	2.2	0.0	3.4	8.1	1.8	14.12
	10.8	14.3	6.8	7.2	10.9	
Macro-economic	6.5	14.3	17.2	22.5	29.1	52.67
	45.6	47.6	34.4	26.1	41.8	
No considerable problem	19.6	19	31.0	19.8	18.2	20.61
Cluster membership	46 (17%)	21(8%)	29(11%)	111(42%)	55(21%)	262

Source: Author's calculations based on sample survey

^aPercentage in total sample

^bCited as a problem

Overall poverty status of the group is comparatively low keeping three third of people above the monetary poverty line. Nevertheless, food is not at the first priority for a significant portion. Further, this group represents highest motivation in income allocation for business improvements. Other than those enterprise income is not the main family income source for the majority implying the possibility of prioritizing the growth of the firm in this group (refer to Table 15).

Cluster five: Cluster five has the highest income earners having Rs.34500 average income. Compared to cluster three and four firms in this cluster are fairly long lived and large. Entrepreneurs are more educated, hardworking and 45 years old in average. More than 60 percent of them have secondary or higher education level. Compared to cluster one this group is more educated though older (10.1 years of education in average). As reported in Table 7 they have established firms with fairly high experience level. More than 30 percent of them have above 10 years experience in the sector. And they are fairly hard working entrepreneurs. As with cluster one this group is also overwhelmingly voluntary to the sector with their age, stability and unavailability of alternatives (refer to Table 8). As with the cluster three, those who engaged with salaried jobs previously (23.6%) are also high for the cluster but never employed share is considerable as well. This gives evidence again on the labor market fragmentation in the country. Majority of this cluster has motivated to the sector mainly because of unemployment. Therefore, the number of entrepreneurs who cite an inability to find another job as the reason to start the business in relatively high (89%) and the share to be independent is also considerable. Activity selection has done on the basis of experience (25.5%) and the desires (43.6%). As expected with the existing background and with their pessimistic view, awareness level for this group is also considerably low but not worse than cluster one and three.

Data reported in Table 9 shows that entrepreneurial self-efficacy is least for this cluster (0.77). Especially, keeping financial records, working under pressure and conflict, achieving multiple goals, innovations as well as searching new markets or meet sales goals are lowest for them. Thus, overall ESE score is very low. However, in contrast, locus of control (0.6) level is fairly high for them showing their independence in the business.

Initial capital for the businesses of this segment is somewhat high. They have used private savings and informal loans to start the business (71%). Future funding arrangements are not necessary for the majority of entrepreneurs. However, they have voted for the credit problem (14.5%) but as usual for the sector formal banking connections are very low (1.8%).

Table 15: Poverty level and contribution of enterprise income by cluster

Item	Clusters				
	1	2	3	4	5
Main source					
Yes	67.6	80.4	62.1	64.0	83.6
Net income priority					
Food	82.6	66.7	89.7	65.8	81.8
Business improvement	10.9	23.8	3.4	23.4	7.3
Poverty					
On or above poverty line	54.3	85.7	75.9	73.9	55.0

Source: Authors calculations based on sample survey

In contrast to the cluster one and three, majority of this group per se has their own permanent working sites as shown in Table 13. However, no contributory or innovative productions can be seen in the section but more established business like groceries, hardware stores etc. Apparently have no other complaints but general economic condition related problems are at the top. Hence, economy wide issues or macroeconomic environment competitiveness and credit are the three main business problems. Competitiveness has immersed with product homogeneity. Therefore, least diversification has fuelled an excessive competition which is the major business problem for this group.

Table 15 shows that more than 83 percent of them fully survived from the enterprise income and food prioritized. Though they the highest earners it is reported that the level of poverty is high for the majority of the group (45%) showing high level of income variation within the group. It should be noted that the net income share for the business improvement is the least for this subgroup compared to all other groups who earns less. Most probably, majority of entrepreneurs in this segment seem to be vulnerable to consumption shocks due to their pattern of life, informal loans or erroneous money management.

SUMMARY AND CONCLUSIONS

In search of underlying segmentations of the microenterprise sector in urban informal sector, Ward's hierarchical cluster analysis was run. Under this technique, objects are classified so that each object is very similar to others in the cluster with regard to some predetermined selection criterion. The resulting clusters or objects exhibit high internal (within-cluster) homogeneity & high external (between-cluster) heterogeneity.

The majority of entrepreneurs in cluster one is previously unemployed it can be seen involuntary entrance due to lack of opportunities in the formal sector. This is often called as labor market segmentation which describes the insufficiency of job opportunities for the lower belt of the market. This implies that there are no sufficient job opportunities for the people who have low education and experience. Thus they have entered in to this field at very young ages. Then they have adopted to do very simple less technical lower end economic activities in order to provide food for the family though it is not sufficient but having satisfying behavior. This is indicated by several factors. The basic findings show that the entrepreneurs in cluster one are hardworking, earn less, poor but they have been in the sector for a long time period. Majority of them are self-employed from the beginning to more than 15 years showing no graduation. Further, regardless of the firm age, working site is temporary for the majority. This clearly confirmed their unwillingness to grow. Low educational level and high rate of unemployed presumed that they have no accumulated human capital while high poverty rate confirmed low level of physical capital as well. Even though they earn less they have stated that they do not need funds to improve business while they have least complaints on business problems. Further, they do not have strong vision to improve the enterprise as well. These evidences clearly show that enterprises in this segment are “survival”.

Cluster three is least educated, oldest, retired and hard working group with low earnings and less experienced in the field. This group is fairly volunteer to the field as well. Firm size is the lowest with highest percentage of self-employees and more resembles cluster one in many other aspects. This cluster clearly represents “survive forever” firms. The headed theme of running a firm is not to be a dependent. They are surviving putting no burdens to the government. They are neither consumption constrained nor no credit constrained. Further, people in this group are not vulnerable. That is they have no competition between firm and the day today life needs.

The rate of motivation to become successful entrepreneur is least among the entrepreneurs in these two clusters. Since they had involved in hardworking labor employments they might not be physically wellbeing in efficient / active working. Especially, they cannot be taken into the productive field changing their vision because they are not ready for those altitude changes with the age level. Nevertheless, their entrepreneur skills are very low. Therefore they have to be trained intensively for a growing firm. The possibility of getting effective and dedicative training is least for this group with their socio economic, family background and specifically with low educational level. Thus, motivation would be impossible for them. All in all, these groups are not viable entrepreneurs that could be motivated to forefront in order to achieve objectives of microenterprise sector to the economy.

It was indicated that the entrepreneurs in cluster two is more educated hard working and rich. Education level is very high. Entrepreneurial self-efficacy is very high and marketing ability is higher for them with very strong ability of establishing goals. Fairly high risk taking capacity and therefore innovation is high as well. These basic findings clearly imply that cluster two is the most viable entrepreneurs in urban microenterprise sector. They are credit constrained though they are perfectly not “entrepreneurship is in the belly”. Considerable proportion has effective need to become entrepreneurs. However, it is an essential requirement in forming policies to develop skills and change attitudes complementary to enhancing credit facilities. Competitiveness is the major problem which could be a resulting impact of low motivation towards new markets, low levels of risk taking. Nevertheless, marketing strategies are very weak in the group. They must be trained sufficiently to use credit facilities successfully to graduate the firms to attain economy wide goals, but not a challenging issue.

Cluster four is the largest of the subgroups with the youngest entrepreneurs and with youngest firms. They reported a sort of internally controlled in nature and more dependent on outside advices and supports in the decision making process. They have high willingness to grow but competitiveness and general economic constraints. They clearly show that they are credit binding with shortage of knowledge. Therefore, entrepreneurship skill development with increasing awareness is key to make these firms graduated. Demand is not a key issue for them but competitiveness. This might be attributed to the fact that they are not neither risk takers and apparently nor innovators. Innovativeness, in the sense introducing something new or marketing with a considerable diversification etc., are crucial to reduce completion within the sector. The nature of the business naturally traces out or makes failure the undiversified productions. It is evident that this group is at a transitory period. Thus they will be in the sector as long as they are unemployed. This group represents the majority of the sample containing 42 percent shows a great possibility to become successful entrepreneurs provided the required complementarities. It was quite interesting that cluster four is approachable with entrepreneurial dynamics which can be acquired by the education. However, the essential skills are needed to developed in order to make them remained in the sector as effective entrepreneurs.

Proving a higher level of heterogeneity within the micro entrepreneurs in urban informal sector, this analysis identified five main segments considering demographic, socioeconomic, business related and also psychological factors related to micro entrepreneurs. According to characteristics of the cluster membership, cluster one is “survival” while cluster three is “survival forever” and cluster five seemed to be “self-sufficient”. Survival or survival-forever groups cannot be assisted for the growth due to their setup and other related characteristics while self-sufficient group has least capacity to expand within the micro context. All three groups are therefore falls in to the category of “non-optimizing” in nature showing the least possibility of growing. However, cluster two and four are cases to be concerned. Cluster two and four are growth oriented and hence potential groups that could be finalized as the viable micro entrepreneurial blocks which have greater potential to grow with the complementary assistances. The current study utilized a scientific method in identifying potential entrepreneurship. Thus, the study will be a guide to screen the micro entrepreneurship specifically in the developing world in more sophisticated manner before commencing ad-hoc policies on miss-specified targets.

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