Analyzing the Determinants of Entrepreneurial Activity Level in Urban Micro Enterprises in Sri Lanka

B.W.R. Damayanthi *(bwrdam@sjp.ac.lk)*
University of Sri Jayewardenepura

Abstract

Micro entrepreneurship's potential as a main source of inclusive growth in developing countries is well acknowledged and therefore it emerges as a key agenda item for economic policy makers. The success of the enterprises is not only dependent on the entrepreneur's ability but also on the other factors. Therefore, investigating the determinants of entrepreneurship activity level such as socio-demographic, economic, cultural environment and personality characteristics of the people are essential ingredients for formulating suitable policies for enterprise development. Hence the main objective of this study is to investigate the determinants of urban micro entrepreneurship activity level in Sri Lanka. Data were drawn from a sample of 300 micro entrepreneurs chosen under stratified random sampling method. The determinants of probability of being in different categories of informal micro entrepreneurs within the entrepreneurial process were examined on the conceptual basis of Eclectic framework decomposing the entrepreneurial process into three phases: nascent, young and old business owners utilizing multinomial logistic model.

It was found that education is positively significant for all three levels of entrepreneurship and it is the most prominent which increasingly effects on the odds of being nascent entrepreneur. Young entrepreneur is more significantly negatively affected by administrative related issues and complexities, lack of financial support; internal locus of control rather than nascent entrepreneurs while availability of necessary infrastructure seems to encourage an active involvement in entrepreneurial activity at the nascent phase more significantly. This study suggests multipronged approach to assist micro entrepreneurs specifically providing easy access to credit, intensive follow-up trainings to overcome the issues related to knowledge, skills and attitudes, minimize disturbing factors like administrative issues (licenses, approvals, infrastructure providence etc.), and poverty reliefs to improve effective dynamic entrepreneurship and lessen hurdles on entrepreneurial activity and thereby economic growth.

Keywords: Urban Micro Entrepreneurship, Multinomial Logit Models, Micro Enterprises, Sri Lanka.

INTRODUCTION

In the global perspective, entrepreneurs are regarded as an essential component in a country's economic growth. Entrepreneurial activity is very important for the economic development of any country (WB, 2013). In developing country context, micro entrepreneurship marks its significance as nudes of industrialization, main source of employment creation an income generation (Daniels, 1999; Liedholm & Mead, 1999; Pieters et al., 2010). Hence, micro entrepreneurship's potential as a main source of inclusive growth in developing countries is well acknowledged and therefore it emerges as a key agenda item for economic policy makers (WB, 2013).

Sri Lanka has taken many initiatives to promote entrepreneurs, including an allocation of 500 million rupees to support Small and Medium scale Entrepreneurs (SMEs), and the creation of a central agency for SMEs in 2016 budget proposed (Ministry of Finance, 2016) there are still many challenges. Firstly, it was founded that attitudes of Sri Lankans towards business as an occupation are not favorable (Weerathunga, 2010). Secondly, the interest in entrepreneurship among the youth remains low, and they have negative attitudes towards starting their own ventures (Arunathilake & jayawardena, 2010; Ibargüen, 2005; WB, 2010). Further, lack of collateral, lack of access to credit, administrative complexities have been found to be the major reasons that constraints the expansion of materialized entrepreneurs that can provide a significant boost to the economy (Damayanthi, 2016). This clearly indicates that the determinants of entrepreneurial activity level are not necessarily the same across the stages of the entrepreneurial process (Davidsson, 2006; Reynolds, 2007). Further, the success of the enterprises is not only dependent on the entrepreneur's ability but also on the other factors. Hence, investigation of level specific covariates and their effect size is essential in forming effective policies that stimulate enterprise in deprived areas and to remove the specific obstacles faced by firms in specific stages in the entrepreneurial process. Therefore the main objective of this study is to investigate the determinants of urban micro entrepreneurship activity level in Sri Lanka.

LITERATURE REVIEW

Entrepreneurship is a multidimensional phenomenon in its measurements as well as functions. It can be an individual, small or a large firm, industry, region or a country in terms of unit of observation (Davidsson & Wiklund, 2001; Davidsson, 2006; Freytag & Thurik, 2007; Praag, 1999; Wennekers & Thurik, 1999). On the other hand, it is multidimensional from its roles which are deriving from variety of disciplines such as economics, sociology,

and psychology (Wennekers et al., 2002). Therefore, the concept of entrepreneurship is broadly defined with wide range of meaning and still in dispute (Afrin, Islam, & Ahmed, 2008; Kuzilwa, 2005).

The economists' definitions of the entrepreneurship, characteristics and the role on the economy vary considerably. There can be seen wide range of their opinions about the capability, conduct and attitude required for the entrepreneur to be successful. Cantillon and Kirzner (1973) stress the importance of alertness and foresight, of being able to discover profit opportunities. Say and Marshall associated entrepreneurship with a person, often as a risk taker, business organizer, innovator, and profit seeker giving much weight to certain abilities related to management, leadership, and industry. Schumpeter (1949 as in Praag, 1999) supposes successful entrepreneurship to be dependent on a certain attitude, a willingness to show deviating behavior with implied innovativeness. Moreover, in Knightian world a successful entrepreneur is an uncertainty-bearer and judgmental decision maker. He integrates psychological traits in to the neoclassical ability requirements (Praag, 1999).

However, empirical literature also suggests several other factors behind the probability of being a successful entrepreneur. McClelland (1961) emphasized entrepreneur as a person who has very strong eagerness to achieve intended targets. He claimed achievement motivation as the foundation characteristic of a successful entrepreneur. According to Kearney (1996) an entrepreneur is a person who has the capacity and willingness to initiate and manage creative action in response to opportunities or changes. Stevenson (2000) has expanded entrepreneurship through six critical dimensions of business practices such as, strategic orientation, commitment to opportunity, commitment and control of resources, management structure, and reward philosophy, which are related to entrepreneurship development.

Examples from researches show that the definition of entrepreneurship has been not only changing but also expanding over the time. Expansion can be seen over two main focuses: before 1990, it was on personal and psychological factors while after 1990 focus was given on managerial and environmental factors. Further, some definitions are concerned with business development aspects like opportunity seeking, initiative taking for establishing new business venture, creating wealth etc. while some are related to behavioral aspects such as achievement motivation, risk taking propensity, inner urge to do something for him and for

the society as well (Ahmed & McQuaid, 2005; Afrin, Islam, & Ahmed, 2008). With basis of the theories, the definitions, the role and the push factors have been changing over the time.

Essentially, entrepreneurship is not a static term in the philosophy but a dynamic process in the economy that create wealth, employments, technologies, goods, services and many more. In this process the above described qualities, characteristics or the behavioral factors together with other environmental covariates act as determinants of different levels (Verheul et al, 2002). However, when the theories come in to practice, measurable variables have been identified to represent conceptual ideas and incorporated in to different framework approaches. In this respect, Kuzwila (2005) claimed that there are four systems: support system, socio-sphere system, resource system, and self-sphere system. Under these concepts he described variety of influential factors including technical competence, organizational climate independence, initiative, innovations and risk taking norms manpower, market raw material, transport communication, motivation and skill personal efficiency.

One of the basic approaches developed by McCormick and Pederson (1996) classified the determinants of entrepreneurial activities in to three main factors: predisposing, triggering and constraining. Predisposing factors refers to entrepreneurs' background (education, work experience, personal ties) and personality which are important human capital that influences the ability of an entrepreneur in dealing with the business environment. Correlates those that promote entrepreneurial activity such as increase in the domestic demand for a particular commodity, increased processing capacity, market opportunity, or an opportunity to export due to linkage to a particular chain are called triggering factors. Triggering and predicting factors jointly in favorable to the supply of entrepreneurial activities while constraining factors said to be against entrepreneurial activities. These include lack of financial resources, lack of information, lack of appropriate education and weak markets.

In analyzing the determinants of entrepreneurship, Verheul et al. (2002) have presented more analytical and more representative framework into which all the above theoretical as well as practical considerations can be grasped. It is called Eclectic framework which is basic conceptual framework for the current study.

Eclectic Theory*:* The main purpose of the eclectic theory of entrepreneurship is to integrate the different strands of the literature into a unifying framework to analyze the determinants of entrepreneurship level. It distinguishes between various disciplines, several levels of analysis

(micro, meso and macro), and classifies the explanatory factors into two broad categories – supply and demand side factors. Both demand and supply influenced by many factors and make equilibrated the entrepreneurship level. Therefore, policies can be channeled to shift two forces up. Determinants of entrepreneurship can be analyzed according to the level: micro, meso and macro or alternatively individual, industry or national economy. At an individual level supply side factors determined entrepreneurship level are personal factors such as psychological traits, education and other skills financial assets, family background, previous work experience etc.

At other levels the demand side the framework focuses on factors that influence the industrial structure and the diversity of consumers' tastes, such as technological development, globalization and standard of living. Population growth, urbanization rate, age structure, participation of women in the labor market, income levels and unemployment etc. macroeconomic variables have been considered with the supply side factors. This framework deals with the decision-making process of entrepreneurship and effective covariates through "influencing preferences." Further, this frame work creates insight into the role of government policy more elaborative way by identifying the channels through which policy instruments influence either the demand or the supply side.

Under this frame work, there are five main ways that an entrepreneur can be influenced to stimulate actual rate of entrepreneurship (E) when it deviate from natural rate (E*).

G1- Intervention on the (macro) demand side to entrepreneurial opportunities. Factors that stimulate entrepreneurship such as technological developments, competition policy and establishment legislation, infrastructure improvement fall under this path. By fostering technological development, and improving accessibility of markets, governments create opportunities for entrepreneurial ventures and the creation of enterprises.

G2- Intervention to increase the supply of entrepreneurs. This can be done by stimulating characteristics increasing number of people in the population from the policies i.e. immigration policies at macro level.

G3- Influencing the availability of resources, skills and knowledge by increasing the availability of inputs (e.g. financial and knowledge) into the entrepreneurial process.

G4 -Influencing preferences. Individual preference, their values and attitudes are mostly determined by the culture. However, interventions are possible to change people's values and

attitudes through education. Especially entrepreneurial self-efficacy and locus of control play a crucial role in willing to growth in micro entrepreneurs in developing country context.
G5- Influencing the risk-reward profile of entrepreneurship, i.e., the relative attractiveness of entrepreneurship rather than other employment options. Some of the macro level policies can affect directly as well as through perceptions and play a role in risk tolerance. Policies in the field of institutional legalization, taxation, social security, market regulation, can directly influence the decision-making process of individuals (Audretsch, 2002).

Other than the most popularly used personal characteristics and the internal institutional factors, some of the crucial factors like external environment in which business is conducted have been considered by the framework. External factors are seemed to be playing a crucial role in terms of fostering or frustrating entrepreneurial activities in terms of firm creation; firm expansion and implementation of process; product and management innovation within a firm in the modern economies especially in developing country context where the issues such as the fiscal environment, labor market regulations, administrative complexities, education and skill upgrading, etc. are crucial in determining the entrepreneurial dynamics. These demand as well as supply side factors can be moderated by the changes trough natural or through interventions to make changes in entrepreneurship level (Grilo & Thurik, 2008). Under this framework mostly occurred types of influential factors at the individual level and some of the interventions but taking as resource availability were considered in the current study through supply side of entrepreneurship as pointed out in the diagram below.

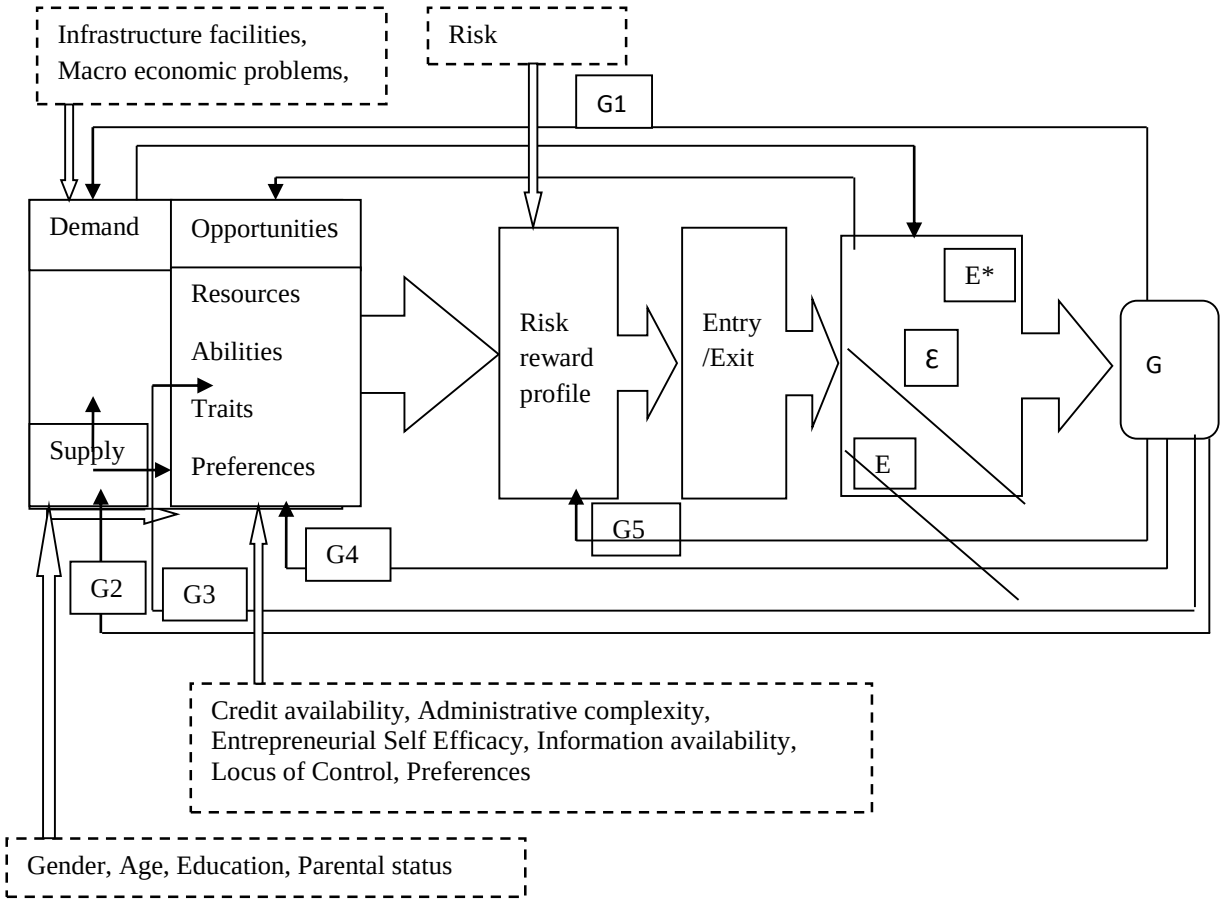

Figure: 1: Variables used in the current study under eclectic framework

METHODS

Research Design, Sampling, Data Collection and Validation

This study explores enterprise as well as entrepreneur information to investigate entrepreneurial activity level covariates. Thus, a non-experimental quantitative research was designed to use the variables as it appears in practice. As survey research method allows inclusion of a range of questions related to enterprise and entrepreneur aspects, the main survey tool of the study was questionnaire which consisted close ended questions. Considering the heterogeneity of the sector, semi structured interview method was seen as the best suited data collection method. Within this methodological setting, data were drawn from a stratified random sample of 300 micro enterprises in urban underserved settlements (USS). Occupying the facilities provided by SPSS 22.0 data were primarily screened for wild codes, inconsistencies, outliers and influential cases and managed so that the statistical analysis can be done with minimum data distortions. The original data collections for this study consisted

ratio, scale and nominal. They were meaningfully recorded so that the requirements of the statistical models are met.

Variables

Differenciation of activity levels for the current study was done cosidering two main indicators: age of the entrepreneur , age of the firm. As regards age, Grilo & Thurik (2008) defined enterprises below three years are nascent and described age of 24 – 34 men are mostly in nascent phase. Davidson (2006), Delmar & Davidson (2000) claimed that likelihood of becoming self-employed varies with the age and many business owners are within the age category of 25-45. Grilo and Thurik (2005a), Reynolds et al (2002), Storey (1994) postulate nascent entrepreneurship rates are highest in the age of 35 – 34. A significant portion of literature provide evidence as "survival is of the paramount importance to the success and sustainability of micro entrepreneurs" for many reasons. Boden & Nucci (2000), Chiliya & Lombard (2012) found length of the time that the firm has been in operation is positively related with all the other performance measures. Bosma, Praag, and Wit (2000), Chirwa (2008), Daniels (1999), Guliyani & Taluhdar (2010), Liedholm & Mead (1999) implied that survival itself is success. Taking in to consideration literature findings and sample descriptives, the nominal dependent variable for the model was constructed. Accordingly, existing entrepreneur categories assigned values 0 for "age below 34 and enterprise below 3 years"; value 1 for "age between 35- 45 and enterprise between 3-10 years"; value 2 for "age above 45 and enterprise above 10 years", to represent "nascent", "young" and "old" business owners respectively. However, respondents' age was not considered for the micro entrepreneurs whose previous job is "salaried" in private or public sector. The term "old" is used to differentiate the firm status from "mature" since the categorization of design variable does not imply any hierarchical order.

Independent variables were taken considering enterprise and entrepreneurship related internal and external factors. In the sense, except psychological aspects all the other variables related to entrepreneurship were considered as external. Model specified contains design variables: dichotomous main effect covariates; polychotomous main effect covariates and linear continuous variables. All design variables were dummy coded: dichotomous covariates coded zero to one and polychotomous covariates with zero to n-1 dummies using reference cell coding method which is widely accepted and least complexity reported to design nominal variables. Moreover, reference groups were coded and arranged according to the principle of

parsimony in modeling and so that those are in some sensible fashion to eliminate numerical problems.

Empirical Model

Empirically testable dependent technique implies from the objective of the current study is multinomial logit model where the outcome variable is defined as unordered and with multiple choices which is specified as follows.

Multinomial Logistic model (MNL) is estimated for the odds across entrepreneurial activity. Let k denotes all the categories and *j* indicates the category a microenterprise owner fall into. In this framework, it is allowed the categories to take three values (j = 0, 1, 2) for "nascent", "young" and "old" in entrepreneurial activity levels respectively.

Allowing the probabilities to depend on individual entrepreneurial characteristics and when Ɛ= 0 the standard form for the multinomial logit model is,

$$P_{ij} = \sum_{q=1}^{Q} \beta_q X_q \qquad where \;\; q = 1 \dots \dots q \;\; \forall \;\; i, j, n \tag{1}$$

Where P_{ij} is any random variable whose value reflects the activity level (j = 0, 1, 2) an entrepreneur falls into. β s are vectors of unknown regression parameters each across different categories of the dependent variable. Then, the probability that a microenterprise *i* will fall into any alternative can be derived in its general form,

$$P(y_i = j) = \frac{exp(x_i \beta_j)}{\sum_{k=0}^{J} exp(x_i \beta_k)} \tag{2}$$

Taking the linear transformation through normalization of equation 2 avoids the parameter identification as well as interpretation issues. Hence, the normalization is made by setting β_0 =0 the model in terms of log-odds ratio for J-1 non-redundant logits, (Maddala, 2001).

$$P(Y_1) = ln\left[\frac{P(Y=1)|x}{P(Y=0)|x}\right] = \beta_1 x_i \tag{3}$$

$$P(Y_2) = ln\left[\frac{P(Y=2)|x}{P(Y=0)|x}\right] = \beta_2 x_i \tag{4}$$

The model is said to be linear with respect to the log odds ratio and outcome and the baseline category. Since β_0 is 0 for the model ratio of probabilities is,

$$\frac{P_{ij}}{P_{i0}} = \frac{e^{x_i\beta_j}}{e^0} = e^{x_i\beta_j}$$

Therefore, log odds is

$$ln\left(\frac{P_{ij}}{P_{i0}}\right) = x_i\beta_j$$

Where it is in the general form,

$$ln\left(\frac{P(y_i = j)}{P(y_i = 0)}\right) = \sum_{i=1}^{n} \beta_{ij}x_{ij} \quad \forall\ j = 1,2\ j \neq 0 \qquad (5)$$

Multinomial logit model generated as in equation 5 express ratio of log of odds is a function of vectors of β and a vector of independent variables x. Expanding this expression by including variables used in the study the operational models can be specified. For this study specified functional form of the operational model including entrepreneurial activity levels and entrepreneur/enterprise characteristics. Accordingly, taking the logarithm of the ratio of any two choice probabilities to get the log odds ratio, the full model for the determinants of varying the probability across entrepreneurial activity levels is

$$\ln\frac{P_{ij}}{P_{ik}} = \alpha_0 + \beta_1 depnd + \beta_2 Admnprb + \beta_3 credit + \beta_4 loc + \beta_5 \inf + \beta_6 trad + \beta_7 ese + \beta_8 hours + \beta_9 d_{unem} + \beta_{10} d_{sal} + \beta_{11} d_{eduhigh} + \beta_{12} d_{edusco} + \beta_{13} d_{gen} + \beta_{14} d_{matial} + \varepsilon$$

In this model, dependent variable is three entrepreneurial activity levels: nascent, young and old while entrepreneurs' personal, household-level demographic, socioeconomic characteristics and enterprise factors are included as predictors.

RESULTS AND DISCUSSION

Once the demographic characteristics of the sample are considered the majority is males (79 percent) while female representation is only a small fraction (21 %). Generally, male representation in microenterprise sector is very high in this sector. Approximately half of entrepreneurs are 18 – 40 age groups while a higher proportion, 26.4 percent, is between of 30 to 40 years. 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 USS 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.

There is a very wide range of microenterprise activities in urban underserved settlements, although not evenly spread across the different wards. 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. All together commerce activities constitute more than 75 percent of microenterprises in the sample.

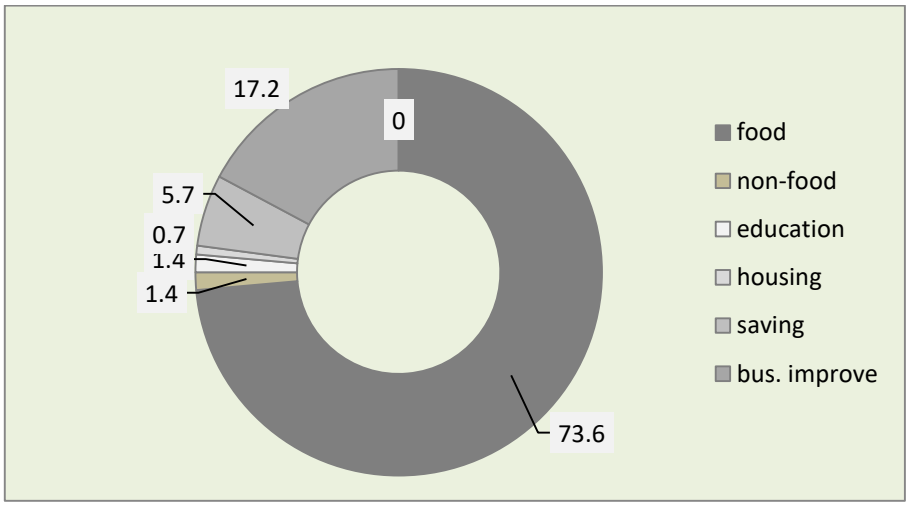

Figure 2: % distribution of micro entrepreneurs by the main purpose of the business

Table 1: Key problems of micro entrepreneurs

Problems	Rank[ab] (% of micro entrepreneurs)			
	1	2	3	Cited[c]
Loan	43	7	11	21.0
Demand	23	15	11	18.6
Resources	12	11	6	11.9
Earnings	7	13	8	10.5
Admin/Gvt	15	18	6	13.9
Competition	49	39	14	35.9
Labor	11	14	8	11.9
Raw materials	2	1	4	2.7
Infrastructure	15	13	9	15.6
Macro economy	59	52	28	49.5

Source: Author's calculations based on sample survey

[a] as given by the respondents

[b] multiple responses were possible

[c] cited as a problem

Table 2: Determinants of entrepreneurial activity level: multinomial logit estimates

	Nascent Entrepreneurs			Young entrepreneurs		
Variable	Coefficient	OR[a]	Wald	Coefficient	OR	Wald
Constant	-2.035		3.608	-1.931		3.491
	(1.071)			(1.033)		
Gender	0.197	1.217	0.152	-0.002	0.998	0.001
	(0.502)			(0.463)		
Single	2.125*	0.044	13.505	-0.88	0.415	2.048
	(0.540)			(0.615)		
Dependents	2.533*	8.592	13.994	2.369***	7.689	16.970
	(0.434)			(0.390)		
Secondary Above	1.309**	3.694	6.547	0.695*	2.004	2.050
	(0.511)			(0.485)		
Some secondary	1.162**	3.196	6.349	1.143**	3.136	7.459

	(0.461)			(0.418)		
Tradition	0.384	1.468	0.945	-0.4	0.961	0.120
	(0.395)			(0.369)		
Hours worked	0.014	1.014	2.947	0.004	1.004	0.280
	(0.008)			(0.007)		
Unemployed	0.949**	2.584	2.565	0.807*	2.242	2.442
	(0.593)			(0.517)		
Salaried	0.251	1.285	0.156	-0.119	0.887	0.046
	(0.635)			(0.557)		
Prob_admins	-0.004	1.491	0.499	-0.833*	0.900	2.592
	(0.566)			(0.517)		
Credit availability	1.69**	5.402	4.170	1.635**	5.129	4.352
	(0.828)			(0.784)		
LOC	0.376**	1.456	3.686	0.485**	1.625	6.618
	(0.196)			(0.189)		
ESE	0.267**	1.306	1.727	0.416**	1.371	2.799
	(0.203)			(0.189)		

*** p < 0.001; ** p < 0.01; * p < 0.05, (SE), [a] Odds Ratio

Relative to having old business nascent entrepreneurs are more likely to affect by some demographic factors like marital status having more dependents etc. the odds of being in the nascent entrepreneur level increased considerably the presence of dependents while married people are also more likely to be in this group. This variable has positive and significant effect of predicting odds of young business as well. According to the results recorded, the prominent factor that impacts positively on the odds of being entrepreneur for both groups is having dependent children.

As pointed out in the Table 2 education is positively significant for all three levels of entrepreneurship at 5 percent level of significance. χ^2 (1) = 6.6, p<.05 and χ^2 (1) = 6.3, p<.05 for nascent entrepreneurs and χ^2 (1) = 2.1, p<.01, χ^2 (1) = 7.4, p<.05 for young enterprise owners respectively. Except some demographic factors education is the most prominent which increasingly effects on the odds of being nascent entrepreneur rather than having an old business. A year change in education will increase odds for the sector by more than 3.5 times. Having secondary education also shows a similar impact but little less than that of higher education. Unit change in secondary education factor leads to increase odds of been

nascent by almost three times. This further confirms the reference group is much more likely to be in this group compared to those who have secondary education. Hence, preference of being nascent is higher regardless of the level of education. Micro entrepreneurs who are more educated less likely to be young enterprise owners showing an odd increase only by two compared to low educated firm owners. However, impact of secondary education is stronger for this group. Year increase in this variable shows an increase of odd of being young business owner by about three times compared to lower education. Nascent entrepreneur preference of more educated people could be generalized by their transitory occupational options. Most of the people in the informal sector attached to microenterprises only until they are absorbed by the formal sector. Secondary level of education has much more preference to young enterprises because the dropouts of O/L and A/L have fewer opportunities in the formal sector unless they are qualified with any other professional experience. They tend to remain in the micro enterprise sector. Overall, this suggests that education matters in triggering at the phase of starting as well as running the business and entrepreneur supply in the sector in contrast to some of the studies in the literature that indicates education of the owner has apparently, no impact on whether he owns a young or an older business suggesting that owners' education does not affect survival rates (Davidsson, 2006).

Relative to having old business, the odds of nascent is not significantly affected by the perception of administrative related issues and complexities. However, the odds of being young entrepreneur, is significantly negatively affected by a perception of administrative complexity $\chi 2\ (1) = 2.5$, $p<.05$. In other words, for those who are in the nascent phase recognition of such obstacles like tax related matters, permissions, licenses and rules and regulations of local government bodies is not binding to make them statistically different from those who are having old business. However, the impact of administrative issues is stronger to more "engaged" entrepreneurial position, young entrepreneurs, showing negative effects on entrepreneurship.

Financial factors for the current model consider the availability of formal and semiformal financial supports. Regarding how the lack of financial support influences, the important result is that it is one of the more prominent factors for both groups relative to old business owners. This variable is considerably significant, $\chi^2\ (1) = 4.2$, $p<.05$ and $\chi 2\ (1) = 4.4$, $p<.05$ respectively for both. Strong significance of this variable across the groups proved the fact that availability financial support plays crucial role in an individual's attitude toward

entrepreneurship. Increase in unit of the variable predicts an increase of odds by more than five times for both nascent and young entrepreneurs relative to old business owners. This factor predicts the variability of entrepreneur survival rate and seemed to be the most encouraging. However, this variable is the most crucial one when it comes to odds ratio which gives the policy direction. More importantly, entrepreneurs in more active phase are seemed to be more constrained rather than nascent group in contrast with the literature in developed countries but confirming the results from the developing countries. Although supportive form of education cannot be underestimated financial support is at the first place in increasing entrepreneurships in the sector.

Infrastructure is central to many businesses throughout the entrepreneurial process. This variable was constructed incorporating the nature of the business premise, ownership, available facilities of basic infrastructure such as water, electricity, road access etc. Availability of necessary infrastructure seems to encourage an active involvement in entrepreneurial activity at the nascent phase more significantly. Regression coefficient is positively significant at five percent level with odds ratio of four. Basic facilities is a crucial binding factor for the micro enterprises who are at the nascent stage while more established business owners are less likely to be constrained by this factor. However, this variable is positive and significant for both groups.

Previous occupation of the respondent was significant in increasing the odds of entrepreneurial choice at the staring phase. This variable was included to examine whether micro entrepreneurship in USS follow natural life progression. As Cunningham and Melony (2001) claimed "Life cycle" behavior where workers enter into salaried work; accumulate knowledge, capital, and contacts; and then quit to open their own businesses may represent a natural life progression". If so, salaried workers must be more likely to enter in to the entrepreneurial group on side and provided that they have accumulated human and financial capital, they must be more representative within the young or more established business group. However, results of this study do not support any of these statuses and in contrast it has no prediction power on odds of being any group of interest. Moreover, unlike at the beginning point, the odds of survival relative to old businesses, nascent or young business are not significantly affected by parent's occupation as well.

Two psychological factors seem more important in predicting both nascent and young entrepreneurship related to old business owners. ESE is positively significant, χ^2 (1) = 2.8, for

the young enterprises while χ^2 (1) = 1.8, for nascent entrepreneurs at one percent level of significance. Unit change in the value will lead to increase odds by more than twice and more than 1.5 times for both groups respectively showing the fact that lack of entrepreneurship is very discouraging factor that hinders entrepreneurship in the sector. Relative to old business owners young entrepreneurs are more internally controlled as measured by the Rotter scale. Internal locus of control is significant $\chi 2$ (1) = 3.6, $P<0.01$ and χ^2 (1) = 6.6, $P<0.05$ respectively for the groups interested. Favorable change in this factor will lead to increase odds by more than one and half times for nascent entrepreneurs while it is much stronger for the young entrepreneurs. Hence, perceived self-efficacy seems to hinder microenterprise capacity in the sector while favorable attitude changes likely to expand the supply of entrepreneurs in the informal sector. Especially, it plays crucial role for more established entrepreneurs. This result is confirmed by the literature and it is natural for the people who are living in the poverty and also in USS (De Mel et al., 2008; Fairoz et al., 2010; Sumanasena, 2005).

CONCLUSIONS

The determinants of probability of being in different activity levels of informal micro entrepreneurs within the entrepreneurial process were examined on the conceptual basis of Eclectic framework, decomposing the process into three phases: nascent, young and old business owners. It was found that education is positively significant for all three levels of entrepreneurship and it is the most prominent which increasingly effects on the odds of being nascent entrepreneur. Young entrepreneur is more significantly negatively affected by administrative related issues and complexities, lack of financial support; internal locus of control while nascent entrepreneurs are significantly affected by the availability of credit and necessary infrastructure.

According to the above results, a special attention ought to be placed on the potential micro entrepreneurship in urban scatters. Sense of being marginalized, backward attitudes, low skills, low education, exclusion from the formal banking sector, competitiveness, limited backward and forward linkages, lack of market chains and price chains of the products, were the major constraints that calls for immediate attention for the development and advancement of USS micro entrepreneurs. These findings suggest several practical implications.

No or lack of easy access to credit access is the most crucial constraint that obstruct utilizing economic opportunities and resources for innovative productions. Thus the financial sector needs to strengthen retail lending techniques to lower transactions costs in dealing with entrepreneurs in micro business. Then it is an essential requirement in forming policies to develop skills and change attitudes complementary to enhancing credit facilities. Further, community based mechanism should be formed to increase mutual and financial trusts. Moreover, they must be trained sufficiently to use credit facilities successfully to graduate the firms to attain economy wide goals.

To become a successful entrepreneur with a growth oriented firm it is essential to overcome the issues related to knowledge, skills and attitudes. Changing the mindset beyond the survival level and having high determination to achieve the set goals are crucial in this respect. They need to become aware of the central importance of marketing and entrepreneurial skills. Promotion-based training can be used to achieve this objective.

As regard, administrative issues, findings of the study suggest that once the entrepreneur has materialized as a business owner, administrative complexities and delays play a crucial role specifically for most contributory entrepreneurs. This provided somewhat deeper insight to policy makers concerning the most “effective” target audience for policy initiatives in the area of administrative simplification. Therefore, efforts could be taken to minimize disturbing factors like administrative issues (licenses, approvals, infrastructure providence etc.) if they are to improve entrepreneurship and lessen hurdles to entrepreneurial activity and economic growth.

Finally, level of poverty was found to be a major cause for concern in many aspects that lowers graduation or advancement of entrepreneurship and enterprises. Specifically, moving entrepreneurs from lower order needs to higher order entrepreneurial needs is vital for a growing and dynamic microenterprise sector. It is necessary to satisfy the former in order to uplift into the latter. This clearly shows the need of continuing consumption assistances.

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