

**ENTREPRENEURSHIP IN SRI LANKA**

**SOME CONSTRAINTS TO AND MEASURES FOR OVERCOMING THEM**

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**Entrepreneurship, the private sector and its environment**

It might be appropriate at this stage for me to dispense with a definitional problem and I am referring to the definition of the term private sector and the role of the Entrepreneur in economic development.

Entrepreneurship has been and is even now almost always associated with the Free Enterprise System and the private sector. Unfortunately in Sri Lanka as the former Minister of Finance and Planning, Hon. Ronnie de Mel has reminded us, the term private sector is restricted to a small number of large businesses and industrial organisations based in Colombo and its immediate environs!<sup>1</sup>

The definition has unfortunately excluded the larger number of informal, small and unorganized economic enterprises located all over the country. Hundreds of thousands of farmers, fishermen, craftsmen, traders and other small producers have been entirely excluded from this sophisticated definition of the private sector:

Entrepreneurs come from and belong to both the formal organized and informal private sectors. In this paper I will focus attention on the entrepreneur whose characteristics can be described as being

- A risk taker,
- A profit seeker,
- Sensitive to and responsive to market signals, and
- Influenced by monetary, fiscal and exchange rate policies.

Put another way, entrepreneurs seek opportunities to produce and create wealth.

This article is based on a paper delivered by the author at a seminar conducted by NARESA in November 1987 on the subject of "Entrepreneurship in Sri Lanka".

The author's interest in this subject is derived from his involvement as a Management Consultant to individuals, small and large scale enterprises and

overseas based companies who have either invested in Sri Lanka or are contemplating doing so.

In this paper he has attempted to identify, very briefly, trends in private sector involvement in Sri Lanka's economic development from the post independence period to date, Government policies and regulations relating to private sector participation in economic development problems and constraints that have impeded greater involvement by the private sector in economic development, measures that have been taken to overcome these constraints, some issues for the future and finally his own recommendations for facilitating greater involvement by the Entrepreneur in economic development.

Acting out of self interest, the entrepreneur carefully assesses opportunities, the risk and ultimate payout. He tries to maximize profit by reducing production costs, thereby moving towards greater efficiency in operations. For the entrepreneur to act this role there has to be an environment that will bring out these characteristics. This environment could best be described as follows:

- Certainty that he is free to invest and make profits,
- No arbitrary unforeseen interference from public authorities,
- Confidence that the rules of free market competition are respected, enforced and applied to all participants, public, private and foreign alike,
- Assurance of a stable, regulating environment in which he can plan his production, investment and marketing programmes in the long run, and
- Reasonable legal protection against arbitrary political and administrative seizure of private property without due process of law.

Entrepreneurs need to be integrated into the macro economic system of the country and indeed are the corner stone of the free enterprise system. This is the only way to promote growth through a private sector oriented, free market based approach to development in Sri Lanka.

### **The role of Sri Lanka's private sector in economic development in the past and the present**

This is not an attempt at an indepth analysis of the past and present economic development policies relating to the private sector. However, what has to be examined are the facts relating to the environment then and now for the Entrepreneur, within the economic system of the country.

***Post independence period***

In the immediate post independence period between 1948 and 1955, Sri Lanka's economy, essentially a plantation economy with a high level of imports, was still geared to serve the needs of the pre-independence colonial masters.

Entrepreneurship, if it existed at all, was basically service oriented with a few enterprising ventures as for example, in the furniture and jewellery industries.

***1955 to 1970***

In this period with the imposition of import controls, nationalization of passenger transport services (local) and petroleum companies (foreign), a new era had dawned.

The public sector began to play an increasingly important role in the economy. However, import controls also spawned a highly protected private sector which during the period was dominated by the confectionery industry. Later in this period the tourist industry encouraged another breed of Entrepreneur and also created opportunities for services to this industry in a number of other areas dominated by the handicrafts industry.

***1970 — 1977***

The massive nationalization of private agricultural and industrial holdings in the 1970's ostensibly for social and economic purposes but also for political reasons has not only destroyed the equity base of much of the private sector but has also sown a legacy of deep mistrust of the government's commitment to a free private economy.

The role of the public sector began to assume greater significance in this period. Increasing numbers of state corporations in virtually all sectors of the economy further distorted efforts to achieve an efficient economic structure.

- State Corporations became safety valves for the nation's unemployment problems and a valuable source of political patronage.
- Inefficient operations of corporations compounded a worsening public deficit.
- Monopolistic or quasi-monopolistic position in various sectors operating outside the rules of a free market economy discouraged new entries by private companies whose fortunes could be affected by unpredictable non market behaviour of the corporations which enjoyed automatic funding from the public treasury, duty free imports of foreign equipment and exemption from corporate and personal taxes.

- Entrepreneurs who depended on state corporations for raw material like steel complained that erratic production schedules resulted in Entrepreneurs having to hold buffer stocks at a cost or enduring difficulties in planning their own production schedules.

Many private sector ventures that supplied these state corporations and had come to depend on them as their customers because of the lack of other markets got into serious liquidity problems as a result of these corporations unduly delaying payments because of their own inefficiency.

- Sri Lanka's economic policies in the past had been largely oriented to import substitution to the point that the Nation had become a haven for the inefficient producer in public and private sectors alike. Excessive protection through tariffs, licensing and other barriers led to a serious misallocation of resources over time.

#### **1977 to date**

Industry in Sri Lanka has traditionally been oriented to the small domestic market dominated by food, beverages, tobacco, textiles and garments. Industrial policies have stressed import substitution with only marginal support for exports. This has resulted in the development of many small domestic producers in consumer durables in such areas as fabricated metal products, chemical and plastics operating with considerable protection from international competition.

With the election of the new Government in 1977 the pattern of economic development, notably the role of the private sector underwent a dramatic transformation.

The new Government recognized from the outset that long term growth in Sri Lanka's productive capacity could be assured only by restoring an open economy in which the energies of private Entrepreneurs large and small could be allowed to operate freely.

The principal challenges facing the newly elected Government in 1977 were to

- a) — Arrest the rapid deterioration of the Nation's economy,
  - Control rising unemployment,
  - Arrest declining living standards,
- b) — Decide how to place Sri Lanka's economy on a more self-sustaining growth path which would ensure expanding capacity, output and employment.

This meant repudiating the previous economic philosophy which favoured a dominant role for the state sector.

The Government has taken steps to move away from rigid state control of economic activity, for example :

- Permitting Private and state ownership of sugar mills
- Requiring state organizations to operate as companies rather than as public companies. For example Lanka Canneries Ltd., Air Lanka Ltd., Electricity Company Ltd., Mahaweli Marine Cement Ltd.
- Transferring state activities to the private sector. Milk to Nestle's, Flour milling to Prima, State Distilleries to the private sector.
- Allowing private sector involvement in activities previously controlled by Government. Import of sugar and fertilizer and transport operations.
- Distributing new lands under the Mahaweli to private sector firms like Aitken Spence and Ceylon Tobacco instead of retaining them under state control.

The Policy shift in 1977 signalled a long overdue retreat from the costly import substitution policies of the past and a reorientation toward export led growth.

Simultaneously borders to foreign investment opened up. This was needed to attract injections of foreign capital, technology and management skills, as well as access to foreign markets.

The favoured status granted to state corporations, a major obstacle to private sector participation in the economy in the past has been overcome.

- The Concession of duty free entry of imported components to corporations has been withdrawn.
- Corporations have to compete for finance on the financial markets just as any private sector company would.

These policy changes were supported by concrete action.

- Bank credit to the private sector has been growing steadily since 1977.
- World bank assistance was obtained for financing small and medium scale industries (SMI). These schemes implemented through the state and

private sector commercial banks and development banks with refinancing by the central bank provided concessionary rates of interest to small and medium scale industries. The results of these schemes are as follows :

- The SMI I scheme was completely utilized.

However the SMI II scheme was slower in utilization and according to official sources there are no takers for some Rs. 200 million more funding made available by the World Bank and Asian Development Bank (ADB) under SMI III.

The direct result of all these policy changes and shifts in emphasis to the private sector as a vehicle for economic development has resulted in :

- The private sector accounting for a major share in GNP. In 1981 it was 72%. The bulk of the private sector's share was in agriculture followed by wholesale and retail trade and manufacturing.<sup>2</sup>
- The private sector in 1983 accounted for 65% of total production (assuming that Petroleum refinery a state sector activity is omitted from the public sector's share of total production). The largest categories of production are in food, beverages and tobacco, textiles, garments and leather products.<sup>2</sup>
- The Private sector accounts for 90% of total employment<sup>2</sup>.
- With the exception of tea and petroleum products, the private sector has been the principal exporter. Industrial exports of private sector are dominated by textiles and garments<sup>2</sup>
- There has been a dramatic increase in private sector fixed capital formation since 1977.
- Private sector fixed capital formation rose from Rs. 2.7 billion in 1977 to Rs. 8.7 billion in 1983<sup>2</sup>.
- The Private sector accounted for 56% of the value added in industry in 1981.<sup>2</sup>

#### **Adverse effects of the liberalized economy.**

As can be seen from the above, the private sector's role in the national economy has assumed significant proportions. But the liberalizing of the economy was not without its attendant shortcomings and problems.

- When barriers were reduced in 1977 and pent up domestic demand for low cost higher quality products was unleashed Sri Lankan industry had no means to compete in the market and many bankruptcies ensued primarily among inefficient industries which had been overprotected for many years. Demands for tariff protection were made and some restoration of former protective barriers occurred.
- The Government's policy of opening doors to liberal imports has resulted in
  - Local manufacturers being ignored
  - A number of existing businesses being wiped out<sup>3</sup>
  - Existing Manufacturers having to close down and become importers themselves

This could well be the reason why the SMI II has been a failure. Take the case of the construction industry which enjoyed an unprecedented boom in the immediate post 1977 period.<sup>4</sup>

- Prior to 1977 there were 25 professional building companies
- After 1977 the number increased to 1000, many of them small organizations and individual concerns
  - Franchised as sub-contractors to expatriate companies who took the lion's share of work that became available.
- With the down turn in construction many contractors continue to exist marginally or have closed down.

At the heart of the construction industry are the multidisciplinary engineering companies. Of these there are only 4 in the private sector and 3 in the public sector.

These organizations enjoyed a period of steady and uninterrupted growth and were able to make a profound contribution to Sri Lanka's economic development.

Unfortunately, these organizations played a minor role in the development of the country's physical infrastructure.

- Sri Lankan contractors are not considered because of:
  - Lack of resources
  - Lack of management skills
  - Lack of experience

- When aid was negotiated with foreign donors there were no clauses to provide for:
  - Employment of local personnel and
  - Sharing of technology
- Furthermore the restrictive policies of the previous Government and its nationalization of private property led the country's private sector to retreat from investments in resource based industries into safer but economically less productive areas of trade and services.

Sri Lanka is thus caught in a difficult dilemma.

- The Private sector is weak, undynamic and disorganized, composed of thousands of small cottage industries and a few large urban businesses. The latter are mostly involved in trade and services.

It would appear then that in addition to the misguided policies of the pre 1977 era the liberalized economic policies of 1977 which on the one hand encouraged and supported the free availability of goods, through imports both consumer and capital, eliminating scarcity has not been able to address itself to the more substantive issue of encouraging long term growth through the private sector through investment in long gestation medium to high risk ventures. This is a particularly worrisome outcome of the liberalized economy in the context of the challenge faced by the Hon. Minister of Finance and Planning to find 500,000 jobs over the next 3 years!

### **Constraints faced by the Entrepreneur**

Why has there been a lack of interest by entrepreneurs in medium to long term investment with all the apparent support by Government? What are the major constraints faced by Entrepreneurs when it comes to making a decision to invest? What are the causes for the existing private sector's disenchantment with the liberalized economic policies.

I have identified a number of these constraints and for purposes of convenience have grouped them under Planning, Policy, Administrative and Regulatory, Education and Awareness, Information, Technology, Infrastructure, Finance and Uncertainty and Risk.

### **Planning, Policy, Administrative and Regulatory**

There have been a host of changes in income tax, interest rate, tariff, and administrative policies. All these changes have no doubt been effected with the clear intent of encouraging entrepreneurship and investment.

Unfortunately these changes have not had their desired effect.

- While there are tax concessions for export oriented industries there are no concessions for import substitution industries.
- Import substitution industries pay the same rates of interest for their financing facilities as does the import trader.<sup>5</sup>
- High interest rates on deposits in the recent past acted as a disincentive to the Entrepreneur to undertake high risk resource based ventures. He was safer placing his funds in the National Savings Bank.
- Import substitution industries, if they are profitable are taxed on their turnover, profits, dividends declared and received by shareholders, from the same fixed profits.<sup>6</sup>
- Tariff policies in the past have discriminated against the local manufacturers. Where protective import duties have been imposed to protect local industries loop holes are being exploited by importers.
- There is a lack of mechanism to prevent unfair trade practices. There is no appeals system through which trade disputes can be adjudicated in a fair and just manner. Industrialists perceive that there is more protection for the consumer than for the producer.
- The continued existence on the statute books of the Business Acquisition Act legislated by the previous Government is perceived as a threat by potential investors.
- While the Government's economic philosophy and orientation have been stated and are laudable in many respects the implementation and co-ordination of its policies have not been part of an effective management process. For example:

- There are too many autonomous Government bodies responsible for designing and presenting policy programmes and projects affecting the Agriculture sector.

There are over 70 Departments, Boards and Agencies in 15 Ministries involved in some aspects of Agriculture!

- The Government's present effort at defining the course of the nation's economy is confined largely to the public investment programme. The programme gives a useful indication of Government funding priority but gives little guidance to the private sector in terms of priority areas and supporting measures and programmes.

The public investment programme has little influence on private investment decisions and a clear national strategy to guide private sector investment is missing.

- Many of the institutions serving Entrepreneurs are state controlled or are under the influence of the Government. For example institutions like the Mahaweli Authority, EDB, IDB, SLBDC, DFCC and NDB.<sup>7</sup> Entrepreneurs perceive this as being adverse to their interests.<sup>8</sup>

### **Education and awareness**

While the small sophisticated business community centered mainly in Colombo and its immediate environs are familiar with business practices and are aware of what is going on around them, the same cannot be said of the larger group of potential investors and risk takers dispersed nationwide.

- Traditionally, education in the schools and universities has been oriented to the study of law, liberal arts and physical sciences which are considered more prestigious. There has been little emphasis on Business education. Students are prepared for employment and not self employment.
- A lack of awareness of the elements of business management at post university stages. Most training programmes in this area are centered in Colombo and there is a lack of such programmes on a nationwide scale. Even the programmes conducted in Colombo are considered too academic with little interaction between the academic institutions and Business in practice.

### **Information**

Information is key to business planning and decision making.

- Lack of organized and accessible information is a major constraint in the business sector.
  - Specific quantitative sectoral targets have not been summarized in any single Government document or plan.
  - There is no single document or easily referenced series of documents with a compilation of Government programmes, policies and regulations.

Difficult for entrepreneurs to develop plans which complement rather than conflict with other subsectors.

- A dispersed network of Ministries and Government agencies engaged in industry has caused service gaps and duplication of information.

Frequently basic data sources are incomplete or not up-to-date.

- Entrepreneurs should have off the shelf project profiles and access to feasibility studies, information on technology and joint venture parties. This function is now being fulfilled to a limited extent by the SLBDC and IDB.
- Entrepreneurs dispersed in the provinces are not aware of the availability of Development Finance Schemes. DFCC and NDB do not have branches outside Colombo. Consequently, entrepreneurs outside Colombo are dependent on Commercial Banks who are not able to provide services of the type provided by the NDB and DFCC.

### **Technology**

A strong Research and product development base at least in the plantation sector is a long felt need. Entrepreneurs must have access to a technology bank if not foreign, at least local.

- While product development efforts have not always been successful it has been for the reason that there has been a lack of feed back at the design stage and a lack of technological development.
- Rubber products industry has been based on relatively rudimentary technology and production skills.

Out of 145 Rubber Goods producers only 3-4 companies have competitive technology, marketing and management strength.

The services of the CISIR and IDB could be used to full capacity.

### **Infrastructure**

Entrepreneurs assess the physical environment in which they wish to locate their investments. More often than not the environment is hostile to the interest of the Entrepreneur. For example,

- Transport facilities are often found to be lacking,
- Water and power in terms of price, supply and reliability are found wanting,
- Telecommunication facilities where they are available are unreliable,
- Extension services mainly in the Agricultural sector are inadequate.

Industrial zones where many of these facilities could be centralized have not been established on a regional basis. The few industrial zones now in operation are located in Colombo and its immediate environs.

### **Finance**

Finance has been and will continue to be a major source of concern to Entrepreneurs. Once again this is an area of more concern to the regional investor than to the Colombo based investor.

This problem looked at from the point of view of the Banks also raises some concern.

- Many of the financial institutions such as the Commercial Banks, Development Banks, Merchant Banks and Insurance Companies are Government controlled. Entrepreneurs perceive that this is a serious impediment to a sympathetic approach to their financing problems.
- Potential Entrepreneurs in the rural areas lack the sophistication to be able to cope with banking regulations and practices.
- Commercial banking facilities in the rural areas are often inadequate or inaccessible to rural entrepreneurs. A rural Branch has to refer applications for financing to a main Branch office as much as 70 miles away!
- Application approval procedures for loans are often cumbersome and take upto between 12 and 18 months.
- Sri Lanka's principal financial intermediaries are either government owned (Bank of Ceylon, Peoples Bank, Insurance Corporation, EPF and ETF, NSB and NDB) or Government controlled, for example DFCC.

With the exception of NDB and DFCC the other Institutions are unsympathetic to the long term capital needs for development of private sector enterprise.<sup>9</sup>

Upto 90% of NSB, Employees' Provident Fund and Insurance companies funds, are invested in Government securities. Small scale private sector entrepreneurs cannot look to these specialized institutions for development capital.

To address need for long term capital the Government has adopted a two pronged strategy.

- Arranged for refinancing facilities at rates below market levels through commercial banks
- Expanded the supply of long term capital through the World Bank and ADB.

This strategy has failed in practice because,

- Margins on refinancing facilities are not attractive to participating Banks.
  - Of poor rates of recovery and
  - The Banks' continued and sometimes unreasonable requests for collateral or documentation which provide evidence of failure
- Refinancing schemes do not allow borrower or lender to negotiate terms of the loans. Negotiations take place only when there is default.
  - Financing packages are rigid and are not flexible enough to take in the unique nature of the project. For example, some projects have a high working capital content and a low fixed capital content while other projects have a high fixed capital content and a low working capital content.

Rural credit and the banking system should be better organized to mobilize deposits and lend them to aspiring entrepreneurs.<sup>10</sup>

- Commercial Bank interest rates have traditionally been higher than official inflation rates.

This makes loans very expensive although refinancing schemes are available which for reasons of profitability are not popular with Commercial Banks.

- Development Banks and refinance institutions should assist the start up of industries. They depend on private sector companies to identify specific

projects for commercial investments. Private firms and individual entrepreneurs lack critical market information. Development Banks should assist in providing this information.

- Cost of borrowing considered too high by borrowers,

Some financing institutions who have previously sourced their funds from foreign lending agencies on concessionary terms can no longer do so because of a Central Bank directive that forward exchange cannot be booked to take care of exchange losses. Consequently, they have to borrow from local sources at a higher cost.

While indeed borrowers have and continue to encounter major constraints in sourcing finance, there is another dimension to this problem. Looked at from the point of view of the Commercial and Development Banks, the problems they encounter in financing aspiring Entrepreneurs are numerous.

- There is a dearth of trained and experienced credit evaluation staff in the state sector banks. Consequently long delays are experienced by borrowers because approvals have to be centralized.
- Central Bank refinance schemes are not marketed by commercial banks because when commercial banks have excess liquidity the margins on the lending of their own funds are much higher.
- Some projects may not be acceptable to commercial financial intermediaries for the following reasons.

- The Deposit base of Commercial Banks is essentially short term. They do not have access to international funding at concessionary rates.

Length of time needed for a project to yield a return may exceed 5 years. Sri Lankan Commercial Bank lending is basically short term, mostly one year or less.

- Collateral or guarantees which the Commercial Banking System require are often difficult or impossible for a borrower to satisfy because it is not reasonable to expect Commercial Banks to take risks on long term development lending.
- To ensure their own security Commercial Banks, Development Finance Institutions and other financial institutions show a distinct bias in lending to well established financially sound businesses with good track records, managerial capability and adequate security.

- Private sector financial institutions are wary of Government policies. For example, an overnight reduction of duty rates on imports could adversely affect the viability of a project financed by these institutions. Consequently lending policies are defensive.
- Legal expenses incurred on recovery of loans from defaulters are not allowed as tax deductions. This puts banks on the defensive in their lending policies.
- Banks and financial institutions are frustrated by delays in legal processes and the laws inability to protect Banks. Banks therefore Burden investors with demands for security as a deterrent to any intent to default.
- There is inconsistency in the enforcement of legal provisions with regard to right of parate execution available only to State Sector Commerical Banks and the NDB.

For the reasons mentioned above, some Commercial Banks have limited their lending for medium to long term projects to under 20% of their total lending portfolio. The balance of the portfolio being oriented to short gestation import and export trade financing.

### **Uncertainty and risk**

By far the most serious constraint to entrepreneurship in Sri Lanka is the uncertainty and risk associated with investment.

- Entrepreneurs interested in potential investment and production in politically sensitive resource areas such as Agriculture, and agro based industries are uncertain about long term investment security.
- Although the liberalization process has gone far in dismantling a regimented, state controlled economy, and state Corporations have been put on an equal competitive footing with private companies, there is lingering uncertainty within the private sector as to whether Government will give private investors basic minimum legal protection from future nationalisation or fully guarantee the proper functioning of a free market economy.
- There is a strong perception in the private sector that the rank and file of the Government does not share the political leadership's pro private sector convictions, and retains an anti profit bias of previous Governments.

There is a perception within the public sector that Sri Lanka's private sector is undynamic, risk averse, non innovative, often "profiteering" and dominated mainly by conservative family firms and tiny cottage industries. The public sector also frequently views the private sector as having little sense of responsibility towards the nation's broader economic interests or its labour force.

Whether investors and entrepreneurs are right or wrong in their assessments of the current environment for investment in Sri Lanka what is of concern are their perceptions of the environment. Needless to say what is most critical of all, to the growth process is the investment climate. The lexicon of free market economies refers repeatedly to :

- Investor confidence,
- Rising or falling expectations,
- Investor or consumer perceptions,
- Sensitivity of investment, risk and stability.

#### **Measures taken by Government to overcome constraints to Entrepreneurship**

In the light of the experience gained in implementing the liberalized economic policies of the post 1977 period, several measures have been adopted by Government and its agencies to overcome the constraints identified above.

- Small enterprise development facilities are to be set up in Mahaweli systems to identify and develop entrepreneurial talent.<sup>11</sup>

The SLBDC is training settlers in the Mahaweli, who are already engaged in business/industry to improve their present operations.

The course content of the training programme includes General management, Finance, Marketing, Production, Taxation etc. Guidance and assistance is also given to Entrepreneurs to develop their own project profiles/feasibility studies. At the end of the programme participants are encouraged to form an association of Entrepreneurs.

These programmes follow closely behind programmes already conducted in Hambantota.

- The SLBDC provides a valuable service in providing direct advice and assistance to new and small businesses.

- The Merchant Bank of Sri Lanka has initiated Entrepreneur Development programmes for Middle East returnees.
- The present day trend in local banking and financial sectors is to break away from conservative lending policies to aid small Entrepreneurs. According to a business journalist writing in the "Daily News", strategy planners are formulating a new set of financial policies to aid small Entrepreneurs.
- The Ministry of Industries has organized overseas familiarisation visits for small scale industrialists to provide them with opportunities for observing at first hand industrial management practices in these countries.
- An industrial policy statement has been announced by the Government of Sri Lanka with the stated objectives of<sup>12</sup>
  - Supplying employment and income opportunities.
  - Reducing dependence on the narrow range of Agricultural exports.
  - Dispersing industries widely throughout the country
  - Encouraging small and medium sized industries
  - Adopting technology to suit special needs of the country and the industry.

Special incentives are being proposed for import competing industries, export industries, infant industries, industries relocating and export marketing ventures.

Tax relief by way of tax holidays and investment reliefs are being proposed for expanding industries while reductions in corporate taxes are proposed for existing industries.

Other proposals include, reduction in interest rates, facilitation of loan approval procedures, larger and a variety of new sources of financing, modernization of labour legislation, improvements to infrastructural facilities and easy access to land ownership. Establishment of industrial estates and access to information, are among some of the far reaching changes proposed.

#### **Some issues for consideration**

Unfortunately many of the measures to overcome constraints to Entrepreneurship are nothing more than verbal pronouncements or those still on

paper. In fact many of these measures have already attracted criticism and are subject to debate as to their suitability. Some issues that will be of concern to policy makers are :

- How effective have been the measures that have already been implemented to encourage Entrepreneurship in Sri Lanka?
- Can some of these measures be replicated on an islandwide scale?
- Are there enough resources, and more important, the will to continue Entrepreneur Development programmes consistently and over a long period of time?
- Who will co-ordinate and provide the leadership for a directed thrust towards creating an Entrepreneurial class?

#### **A future course of action for encouraging Entrepreneurship in Sri Lanka**

A future course of action for encouraging Entrepreneurship in Sri Lanka must be targeted to :

- 1) Developing the Entrepreneur, specially in the non sophisticated rural sector and
- 2) Creating a positive environment for Entrepreneurship

The Key elements of this course of action will be:

- Implementation on a high priority basis of a national Entrepreneurship development and promotion strategy with national linkages under the direct sponsorship of Government at the highest level.

There is no need to create new institutions for this since the Sri Lanka Business Development Centre which is representative of a cross section of the private sector and Government has the institutional framework to implement such a strategy.

What is lacking is the authority to recommend and ensure implementation of its recommendations.

The principal objectives of this strategy should be:

- Accelerating economic development through increasing supply of Entrepreneurs

- Enlarging the small enterprise sector and offering the potential to increasing employment generation through dispersal of small enterprise ownership.
- Ensuring that the appropriate environment that is fiscal, financial, tariff and legislative — is created for Entrepreneurship.

In the implementation of the strategy for developing the Entrepreneur, the SLBDC or any other Institution should be concerned with:

- Conducting Entrepreneurship development programmes on a nationwide scale and developing course content together with other institutes engaged in this activity.
- Establishing a training institution for trainers in entrepreneur development to ensure continuity of these programmes.
- Promoting Entrepreneurship in schools.  
The education system should be geared to preparing young people for self-employment as opposed to employment.
  - National Business games on a competitive basis should be conducted amongst the schools,
  - Short term holiday assignments should be arranged for, in selected Business organisations,
  - Re-orienting syllabuses for examinations, at “O” and “A” Levels in the Commerce stream, to business,
  - Short term 1 to 2 day seminars and courses on business management should be conducted.

The key elements for creating the appropriate environment for the Entrepreneur would include :

- Providing access to finance, technology and management which are the urgent resource needs of Entrepreneurs through the promotion of high risk venture capital financing companies where Entrepreneurs with good ideas but who lack finance, management and technological capability are provided these services until such time as they are able to manage on their own.

- Establishment of a permanent body to :
  - Monitor income tax, tariff, import, export and interest rate policies and business legislation on a continuing basis and make representations for changes to Government on behalf of Entrepreneurs.
  - Monitor co-ordination of investment activities where a number of Ministries or Departments need to be involved and provide assistance to the Entrepreneur where necessary.
  - Gather and disseminate information to Entrepreneurs on Government policies and plans, and other data relevant to investment.
  - Co-ordinate and direct the Entrepreneur Development programmes on a nationwide scale.

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