OCCASIONAL PAPER 6

SRI LANKA: STRATEGIES FOR RESILIENT ENTREPRENEURSHIP

Workshop organised by
LSE South Asia Centre
GENESIS: Dilmah Centre for a Sustainable Future

CONTRIBUTORS
Mr Dilhan FERNANDO | Dr Luke HESLOP | Mr Animesh JAYANT | Professor David LEWIS
Mr Abhilash PULJAL | Professor Naufel VILCASSIM | Dr Dushni WEERAKOON
Mr Anushka WIJESINHA

EXECUTIVE SUMMARY

THIS PAPER SUMMARISES THE PROCEEDINGS OF THE WORKSHOP HELD ON 23 FEBRUARY 2026 IN COLOMBO. IT NOTES THAT THERE IS AN UNMISTAKABLE AND DEEP ENTREPRENEURIAL SPIRIT IN THE SRI LANKAN POPULATION THAT HAS SURVIVED REPEATED CRISES. EVERY SUCCESSFUL POST-CRISIS ENTREPRENEURIAL RECOVERY IN COMPARABLE CASES (RWANDA, SOUTH KOREA, ESTONIA, GEORGIA, VIETNAM) HAS BEEN BUILT ON ONE FOUNDATION: DOMESTIC OWNERSHIP OF THE REFORM AGENDA. INTERNATIONAL SUPPORT AND STABILISATION ANCHORS MATTER BUT TRANSFORMATIVE RECOVERY REQUIRES A STRATEGY THAT SRI LANKA WILL OWN, CONCEIVE, LEAD, AND IMPLEMENT FOR ITSELF.

© Diego PH, 2017, Unsplash.

INTRODUCTION

This Paper is the outcome of 'Sri Lanka: Strategies for Resilient Entrepreneurship', a day-long organised jointly by LSE South Asia Centre (London School of Economics and Political Science) and GENESIS: Dilmah Centre for a Sustainable Future, Colombo. It brought together policy-makers, researchers, entrepreneurs, development practitioners, and private sector stakeholders for a dialogue across six substantive presentations and a moderated Roundtable discussion. The objective was to discuss insights from academic research (both direct and comparative), on-ground experience and sectoral expertise about Sri Lanka's entrepreneurship support ecosystem.

OPENING REMARKS: Dilhan Fernando

The session was opened by Mr Dilhan Fernando (CEO & Chairperson, Dilmah Ceylon Tea Company plc; LSE alumnus and Member of the Senior Advisory Board, LSE South Asia Centre) who set a tone of urgency and measured optimism. He acknowledged the foundational role that organisations such as Hatch and similar entities have played in catalysing entrepreneurial activity in Sri Lanka while noting that these efforts have not been adequately matched by policy frameworks or institutional support structures. Sri Lanka, he argued, possesses an inherent and observable entrepreneurial spirit in its people, one that has yet to be fully nurtured or leveraged by the state.

Mr Fernando reflected on a significant structural shift in global consumer behaviour over the last two years. The traditional equation of price equalling value, which had long placed Sri Lankan producers at a

competitive disadvantage, has fundamentally changed. Today's consumer, particularly the growing cohort of conscious and ethically motivated buyers, evaluates products across a multiplicity of dimensions: biodiversity, cultural heritage, people, ethics, and sustainability. These are precisely the attributes in which Sri Lanka is richest, and this realignment presents a historic opening for the country's entrepreneurs, farmers, artisans, and producers.

At the same time, Mr Fernando cautioned that this favourable shift in consumer values is accompanied by equally significant threats: the acceleration of artificial intelligence, innovation and global competition is reshaping the environment in which Sri Lankan businesses must operate. This duality of extraordinary opportunity alongside existential disruption makes the current moment one that demands coordinated, thoughtful and urgent action.

He described the workshop as one of the most important events in which Dilmah has ever been involved.

THE ROLE OF ADVICE IN ENTREPRENEURSHIP: David Lewis

Professor David Lewis (Professor of Anthropology and Development, London School of Economics and Political Science) presented findings from a multi-year research project titled 'Ethnographic Solutions to Inequalities in South Asian Advice Ecosystems', examining the role of advice in supporting small-scale entrepreneurs with a particular focus on young people within this group. The research was conducted in partnership with the Centre for a Smart Future (Colombo) and BRAC (Dhaka), with funding from the Atlantic Fellows for Social and Economic Equity (AFSEE) programme at LSE International Inequalities Institute.

Professor Lewis situated the project within the broader discourse on entrepreneurship support, noting that while significant attention and resources have historically been devoted to skills training, access to finance and credit provision, the question of advice has been systematically undervalued and underexplored. The research adopted an anthropological and ethnographic approach, examining advice from the bottom up, observing the types of advice people actually seek, the sources from which they draw it, and the social structures that shape its circulation. The study looked particularly at micro-entrepreneurship at the 'bottom of the pyramid', linking the research to issues of poverty and inequality.

The concept of the 'advicescape' was introduced as an analytical framework: a system of advice provision operating across multiple levels, from informal peer-to-peer exchanges to structured institutional offerings. Key findings indicated that advice is complex and multi-dimensional, encompassing not only the provision of information but also problem diagnosis, judgement about solutions, emotional support, confidence-building, and relational care. Importantly, advice was shaped by inequalities related to class, gender, location, voice, and power relations, which influenced both access and effectiveness.

In both Sri Lanka and Bangladesh, low-income households attempting to establish businesses were found to face significant barriers to accessing advice, wide variability in its quality and a disproportionate reliance on informal networks of family, friends and neighbours. The research also highlighted a mismatch between the real challenges entrepreneurs face and the quality and extent of advice available, showing that existing advisory services often fail to fully meet the practical and social realities of small-scale entrepreneurs.

Professor Lewis presented a set of 10 principles for good advisory practice, emerging from a participatory workshop with entrepreneurs and advice providers held in Colombo in June 2023, and concluded with three outcomes:

- training advisors to understand the lived realities of the entrepreneurs they serve;
- reviewing the use of local government business advisor targets to prioritise quality over throughput; and
- adopting broader communication methods including digital and AI-enabled tools within advisory services.

More information on the project, including Advice toolkits, can be found here.

ADVICE ECOSYSTEMS IN URBAN COLOMBO: Luke Heslop

Dr Luke Heslop (Senior Lecturer in Anthropology & Global Challenges, Brunel University of London) presented the Sri Lankan dimension of the AFSEE-LSE 'Advice Ecosystems' project in ethnographic depth, drawing on fieldwork conducted in Seevalipura, a low-income neighbourhood in Grama Niladhari division of Wanathamulla and Borella North, in the Thimbirigasyaya Divisional Secretariat of Colombo district. The research was conducted in the context of Sri Lanka's economic crisis, debt, informality, and policy 'polycrisis' (2019–24).

Dr Heslop's central finding challenged a common assumption in enterprise policy, namely that low-income entrepreneurs are 'advice poor'. On the contrary, research showed that entrepreneurs in Colombo are deeply embedded in dense networks of advice, guidance and judgement circulating through family members, fellow traders, suppliers, moneylenders, and community figures. This informal advice is often highly practical, grounded in long-standing trust and responsive to the realities of survivalist enterprise. Advice does more than transfer skills — it shapes how entrepreneurs see themselves, and what kinds of futures they believe are possible. By contrast, formal business advice typically delivered as a discrete training session, workshop or mentoring programme is frequently framed as technical, time-bound and conditional, and often fails to align with the actual challenges faced by micro-entrepreneurs.

A key finding concerned the cultural narrative of 'Swaya Shakthiya' strength from within oneself which frames self-reliance as the hallmark of genuine entrepreneurship. This suggests that interventions framed around external assistance may be resisted unless they are aligned with existing cultural values of self-reliance. Many talented entrepreneurs who might have benefited significantly from external advice declined to seek it precisely because doing so felt inconsistent with this identity. Dr Heslop also emphasised that entrepreneurship is simultaneously enabled and constrained by advice, and that this advice creates distinctions between 'promising' (investable) entrepreneurs and those seen as 'risky' or beyond support. Entrepreneurs engage with formal advice selectively, translating, delaying or only partially adopting it depending on how well it aligns with existing moral and social obligations and the practical constraints of survivalist enterprise.

Dr Heslop also highlighted the historical background of Seevalipura, including the Community Development Councils ('Praja Sangwardhana Samithiya'), the Million Houses Programme of the late 1980s and the legacy of community animators which have shaped today's trust-based advisory culture.

He concluded by noting the dual character of advice: it can function both as a technology of governance and as a practice of care, and effective support must work within existing relational structures rather than seek to overwrite them. Effective enterprise support in such contexts requires a shift from standardised training models toward approaches that recognise and engage existing advisory ecologies. This includes working through trusted intermediaries, embedding support within ongoing relationships and designing interventions that complement rather than displace locally legitimate forms of knowledge and authority. Thus,

- Informal advisory networks should be treated as core infrastructure, not background context; and
- Formal programmes should shift from knowledge delivery to relational embedding.

ENTREPRENEURSHIP IN POLYCRISIS: Anushka Wijesinha

Mr Anushka Wijesinha (Co-founder of Centre for a Smart Future, Colombo), spoke about the impact of multiple overlapping crises on Sri Lankan entrepreneurs and the institutional response to those impacts, the 'polycrisis' facing Sri Lanka from the cumulative and compounding effect of the Easter Sunday attacks (2019), the Covid–19 pandemic (2020–21), the economic crisis (2022 onward), and the recent Ditwah cyclone (2025) and its impact on lives and livelihoods.

Mr Wijesinha noted the practical application of the trilingual 'Principles of Good Advice' developed as part of the AFSEE-funded project (with David Lewis and Luke Heslop above) to advice-givers in government institutions, non-governmental organisations and private financial institutions, emphasising the importance of actionable advice for entrepreneurs. He also emphasised the importance of resisting the tendency to treat entrepreneurs as a homogeneous group.

The crisis produced multiple distinct categories of entrepreneurial response: established entrepreneurs navigating disruption; crisis-driven new entrants moving into self-employment; and a full spectrum from high-growth technology entrepreneurs to survivalist micro-entrepreneurs operating from their homes. For technology entrepreneurs, the crisis manifested in electricity shortages and the loss of programmers to international migration. For traditional SMEs, the challenges included supply chain disruptions, collapsed domestic demand and rising input costs. For micro-entrepreneurs, it was experienced most viscerally through rising household debt and the impossible tension between family survival and business sustainability.

Mr Wijesinha critiqued the institutional response as being inadequate, disjointed and overly reliant on the financial sector. He highlighted fragmentation and limited resources of enterprise support institutions, including Industrial Development Board (IDB), National Enterprise Development Authority (NEDA) and Small Enterprise Development Division (SEDD), overlapping mandates, and a low number of enterprise-relevant staff. Much of the enterprise support has, and continues to, lean heavily on concessional loan schemes and debt moratoria which is unsustainable in the long run as it relies primarily on financial sector institutions. These schemes, he argued, should be coupled with more holistic business support measures including the provision of timely and relevant business advice.

Amidst these challenges, he pointed out bright spots and innovative initiatives including how SEDD reoriented their business advice during Covid–19 to be more personalised and provided online, a tourism resilience grants scheme by Good Life X that strengthened entrepreneurs use of digital tools to enhance sales amidst low demand, and the emergence of new networks and international programmes in Sri Lanka

aimed at more élite and established entrepreneurs like the Entrepreneurs Organisation (EO) and the Stanford Seed programme. Finally, he stressed the critical role of guidance, mentorship and business advice which are often understated compared to financial support, and called for a substantive review and rationalisation of enterprise support institutions.

In Conclusion, he called for

- a substantive review and rationalisation of enterprise support institutions;
- a fundamental shift away from the over-reliance on concessional credit; and
- the development of a more holistic, evidence-based set of interventions that matches the diversity and complexity of Sri Lanka's entrepreneurial ecosystem.

STRENGTHENING AGRICULTURAL SUPPLY CHAINS: Animesh Jayant

Mr Animesh Jayant (LSE Department of Management) presented a comparative study of agricultural supply chains, drawing on research conducted in India's sugar industry and examining its applicability to the Sri Lankan context. His presentation explored how agricultural markets function under conditions of climate variability, supply chain disruption and uneven quality standards, and how geographic location shapes the competitive position of small-holder producers and agri-entrepreneurs.

A central theme in this presentation was the evolution of productivity in agricultural supply chains over time, and the critical role that policy design plays in enabling or suppressing that productivity. Mr Jayant drew on a case study from Maharashtra (India) where abolishing the cane reservation policy and introducing market competition produced an approximately 6 per cent increase in farm-gate prices for farmers within five years, and measurable improvements in input quality, mill management and output grade.

He drew a direct parallel between India's sugar industry and Sri Lanka's tea sector: both are dominated by small-holder producers supplying a concentrated downstream processing industry; both are heavily dependent on the quality and volume of a single primary crop; and both operate within regulatory and institutional environments that significantly shape the terms on which smallholders participate.

Climate change featured prominently as both a near-term operational challenge and a long-run structural threat. Mr Jayant documented how drought exposure in the Indian sugar industry creates persistent market concentration while also driving quality upgrading investment among surviving mills — a finding with important implications for how Sri Lanka approaches climate adaptation policy. He concluded with four suggestions:

- the importance of building robust data monitoring systems;
- designing nuanced competition policies that reward quality;
- investing in climate-resilient infrastructure proactively rather than reactively; and
- coordinating quality upgrading programmes over sustained, multi-year periods.

ENHANCING BUSINESS PERFORMANCE OF MICRO-ENTERPRISES — EMPIRICAL EVIDENCE FROM EAST AFRICA: Naufel Vilcassim

Professor Naufel Vilcassim (Director, LSE South Asia Centre & Professor of Marketing) presented a comprehensive multi-year, multi-study research programme examining the impact of remote volunteer business coaching, and the impact of an elementary marketing analytics programme on the business performance of micro-entrepreneurs in Uganda and Rwanda respectively. The research was initiated by a grant from the then Department of International Development (DfID) UK, and conducted jointly with Professor Steven Anderson (formerly at Stanford University and presently at Texas A & M University) and Professor Pradeep Chintagunta (University of Chicago), and Dr Rupali Kaul (INSEAD) for the Rwanda study, and done in partnership with the GROW Movement and Innovation for Poverty Action.

The research employed rigorous randomised controlled trial (RCT) methodology, which is generally considered to be the 'gold standard' in inferring causality from field data.

In the Uganda study, the research canvassed approximately 20,000 micro-entrepreneurial firms (commonly referred to as 'mom and pop stores') across Greater Kampala. From these, 930 growth-oriented firms were selected and randomly assigned to a treatment group (530 firms receiving remote coaching from international business professionals via Skype) or a control group (400 firms receiving no intervention). On average, coaches interacted with entrepreneurs twice a month over six months, covering issues related to marketing, financial management and strategy. Outcomes were measured at baseline, and 18 and 24 months after the start of the intervention.

The results were compelling: coached firms showed a statistically significant 28 per cent increase in monthly sales relative to the firms in the control group at 24 months after the start of the intervention. The mechanism that brought about these results was not an increase in the number of business practices but a transformation in value propositions, accompanied by a pivot in the marketing strategy and qualitative changes in the marketing mix (product, price, promotion, and distribution) activities.

Thus, the model of remote volunteer coaching not only helped the entrepreneurs achieve a higher level of sales but also resulted in transformation of their value propositions to customers. This result is in direct contrast to the findings of studies on the availability of micro-finance which document that while access to finance does help assisting such firms to perform a bit better in terms of (say) sales, their fundamental business model remained unchanged. We could thus conclude that the model of remote volunteer coaching is more likely to result in entrepreneurial firms that are more sustainable.

Two additional important findings were:

- Examining the issue of which type of coaches (from among marketing professionals, management consultants, technologists/operations, etc) had the greatest effect on the performance of micro-entrepreneurs. The results showed that marketing professionals significantly outperformed management consultants and technologists/operations in terms of sales and profits.

  Why might this result have come about? Examining the project management database showed that marketers, by their very nature of training and experience, not only focused on the strategic aspects of the firm but also discussed the implementation of strategy. That is, in Marketing parlance, in addition to the three Cs (Customer, Competition and Company) of strategic analysis, marketers were relatively more focused on the implementation of the strategy via the marketing mix of product, price and promotions.

- Analysis of the Uganda study focused on female entrepreneurs, and asked the question: who — male or female — is a better coach in terms of business performance? Surprising or not (depending on one's prior beliefs), the results showed it to be female coaches, whereas when a female entrepreneur was paired with a male coach, there was no significant difference in outcomes between the female entrepreneur and male coach in the intervention group and the control group.

The question is: why? A qualitative analysis of the data in the GROW Movement's project management system database showed that when a female entrepreneur is paired with a female coach, there is little or no discussion of business issues in the first few sessions of their interactions; rather, a linguistic analysis of mentor reports showed that female mentors

- focused more on engagement and support, rather than just profits;
- used more social and personal language, indicating better relationship-building; and
- helped female entrepreneurs enhance customer relationships, a key driver of business success.

Robustness checks ruled out alternative explanations such as female mentors being generally better than male mentors (they were not), and access to finance or networks playing a major role (they did not).

Summary and Implications

Collectively, these results provide strong empirical evidence that virtual business coaching can drive significant improvements in firm performance through strategic marketing shifts which contrasts with the findings from studies done on providing microfinance to such entrepreneurs. The empirical evidence on microfinance interventions suggests that while provision of microfinance does help the entrepreneurs, it is not transformative, i.e., they continue to do the same activities but they can do it somewhat better because of their access to finance. In contrast, our study shows that such an intervention can have transformative effects and has important implications for policy-makers, entrepreneurs, and multi-national companies looking to support business growth in emerging markets through scalable and cost-effective remote interventions.

In addition, these results provide strong evidence that marketers play a critical role in entrepreneurial success in emerging markets. Unlike consultants or other professionals, marketers help entrepreneurs grow by focusing on product differentiation and premium pricing strategies. The research highlights the value of virtual business support especially for small businesses that lack access to formal marketing expertise. The findings have important implications for NGOs, governments and multi-national companies looking to design effective business support programs in developing economies. Marketers should have a 'seat at the table' when important policy decisions are made about the role of entrepreneurship in the economy of a country.

Finally, the study provides strong evidence that mentorship gender-matching can be a powerful tool for breaking barriers to female entrepreneurs' success in developing economies. The findings have significant policy implications:

- Mentorship programs should prioritise gender-matching to maximise effectiveness for women;
- Future training programs should incorporate mentoring as a key component;

- Male mentors may need to adopt a more supportive, engagement-focused style when mentoring female entrepreneurs; and
- aspirational female entrepreneurs benefit the most from female mentorship, underlining the need for targeted interventions.

*

In Rwanda, the study investigated the causal impact of marketing analytics technology on small firms and their entrepreneurial owners. While marketing analytics is often promoted as a tool to enhance business performance, empirical evidence on its effectiveness, especially in emerging markets, remains limited. Our study sought to address this gap by evaluating how a marketing analytics solution affects both the business-level outcomes (sales, profits, managerial practices) and the individual entrepreneurs using the technology.

The underlying intervention involved providing a marketing analytics solution to a randomly selected group of small businesses. This included a smartphone App that allowed entrepreneurs to input sales, product and customer data, receive analytics and insights, and access technical support. The intervention aimed to examine:

- *Mental performance*: Whether interaction with analytics improves reasoning, memory, and decision-making abilities?
- *Managerial performance*: Whether firms adopt better business practices as a result of using analytics?
- *Financial performance*: Whether marketing analytics leads to higher sales and profits?

The study employed RCT with 550 Rwandan entrepreneurs, who were randomly assigned to one of three groups:

- Treatment Group (n=250): Received the full marketing analytics solution, including a smartphone, mobile internet, the analytics app, and monthly support visits.
- Placebo Group (n=50): Received a smartphone and internet access (no access to the marketing analytics tool).
- Control Group (n=250): Received no intervention.

The intervention lasted seven months (Jul 2019–Jan 2020) after which firm performance was measured using business site visits, audits and survey.

- The initial sample was drawn from 2,778 small businesses in Kigali, Muhanga and Musanze.
- A growth index was used to select 1,000 high-potential firms from which 550 were ultimately enrolled.
- Baseline and endline surveys collected data on firm sales, profits, managerial practices, and entrepreneurs' cognitive abilities.
- Objective tests such as the Cognitive Reflection Test, Raven's Test and Digit Span Test were used to measure mental performance.

The study produced several interesting results:

1. *Technology adoption and interaction*

- Entrpreneurs initially had low engagement with the analytics tool (30 per cent compliance in the first month).
- By the third month, daily usage rates stabilised at 60 per cent, indicating increased reliance on technology.
- Treated entrepreneurs showed greater reliance on data-driven decision-making.

2. *Mental performance improvements*

- Entrepreneurs using analytics tools scored significantly higher in tests measuring reasoning, memory and numerical aptitude.
- The treatment group outperformed the control group by 17.4 per cent across all cognitive ability measures.
- The numerical orientation of entrepreneurs increased by 68.9 per cent, showing a shift toward data-driven thinking.

3. *Managerial performance improvements*

- Firms using marketing analytics adopted better product and accounting practices.
- Treated firms were more likely to adjust prices (49 per cent), improve products (49 per cent) and monitor inventory (14 per cent) compared to control group.
- Firms in the treatment group were significantly more likely to separate business finances (37.6 per cent) and create income statements (42.1 per cent).

4. *Financial performance improvements*

- Monthly sales increased by 36.4 per cent (165,300 R₣ or ~US$174).
- Monthly profits increased by 29.2 per cent (24,980 R₣ or ~US$26).
- The return on investment was positive, with firms expected to recover intervention costs within 7.6 to 10.3 months.

Mediation analysis showed that improvements in firm sales and profits were driven by two key mechanisms: enhanced mental performance (80.3 per cent mediation effect); entrepreneurs using the analytics tool developed better cognitive abilities, improving their decision-making.

Improved managerial practices: Firms adopted better business practices, leading to efficiency gains and better financial outcomes.

The robustness of the results was checked by

- *Multiple hypothesis testing*: The study used False Discovery Rate (FDR) adjustments to confirm the significance of findings.

- *Placebo group comparison*: Showed that the effects were due to marketing analytics rather than smartphone or internet access.
- *Attrition analysis*: Low attrition rate (4.3 per cent) and robustness checks confirmed that missing data did not bias results.
- *Heterogeneity analysis*: Found that college-educated entrepreneurs and those previously relying on intuition saw the largest gains.

This study provides causal evidence that marketing analytics significantly enhances entrepreneurs' mental performance, managerial effectiveness and business profitability. The intervention helped small businesses in Rwanda adopt data-driven decision-making, leading to measurable financial benefits. The findings highlight the potential of analytics-based technology as a scalable tool for firm growth, especially in emerging markets.

RESILIENT ENTREPRENEURSHIP AFTER CRISIS: Abhilash Puljal

Mr Abhilash Puljal (Partner and Country Director for India at Expectation State Limited and Co-Director of LSE Research and Education Foundation India) presented on post-crisis investment strategy and the policy priorities required to foster a more enabling environment for entrepreneurship in Sri Lanka following its political crisis in 2022. His presentation drew on comparative evidence from Rwanda, Estonia, Georgia, South Korea, and Vietnam, as well as on global research into diaspora capital, informal financial networks and the design of enterprise support frameworks.

Abhilash established Sri Lanka's starting point: GDP contraction of 7.8 per cent, peak inflation of 69.8 per cent, foreign reserves falling to US$1.9 billion, and over 20 per cent of businesses closing in 2022. Against this, he noted the creditable stabilisation: GDP growth of 5.0 per cent in 2024, reserves rebuilt to US$6.8 billion by December 2025 and debt restructuring approximately 94 per cent complete. But he drew a sharp distinction between macroeconomic recovery and entrepreneurial recovery — the former does not automatically produce the latter.

He identified five persisting structural barriers for Sri Lankan entrepreneurs:

- finance costs that remain elevated;
- limited fiscal space for enterprise support;
- human capital loss through emigration;
- a trade structure that discourages exports; and
- a confidence gap that is hardest to measure and hardest to restore.

Drawing on the Rwanda, Estonia, Georgia, South Korea, and Vietnam cases, Abhilash developed five strategic priorities for Sri Lanka:

- owning the reform agenda domestically;
- pursuing quality over volume in export positioning;
- treating digital infrastructure as entrepreneurial infrastructure;

- activating the diaspora deliberately; and
- enabling rather than directing organic ecosystems.[1]

He placed weight on the finding that Sri Lanka's informal financial networks, particularly the 'cheetu' (Rotating Savings and Credit Association (ROSCA)) system and its diaspora represent significant latent assets that policy has yet to mobilise effectively.

ROUNDTABLE DISCUSSION: Dr Dushni WEERAKOON

Following the six presentations, a Roundtable discussion moderated by Dr Dushni Weerakoon (Institute of Policy Studies of Sri Lanka, Colombo) generated a rich and substantive exchange across two rounds of questions and responses.

The discussion highlighted several cross-cutting themes among the six presentations. The question of institutional consolidation, whether to merge Sri Lanka's proliferating enterprise support agencies and, if yes, at which level of government was examined from multiple angles, with a consensus that structural rationalisation is necessary but what matters most is preserving high-performing capabilities and calibrating services to the needs of different enterprise segments at different stages of their life cycle.

The gender gap in formal entrepreneurship was another common observation: participants noted the structural barriers facing women, including multiple domestic burdens, deteriorating health and education outcomes, rising rates of domestic violence, and the psychological weight of a culturally dominant masculine entrepreneurial archetype that effectively excludes women from the narrative of entrepreneurship.

The role of diaspora capital and knowledge, particularly the model of Rwanda's active recruitment of diaspora professionals into institutional leadership was also seen as an important idea. The potential of community-based savings mechanisms, mobile money infrastructure and AI-enabled advisory scaling were discussed. The apparent tension between the contextually embedded informal advice highlighted in the ethnographic research and the remote international coaching validated by the RCT was explained by Dr Luke Heslop and Professor Naufel Vilcassim, who argued that the fundamental mechanism in both cases is the same: the act of listening, of genuine engagement and the attempt to understand. Whether the listener is a neighbour, a community animator or an international coach on a video call, it is the orientation of care and attention that makes advice effective.

*

[1] Saras D. Sarasvathy, 'Causation and Effectuation: Toward a Theoretical Shift from Economic Inevitability to Entrepreneurial Contingency', *Academy of Management Review*, vol. 26, no. 2, April 2001, pp. 243–63.

EXECUTIVE SUMMARY

The Context

Sri Lanka's economic crisis in 2022 — the worst in the country's post-independence history — resulted in a GDP contraction of 7.8 per cent, peak inflation of 69.8 per cent, and the closure of more than one in five businesses. The macroeconomic stabilisation that followed has been creditable: GDP grew by 5.0 per cent in 2024, foreign reserves have been rebuilt, and debt restructuring is near-complete. But macroeconomic recovery and *entrepreneurial recovery* are different things. Real GDP has not returned to 2018 levels; poverty stands at 24.5 per cent — double its 2019 rate. The businesses that closed have not reopened simply because headline growth has returned.

Structural weaknesses made entrepreneurs vulnerable to the crisis:

- a fragmented and under-resourced enterprise support ecosystem;
- an over-reliance on concessional credit as the primary policy instrument;
- a near-complete absence of investment in advisory, coaching and market intelligence infrastructure;
- agricultural supply chains exposed to intermediary market power and accelerating climate risk;
- a gender gap in formal entrepreneurship that no existing policy adequately addresses; and
- a chronic pattern of policy volatility that undermines the long-term confidence on which investment and business development depend.

At the same time, the country possesses natural assets — biodiversity, cultural heritage, premium agricultural produce — for which global demand is growing precisely as consumers shift toward ethical, sustainable, and provenance-rich purchasing. The IT services sector already generates US$1.6 billion in annual exports, with significant room for growth. The tea sector, with world-class orthodox expertise and the historic Colombo Auction, has untapped premium positioning capacity. Over 535,000 skilled workers who emigrated in 2022–23 alone carry capital, knowledge and market connections that could be systematically mobilised. And as this workshop notes, there is an unmistakable and deep entrepreneurial spirit in the Sri Lankan population that has survived repeated crises: every successful post-crisis entrepreneurial recovery in comparable cases (Rwanda, South Korea, Estonia, Georgia, Vietnam) was built on one foundation: domestic ownership of the reform agenda. International support and stabilisation anchors matter but transformative recovery requires a strategy that Sri Lanka owns, conceives, leads, and implements for itself.

*

PART ONE: SRI LANKA'S ENTREPRENEURSHIP SPACE

This section examines three structural dimensions that define the space for Sri Lankan entrepreneurs:

- the quality and equity of advisory ecosystems;
- the constraints that prevent micro and small enterprises from scaling; and
- the compounding dynamics produced by serial crises.

Each interacts with the others in ways that make purely technical or financial responses insufficient.

THE ADVISORY ECOSYSTEM

A common assumption in enterprise policy is that low-income entrepreneurs lack access to advice. Research conducted in Seevalipura, a low-income neighbourhood in Colombo, directly challenges this assumption. Entrepreneurs operating in this community are deeply embedded in dense networks of guidance: family members with sector experience, fellow traders who share market intelligence, suppliers who provide informal credit alongside goods, moneylenders who understand local business conditions, and community figures whose knowledge spans generations.

The problem is not the absence of advice. The problem is its quality, its equity and its alignment with what entrepreneurs need at different stages of their business lives. Informal advice embedded in trust relationships responsive to lived circumstances and delivered through ongoing contact is often highly effective for navigating survival conditions. Formal advice delivered as a time-bound training workshop or a one-off consultation frequently fails to connect with the realities of micro-enterprise and is often designed for a type of entrepreneur (formally registered, growth-oriented, English-literate) who represents a small fraction of Sri Lanka's actual enterprise population.

The Advicescape: Mapping Who Gets What

The 'advicescape' — the complete landscape of advice provision across state, private, NGO, and informal channels — is profoundly unequal in Sri Lanka. Several structural inequalities shape access and quality:

- *Geographic inequality*: Advisory services are heavily concentrated in Colombo and provincial capitals. Rural and peri-urban entrepreneurs have substantially less access to formal support, and urban-based advisors rarely extend their reach into communities where the density of micro-enterprise is highest.
- *Gender inequality*: Women account for 85 per cent of microfinance uptake in Sri Lanka but approximately 25 per cent of registered SME ownership. This gap reflects not a lack of entrepreneurial activity among women but a combination of structural barriers — multiple domestic responsibilities, limited access to professional networks, social expectations, and the psychological weight of a culturally dominant masculine archetype of 'the entrepreneur' that systematically discourages women from identifying as business owners.
- *Class and Formality*: Formal advisory services are designed primarily for the registered, growth-oriented enterprise. The vast majority of Sri Lanka's one million establishments operating informally, at survival scale, in food services, retail, and hospitality receive little or no meaningful support from the institutional ecosystem.
- *Cultural barriers to advice-seeking*: The cultural narrative of 'Swaya Shakthiya' (lit., 'strength from within') frames self-reliance as the hallmark of genuine entrepreneurship. For many talented entrepreneurs, seeking external advice feels inconsistent with this identity. Support systems that fail to understand or work with this cultural reality will consistently underperform.

What Good Advice Looks Like

Research conducted by the LSE in partnership with the Centre for a Smart Future (in Sri Lanka) and BRAC (in Bangladesh) identifies 10 principles of effective advisory practice, developed with practitioners in the two countries. These principles have implications not only for individual advisors but for the design of institutional support systems:

- *Being heard*: Advice works when entrepreneurs feel their specific situation is genuinely understood and not processed through a generic template.

- *Creating trust*: Advice sources gain credibility through sustained relationship and demonstrated understanding of the entrepreneur's sector and context, not through institutional affiliation alone.
- *Sensitivity to difference*: Effective advisors attend to the specific kind of business, the specific stage of development, and the specific circumstances of the entrepreneur.
- *Recognising shared experience*: Peer learning through group settings where entrepreneurs learn from each other frequently outperforms top-down expert provision.
- *Meeting people where they are*: Advisors who visit businesses, understand operational conditions *in situ*, and calibrate their advice to the real constraints of the enterprise are more effective than those who work from offices.
- *Being honest*: Good advice includes honest assessment of viability, sustainability and readiness, not just encouragement to expand.
- *Keeping advice continuous and personal*: One-off advice events have minimal lasting impact. Sustained, ongoing relationships produce durable change. The temporal dimensions of advice are important.
- *Using multiple communication modes*: Different entrepreneurs use different channels. Effective advisory systems combine in-person contact, digital tools and printed materials.
- *Active use of referrals*: Advisors should proactively connect entrepreneurs to the right resource financial institution, technical specialist, market buyer, etc rather than attempting to provide all support themselves.
- *Building and maintaining skills*: Advisors require ongoing training, knowledge updating and interpersonal skill development to remain effective.

Clear evidence of this is available from the data from Uganda which shows that remote volunteer coaching connecting international business professionals with small entrepreneurs via Skype for 12 sessions over six months produced a 28 per cent increase in sales for coached firms compared to controls, at a cost of approximately US$860 per entrepreneur, recovered within 9–10 weeks. The mechanism was not the transfer of generic business knowledge but the enabling of a strategic pivot: helping entrepreneurs identify and defend a differentiated market position.

The Institutional Ecosystem

Sri Lanka has a long history of enterprise support institutions in both the public and non-governmental sectors: the Industrial Development Board, the National Enterprise Development Authority, the Small Enterprise Developers Division, and many others. These multiple agencies hold overlapping mandates, compete for the same scarce funding and are measured on throughput numbers of entrepreneurs registered, trained or financed rather than on outcomes such as business survival, revenue growth or job creation.

The polycrisis exposed the weaknesses acutely. The combined effect of the Covid–19 pandemic and the economic crisis of 2022 was met with financial support from the state: debt moratoriums, concessional loan schemes and parate execution suspensions. These tools provided short-term relief for some but they also deferred rather than resolved underlying vulnerabilities, rewarded over-indebted enterprises over financially disciplined ones and did little to address the non-financial barriers that prevented entrepreneurs from adapting and recovering.

A notable exception was the Small Enterprise Developers Division which adapted its advisory services to online delivery during the crisis, functioning more as a 'Relationship Manager' than a conventional

government body. This kind of adaptive, entrepreneur-centred institutional behaviour is precisely what the broader ecosystem needs.

SCALING CONSTRAINTS: WHY MOST ENTERPRISES STAY SMALL

The Productivity Tail

Sri Lanka's enterprise census identifies approximately one million establishments, of which 99 per cent fall within the micro, small and medium category. Food services and retail constitute the two largest segments, with hospitality growing rapidly (over 20,000 Booking.com listings, the majority being small properties of fewer than 20 rooms). This distribution reflects a pattern across South Asia: large numbers of enterprises operating at or near survival scale, with a small number of higher-productivity, growth-oriented firms and a very thin middle layer of enterprises with genuine potential for formalisation and scale.

This productivity distribution is not primarily a result of individual entrepreneurial failure. It reflects systemic constraints that prevent enterprises from moving along the growth trajectory: limited access to working capital and investment finance; weak market intelligence and connectivity; absence of the technical and managerial capabilities required to serve larger buyers; and regulatory environments that impose costs of formalisation before delivering commensurate benefits.

Financial Constraints

While access to capital has eased for the private sector in general, considerable caution continues in lending to SMEs due to the impact of the polycrisis, and concerns about a rise in Non-Performing Loans (NPL) again, creating a constraint for most entrepreneurs. Interest rates peaked at 30 per cent during the 2022 crisis, and while they have since fallen to approximately 8 per cent, bank balance sheets remain constrained and credit flows to smaller enterprises remain limited. The financing instruments available to most entrepreneurs are binary: personal savings and informal credit (including 'cheetu' rotating savings and credit associations and moneylender relationships) on the one hand, and formal bank loans on the other (the latter marked by high risk aversion in lending to SMEs).

The gap between these two is substantial. Equity financing, venture capital and blended finance instruments that are appropriate for early-stage, growth-oriented enterprises[2] are largely absent from the Sri Lankan market. The government's investment promotion framework has not developed the institutional infrastructure (securities law reform, alternative investment fund regulation, angel investor networks) that would enable these instruments to function at meaningful scale.

Human Capital and Market Access

The emigration of over 535,000 skilled workers between 2022–23 represented not only a labour shortage but a loss of knowledge capital like sector expertise, market connections, and managerial experience that are prerequisites for enterprise growth. This human capital drain has been most acute in the technology sector where programming talent has migrated to Australia, Canada, Germany, and the Gulf states. It has also affected traditional sectors where experienced managers, quality controllers and export market specialists have left the country.

Market access remains a structural constraint for enterprises outside Colombo and for those without established export relationships. Sri Lanka's tariff architecture has historically discouraged export

[2] Tarun Khanna and Krishna G. Palepu, 'Why Focused Strategies May be Wrong for Emerging Markets', *Harvard Business Review*, vol. 75, no. 4, 1997, pp. 41–51; also, Tarun Khanna, Krishna G. Palepu and Richard Bullock, *Winning in Emerging Markets: A Road Map for Strategy and Execution*, Boston: Harvard Business Press, 2010.

development, and the country's free trade network is limited relative to competitors in the region. The risk posed by new US trade measures introduced in 2025 adds uncertainty to an already challenging export environment.

The Technology and Digitisation Gap

Adoption of digital technology by Sri Lankan enterprises is uneven and skewed toward urban, English-literate, formally registered businesses. Outside Colombo, basic connectivity constraints limit digital market access. Within Colombo, many micro-entrepreneurs have access to smartphones and social media but have not adopted them for commercial purposes partly because enterprise support systems have prioritised digital compliance (e-government, filing tax, registration) over digital utility (e-marketing, social commerce, mobile payments).

Evidence from Nairobi illustrates the potential of a utility-first approach. When a grain wholesaler used Instagram and M-Pesa to expand her market from local retailers to the whole of Kenya, she did so not because the government pushed her toward digital formalisation but because the commercial benefit was immediately tangible. A digital enterprise strategy should follow this logic: lead with utility and formalisation will follow organically.

Crisis Dynamics: Entrepreneurship Under Polycrisis

Sri Lanka's entrepreneurial ecosystem has been subjected to three overlapping crises in rapid succession:

- the Easter Sunday attacks of 2019, which devastated the tourism sector and eroded consumer confidence;
- the Covid-19 pandemic, which suspended economic activity across multiple sectors; and
- the economic crisis in 2022, which combined currency collapse, import restrictions, power shortages, and a collapse in household purchasing power to produce the most severe economic shock in the country's post-independence (1948) history.

These crises were not equivalent to their impact on enterprises. They affected different sectors, different enterprise sizes, and different geographies in different ways. Technology entrepreneurs faced power shortages and talent emigration. Traditional SMEs experienced supply chain disruptions and demand collapse. Micro-entrepreneurs in low-income urban neighbourhoods experienced the convergence of rising household debt, escalating input costs and the impossibility of sustaining a fragile business while managing a family survival crisis simultaneously.

The Limits of Financial Crisis Response

The institutional response to the 2022 crisis was predominantly financial: debt moratoriums, concessional loan schemes, and the suspension of parate execution. While these instruments provided meaningful short-term relief for some enterprises, their design had significant unintended consequences. Entrepreneurs who had maintained financial discipline and low debt loads before the crisis (which is precisely the kind of behaviour that responsible financial management requires) found themselves largely excluded from relief schemes designed for those with higher debt exposure. Concessional credit extended during the crisis added to the debt burden of enterprises that were already struggling to service existing obligations.

More fundamentally, financial instruments alone cannot address the non-financial barriers to entrepreneurial recovery: the loss of market connections, the erosion of productive skills through inactivity, the psychological cost of sustained crisis, and the collapse of the informal advice and support networks through which micro-entrepreneurs had historically navigated difficulty.

The Multiple Faces of Crisis Entrepreneurship

The crisis produced at least three distinct categories of entrepreneurial response, each requiring different support:

- Established entrepreneurs who had to navigate the crisis while keeping their businesses alive. These enterprises typically had existing assets, customer relationships, and institutional connections that gave them tools for adaptation but also had debt, fixed costs, and workforce obligations that created acute vulnerability.
- Crisis-driven new entrants who became entrepreneurs in response to the crisis, driven into self-employment by rising costs of living, deteriorating formal employment and the need to supplement household income. Many of these enterprises are operating at survival scale with minimal capital and high vulnerability.[3]
- Opportunistic entrepreneurs who identified genuine market opportunities created by the crisis particularly in export sectors where the depreciation of the rupee improved competitiveness, and in services that could be delivered digitally to international markets. These enterprises represent the frontier of Sri Lanka's recovery potential but require specifically designed support.

In brief, a single enterprise support architecture cannot serve all three categories effectively. Policy design must segment the enterprise population and calibrate support accordingly, ensuring that both survival-scale micro-enterprises and high-growth export-oriented firms receive the support appropriate to their needs and stage.

*

PART TWO: GLOBAL AND COMPARATIVE CASES, WHAT WORKS AND HOW IT MATTERS

There is a substantial and credible body of international evidence from comparable post-crisis recovery experiences and from rigorous experimental and quasi-experimental research which identifies what works and, crucially, the limits of adopted/transplanted models.

POST-CRISIS RECOVERY

Rwanda: From Destruction to Premium Positioning

Globally, Rwanda offers the most compelling post-crisis entrepreneurship recovery case. Following the Hutu–Tutsi genocide in 1994 which collapsed GDP by over 40 per cent and pushed poverty to 78 per cent, the country sustained average annual GDP growth of 8 per cent for two decades with GDP per capita rising six-fold from US$125 to US$787 by 2018.

Several features of Rwanda's recovery are comparable to Sri Lanka:

- the Rwanda Development Board made business registration achievable in six hours, at no cost, through two procedures, reducing friction for enterprise entry to a minimum.
- the country undertook 47 regulatory reforms between 2009–18, moving from 143rd to 29th in the World Bank's 'Ease of Doing Business' ranking and earning the title of World's Top Reformer in 2009.

[3] Ted Baker and Reed E. Nelson, 'Creating Something from Nothing: Resource Construction through Entrepreneurial Bricolage', *Administrative Science Quarterly*, vol. 50, no. 3, 2005, pp. 329–66.

- the ‘Made in Rwanda’ programme (2017) drove industrial output growth from 4 per cent to 10.7 per cent per annum within two years.
- the ‘iRembo’ platform digitalised 247 government services, processing 8.4 million applications in 2023.

Rwanda’s tea sector deserves particular attention as a model for Sri Lanka. In 1994, production collapsed to near zero; today the sector exports US$114.8 million annually to 47 countries, supporting over 50,000 smallholder farmers. At the Mombasa auction, Rwanda commands the highest average price (US$3.55 per kilogram) compared to US$2.28 for Kenya and US$1.02 for Uganda. The record for Nyabihu Tea Estate BP1 Grade reached US$7.22 per kilogram in 2024. In 2022, 5,000 smallholders gained 100 per cent ownership of the Mulindi Factory.

Sri Lanka produces 263,000 metric tonnes of tea annually at an average price of approximately US$3.88 per kilogram, which is higher than Rwanda's average but with far deeper heritage, established auction infrastructure and world-class orthodox expertise. The implication is that strategic quality upgrading and value chain integration could unlock substantially more premium value for Sri Lanka than current positioning achieves.

Rwanda’s Vision 2020 was domestically conceived and implemented. Where reform agendas are externally imposed without domestic ownership, the evidence consistently shows weaker outcomes. The design of the programme mattered, but its legitimacy (that it was Rwanda’s own) was equally important.

South Korea: Using Stabilisation as a Platform

South Korea received a US$57 billion International Monetary Fund (IMF) bailout in 1997 following the Asian financial crisis. GDP contracted by 5.5 per cent in 1998. But the country’s distinctive response was to treat the stabilisation programme as a platform for a domestically owned restructuring agenda, not as the agenda itself. The government enacted 13 financial reform bills in 18 months, restructured 787 financial institutions, introduced corporate governance reforms, and built an institutional framework for knowledge-intensive, export-led growth. GDP grew by 10.7 per cent in 1999.

A stabilisation programme and a growth strategy are two different instruments. Sri Lanka’s IMF programme has performed well on its own terms, anchoring macroeconomic stability, rebuilding reserves, and completing debt restructuring. But stabilisation is not a growth strategy. The 35-year evidence base from comparable post-crisis recoveries consistently shows that entrepreneurial recovery requires a domestically owned growth strategy, built on the stabilisation anchor but distinct from it.

Estonia and Georgia: Speed of Institutional Transformation

Estonia’s digital transformation following her restoration of independence offers one of the most instructive models for small economies. The Tiger Leap Initiative (1996) committed 1 per cent of GDP permanently to IT development; within one year, 97 per cent of schools were connected online. The results compounded: Estonia now has 10 unicorns, 7.7 per million people, Europe’s highest density, and 99 per cent of government services are digital. Sri Lanka already generates US$1.6 billion in IT exports; the technological base exists. What is missing is the level of commitment and institutional investment that Estonia applied.

Georgia’s radical deregulation following the Rose Revolution of 2003 demonstrates how quickly institutional transformation can occur with political will. Business licences were reduced from over 900 to under 200. Business registration was reduced to one day. A flat 12 per cent income tax was introduced. The World Bank ranking moved from 112th to 18th in four years. Tax compliance rose from 35 per cent to 78–85

per cent not because rates increased but because the system became trustworthy. The implications for Sri Lanka's regulatory reform agenda are direct.

Vietnam: Sequencing and Sustained Commitment

Vietnam's Đổi Mới reforms, launched in 1986 from a position of chronic food shortage, demonstrate that transformative reform does not require shock therapy. Within three years of launching gradual market liberalisation, Vietnam became the world's second-largest rice exporter. The Enterprise Law of 2000 grew registered businesses from 14,500 to over one million by 2017. GDP per capita rose from US$100 in 1990 to US$4,700 by 2025. Poverty fell from 58 per cent to under 2 per cent.

The Vietnam experience is directly relevant to Sri Lanka's position as a country that has absorbed an external stabilisation anchor and must build its own domestic growth strategy on top of it. Sequencing and sustained commitment rather than the pace of reform are what distinguish transformative success from reform fatigue.

SUPPLY CHAIN EVIDENCE: AGRICULTURAL MARKETS AND QUALITY UPGRADING

Market Competition and Quality: The Maharashtra (India) Case

Research on India's sugar industry provides compelling evidence on the relationship between market competition and supply chain quality, evidence that translates directly to Sri Lanka's tea sector. Prior to 1997–98, Maharashtra's sugarcane supply was governed by a cane reservation policy: each mill was assigned an exclusive catchment area, and farmers and mills within that catchment were mandated to trade with each other. Competition was effectively prohibited.

When cane reservation was abolished in Maharashtra in 1997–98, farmers became free to sell to any mill, and mills began competing for sugarcane supply through prices and services. The results across the value chain were clear: input quality improved (measured by sugar content, fibre content and variety index), mill management and technology upgraded (cane maturity at harvest, capacity utilisation and extraction rate all improved), and output quality rose (sugar clarification factor and quality grade both increased). Farmgate prices paid to farmers rose by 6.5 per cent by Year 5 of the reform. Competition benefited farmers through higher prices and better services. The parallel to Sri Lanka's tea sector is instructive. The leaf collection and processing structure in Sri Lanka's tea industry shares important features with the pre-reform Maharashtra model: smallholder producers who face limited ability to choose their buyer; processors who operate in geographic quasi-monopolies; and a market structure that does not consistently reward quality investment at the farm level.

Climate Vulnerability and Adaptive Investment

Research in India's sugar industry also documents the relationship between climate shocks and long-run market structure. Sugar production requires approximately 2,500 litres of water per kilogram of output making it highly sensitive to drought. Extreme droughts produce 30–50 per cent declines in cane yields and 15–20 per cent exit rates among mills. The mills that survive tend to be larger and better capitalised, concentrating market power.

However, the research also finds that surviving mills respond to drought exposure by investing in drought-tolerant cane varieties and improved production practices. Sugar recovery rates improve by 8–9 per cent over the eight years following drought exposure, as mills that invested in climate adaptation realise productivity gains. This finding has two implications:

- climate shocks can catalyse adaptive investment but only among enterprises that survive the shock and have the capital to invest;

- proactive investment in climate resilience before shocks occur, supporting the development and adoption of drought-tolerant varieties, water-efficient processing, and climate-indexed supply chain monitoring is far preferable to reactive adaptation after the damage is done.

Remote Coaching: Evidence from Uganda and Rwanda

A multi-year randomised controlled trial conducted in Kampala, Uganda working with 530 treatment firms and 400 control firms drawn from a canvass of approximately 20,000 micro-enterprises found that remote volunteer coaching produced a 28 per cent increase in monthly sales for coached firms relative to controls, measured at 24 months after intervention. The cost per entrepreneur was approximately US$860, recovered within 9–10 weeks of increased sales.

The mechanism through which coaching improved performance was not an improvement in generic business practices which showed no statistically significant difference between groups but a transformation in value proposition and marketing strategy. Entrepreneurs who received coaching were more likely to identify a defensible market niche, differentiate their offering and invest in customer relationships that reduced competitive exposure. The shift was strategic, not operational.

Three additional findings are important for Sri Lanka:

- Marketing professionals significantly outperformed management consultants and technology specialists as coaches because they focused on the full marketing mix customer analysis, competitive positioning, product, pricing, and distribution rather than high-level strategic advice disconnected from operating reality.
- Female entrepreneurs achieved significantly better outcomes when paired with female coaches because female coaches tended to build relational trust through broader conversations before addressing business issues, a pattern directly consistent with the relational dynamics identified in the ethnographic research.
- A complementary data-analytics advisory model in Rwanda providing entrepreneurs with simple performance dashboards rather than direct coaching demonstrated that even structured, data-based feedback without prescriptive advice can meaningfully support decision-making.

RELEVANCE AND LIMITS

What Transfers Reliably

Across all the comparative evidence, several findings transfer reliably to the Sri Lankan context:

- Regulatory simplification produces measurable results quickly. Georgia and Rwanda both demonstrate that fewer, clearer rules increase compliance and revenue, even as regulatory burden falls. Sri Lanka's current Ease of Doing Business environment characterised by complex, overlapping regulatory requirements and slow commercial dispute resolution is an unnecessary drag on enterprise development that can be addressed through sustained but achievable reform.
- Export promotion delivers strong returns. Research across 88 countries finds that every US$1 of government investment in export promotion generates approximately US$40 in additional exports. The effects are largest for smaller, newer exporters — precisely the segment Sri Lanka most needs to develop. Bundled services (finance plus advisory plus market intelligence) consistently outperform single interventions.

- Combined finance and advisory support outperforms finance alone. A synthesis of over 80 evaluations across 9 development finance institutions (published in 2024) finds that integrated support packages combining credit with coaching, market access support and technical advisory consistently outperform standalone credit lines. Sri Lanka's existing institutional architecture provides the necessary platform; what is missing is the integration.
- Domestic ownership of reform is the critical variable. Across every successful post-crisis entrepreneurial recovery in the comparative record, the decisive factor was not the sophistication of the technical design but the degree to which the reform agenda was domestically conceived, led and implemented.

What Requires Adaptation

Not all comparative lessons transfer without adaptation. Rwanda's institutional transformation was enabled by a particular post-conflict political context — a degree of concentrated executive authority and policy consistency that is not available in Sri Lanka's multi-party democratic system. Georgia's radical deregulation succeeded in large part because corruption was so embedded in the old system that wholesale replacement was both feasible and popular. Sri Lanka's reform environment is more complex, so a similar pace of change may not be immediately achievable.

The coaching evidence from Uganda is compelling but requires contextualisation. The Ugandan enterprises were operating in a setting with different cultural norms around advice-seeking, different sector compositions and different competitive dynamics. The fundamental mechanism (strategic differentiation supported by sustained relational guidance) is robust but programme design must

incorporate Sri Lanka's specific cultural context: the significance of 'Swaya Shakthiya', the role of informal advice networks and the specific barriers facing women entrepreneurs.

Similarly, Estonia's digital transformation was built at a particular historical moment, the creation of a new national identity that embraced digital infrastructure as a symbol of modernity and independence. Sri Lanka can draw on the technical and policy architecture that Estonia developed but the institutional and cultural conditions for its adoption are different and must be accordingly designed.

*

PART THREE: WHAT SRI LANKA CAN DO DIFFERENTLY

This section translates the research findings presented above realistic and workable practices within the existing framework of Sri Lanka's fiscal and institutional environment.

BUILDING A COHERENT ECOSYSTEM

Rationalise and Consolidate the Enterprise Support Architecture

Sri Lanka's enterprise support landscape is characterised by institutional proliferation: too many agencies with overlapping mandates, insufficient resources and limited demonstrated impact. The objective of institutional reform is not simply structural mergers; merging institutions does not automatically solve the problems caused by fragmentation if the same misaligned incentives and weak capabilities are preserved within the merged body. The objective is a deliberate, evidence-based mapping of what services are

needed, for which enterprise segments, at which point in the business lifecycle, and at which level of government.

This mapping can be conducted through a rapid, six-month review process, drawing on existing institutional knowledge and engaging practitioners who deliver services on the ground. The review should assess each institution against three criteria: whether it delivers services that entrepreneurs value and use; whether it possesses the market intelligence to advise entrepreneurs more accurately than they can advise themselves; and whether its performance is being measured in ways that reflect actual entrepreneurial outcomes rather than administrative throughput.

- An institutional review of all state enterprise support bodies. Map services against enterprise segments and lifecycle stages. This will help identify high-performing units and preserve their capabilities, consolidate overlapping functions, eliminate programmes with no demonstrable impact.
- Performance targets for advisory officers from throughput metrics (numbers registered, trained, financed) to outcome metrics (business survival and revenue growth at three and five years). This can be piloted to measure effectiveness before a wider rollout.
- Adopting a 'connect, don't duplicate' principle will help identify the best available support provider (private, civil society, international) for each enterprise segment and connect entrepreneurs to it, rather than attempting to deliver all services in-house.

Creating Enterprise-Friendly Support

Sri Lanka's enterprise support institutions should be measured against not process compliance but knowledge superiority: does the institution know more about an entrepreneur's market, competitive landscape and growth options than the entrepreneur themselves? For instance, Rwanda's National Agriculture Export Board meets this standard: any entrepreneur who walks through its doors is guaranteed to receive information more current and specific than what they already hold; likewise, The Caribbean Industrial Research Institute (CARIRI) in Trinidad and Tobago offers a small-market model of an institution that continuously measures the relevance of its services, follows up with every entrepreneur it supports and builds internal capability accordingly.

Women's Entrepreneurship Programme

The gender gap in Sri Lanka's formal SME ecosystem (85 per cent of microfinance taken up by women against 25 per cent of registered SME ownership) requires targeted encouragement and provisions. 'Targeted' does not mean a separate, siloed programme; it means designing mainstream enterprise support with explicit gender sensitivity while also creating specific initiatives that address the structural barriers faced by women. The following could be a possible outline:

- *Stage 1*: Disaggregate gender in all enterprise support programme data collection and evaluation.
- *Stage 2*: Piloting gender-matched mentoring programmes (eg., RCT project in Uganda which showed significantly better outcomes for female entrepreneurs paired with female coaches).
- *Stage 3*: Initiate participatory research with women entrepreneurs across income levels, sectors and geographies to identify the specific barriers most limiting progression from microfinance uptake to registered SME ownership.
- *Stage 4*: Creating effective communications outreach programme addressing the masculine archetype of entrepreneurship, recognising that the cultural narrative around who is an entrepreneur shapes aspirations and advice-seeking behaviour.

MAKING ADVICE WORK

Sri Lanka needs to invest in advisory infrastructure with the same seriousness that it currently applies to financial infrastructure. Research shows that well-designed advisory and coaching interventions produce

significant, measurable and sustained improvements in enterprise performance at costs that are readily justifiable. This investment should be structured around three layers:

- *Community-level Relational Advice*: Formalising and supporting the informal advice networks already operating in low-income communities does not mean bureaucratising community advisors; it means ensuring they have access to current market information, a clear referral pathway to formal institutions and recognition within the system.
- *Sectoral Peer Learning programmes*: Creating structured peer learning cohorts (e.g., Retailing 101, Hotel Management 101, Agri-Processing 101) such as Singapore's former Productivity and Standards Board. These programmes work within existing relational structures and reach entrepreneurs who will not engage with formal individual advisory.
- *Remote professional coaching*: Piloting a Sri Lanka-specific adaptation of the Grow Movement remote coaching model in Sinhala and Tamil, matching Sri Lankan and diaspora business professionals with entrepreneurs. Coaching cohorts should be sector-specific, gender-matched where appropriate, and supported by a client relations function that contextualises advice for coaches unfamiliar with the Sri Lankan operating environment.

AI-Enabled Advisory Tools

Artificial intelligence offers significant potential for scaling and improving advisory services without losing the relational quality that makes advice effective. Three specific applications are particularly useful:

- *Performance dashboards*: Simple, mobile-accessible dashboards in Sinhala and Tamil that allow micro-entrepreneurs to track their own revenue, cost and inventory trends over time. Data from the project in Rwanda shows that even basic data feedback without prescriptive advice improved decision-making.
- *AI-assisted client relations management*: Software that contextualises coaching interactions for international advisors, briefing them on the operating environment, regulatory context and cultural norms of the entrepreneur's business before each session.
- *Market intelligence tools*: AI-enabled platforms that aggregate price data, buyer intelligence and export market information and deliver it in accessible formats to entrepreneurs, advisors and supply chain actors.

AI tools should be positioned as extensions of human advisory relationships, not replacements for them. The evidence consistently shows that the relational dimension of advice — the sense of being genuinely heard, understood and supported is what makes advice effective. Technology that enhances this dimension is valuable; technology that replaces it is not.

Reform the Targets and Training of Government Advisory Officers

The most immediate and lowest-cost change to the current advisory ecosystem is to revise the performance frameworks for public advisory officers. Current frameworks incentivise volume: number of entrepreneurs seen, programmes attended or loans facilitated. Emphasis should instead be placed on the relational, time-intensive advisory practice that produces results to include enterprise survival rates, revenue growth and self-reported advisory quality ratings.

CAPITAL AND FINANCE

Diversify Beyond Concessional Credit

Research has identified the over-reliance on concessional bank credit as the primary instrument of enterprise policy as one of the central weaknesses of Sri Lanka's current approach to entrepreneurship. Evidence from the economic crisis of 2022 shows that credit-led crisis response defers rather than resolves underlying vulnerabilities, misallocates support between well-managed and poorly-managed enterprises, and adds to debt burdens at precisely the moment when entrepreneurs are least able to service them.

A more diversified financing ecosystem requires development in four areas:

- A regulatory and institutional infrastructure that would enable equity investment in Sri Lankan SMEs at meaningful scale. This requires engagement between the Securities and Exchange Commission, the Ministry of Finance and private sector financial actors on the legislative and regulatory changes that would make alternative investment funds and angel investor networks operational.
- Working with development finance institutions (like Asian Development Bank, the World Bank's International Finance Corporation, the European Bank of Research and Development) to develop blended finance instruments that combine concessional public capital with private co-investment, de-risking early-stage investment in high-potential enterprises.
- Revitalising Sri Lanka's cooperative sector as a vehicle for community-based capital formation. The SACCO model — savings and credit cooperatives operating with supportive but non-directive regulatory oversight — has been effective in Uganda and across East Africa in reaching enterprises excluded from formal banking systems. Sri Lanka has a cooperative tradition that could be modernised.

India has successfully provided subsidised access to Graphics Processing Unit (GPU) computing resources for AI enterprises, shared R&D facilities and digital infrastructure as instruments of enterprise support. These assets reduce the cost of entry for knowledge-intensive startups and are complementary to financial instruments.

Activate Diaspora Capital Deliberately

Sri Lanka's 535,000+ diaspora represent the country's largest untapped asset for enterprise development and one of its most politically achievable sources of additional capital, knowledge and market connections. Rwanda's post-conflict strategy of actively recruiting diaspora professionals into institutional leadership positions bypassing conventional bureaucratic pathways produced measurable results in the quality and international connectivity of key institutions.

Sri Lanka's diaspora engagement strategy can be achieved by:

- *Diaspora bonds*: State-backed diaspora bonds that allow non-resident Sri Lankans to invest in specific enterprise development programmes with defined returns and transparent use-of-proceeds frameworks.
- *Returnee leadership pathways*: Structured pathways for diaspora professionals with demonstrated expertise to enter positions of institutional authority in enterprise support, export promotion and agricultural development agencies with streamlined processes that recognise international credentials and experience.
- *Knowledge exchange platforms*: Sector-specific diaspora knowledge exchange platforms that connect non-resident Sri Lankan professionals with domestic enterprises, advisory institutions and policymakers on a voluntary basis (like in the GROW Movement model).

AGRICULTURAL SUPPLY CHAINS: QUALITY, COMPETITION AND CLIMATE

Establish Robust Data Monitoring Systems

Effective supply chain policy in agriculture requires accurate, timely and publicly accessible data on farm-gate prices, ex-factory prices, input costs, productivity distribution, and quality indicators. Sri Lanka currently lacks this data for most of its key agricultural export chains including tea, cinnamon and spices. Without it, it is impossible to identify where market power is being exercised, whether smallholder returns are adequate or whether policy interventions are having their intended effect.

- Establish a minimum viable data monitoring system for Sri Lanka's top five agricultural export chains, covering farm-gate prices, ex-mill or ex-factory prices, input costs and quality grades. Design as a public—private partnership with industry associations, research institutions and the relevant commodity boards led by Sri Lanka and not dependent on externally prescribed frameworks.
- Publish price and productivity data quarterly in accessible formats, disaggregated by region, size of the enterprise and status of certification. Make data available to advisory institutions, smallholder organisations, and independent researchers.

Design Pro-Competition Policies with Smallholder Safeguards

Evidence from the sugar industry in Maharashtra (India) demonstrates that well-designed competition policies can benefit smallholder producers through higher prices and better services. But competition without adequate safeguards can also concentrate market power in the hands of better-capitalised processors and intermediaries, to the detriment of smaller, more vulnerable producers. Sri Lanka's tea sector, with a significant number of intermediaries between leaf collectors and factories and a long history of debate about fair pricing, requires policies that promote competition while protecting smallholder returns. Following on from the above, Sri Lanka could consider

- Commissioning a market structure assessment of Sri Lanka's tea supply chain, examining the degree of intermediary concentration, the gap between farm-gate and ex-factory prices, and the evidence on returns to smallholder producers relative to processors.
- Based on the market structure assessment, consider the introduction of a minimum farm-gate price mechanism for green leaf, analogous to India's sugarcane minimum support price as a safeguard against exploitative pricing by intermediaries and factories.
- Explore models for smallholder co-ownership of processing facilities as demonstrated by the FERWACOTHE model in Rwanda as a structural mechanism for aligning the interests of producers and processors in the tea supply chain.

Build Climate Resilience Proactively

The climate vulnerability of Sri Lanka's agricultural supply chains is well-documented. The tea sector (like India's sugar industry) is sensitive to rainfall variability, temperature shifts and extreme weather events that are increasing in frequency and intensity. Current policy is reactive: climate shocks trigger emergency responses rather than triggering systematic adaptation. The research evidence is unambiguous that proactive investment in climate resilience is superior to reactive adaptation on every measure — cost, effectiveness, and welfare outcomes for farmers and workers.

Bearing these in mind, it would be prudent to

- Establish a Climate Resilience Fund for Sri Lanka's key agricultural export sectors, capitalised through a combination of government budget allocation, development finance and industry contributions.

The fund should support investment in drought-tolerant and climate-adapted variety development, water-efficient processing infrastructure and climate-indexed crop insurance.

- Integrate climate risk assessment into all agricultural supply chain policy design, investment decisions and advisory services, and build climate scenario modelling capacity within the relevant commodity boards and research institutions.

Pursue Quality Over Volume in Export Positioning

Rwanda's tea sector earns the highest average price at the Mombasa auction not through volume but through quality certification, direct trade relationships and a clear value proposition. Sri Lanka's tea sector has deeper heritage, larger production volume and an established auction infrastructure. The case for a strategic shift toward quality-over-volume positioning supported by Rainforest Alliance, Fairtrade and other certification schemes, facilitated by direct trade relationships with premium buyers and grounded in the distinctive provenance of Ceylon Tea is compelling.

This shift cannot be achieved through short-term interventions. It requires sustained, multi-year investment in standards frameworks, farmer training, traceability systems, and direct market connections. The institutions that support quality upgrading (the Tea Board, commodity research institutes, export development agencies) need to operate on a timescale consistent with the agricultural and commercial realities of transformation.

DIGITAL INFRASTRUCTURE AS ENTREPRENEURIAL INFRASTRUCTURE

Lead with Utility, Not Compliance

Sri Lanka's digital enterprise strategy should prioritise e-marketing and social commerce as the entry point for digital adoption rather than e-government compliance requirements. Entrepreneurs who gain the ability to market and sell digitally will subsequently adopt other dimensions of digital formalisation voluntarily because they have experienced the commercial benefit of operating digitally.

- Launch a Digital Trading Programme that provides micro and small enterprises with free or subsidised access to social commerce training, digital payment setup and basic digital marketing skills.
- Design delivery through trusted intermediaries, chambers of commerce, women's business associations, sector federations rather than through government institutions directly.
- Prioritise connectivity infrastructure investment in underserved areas treating broadband access as entrepreneurial infrastructure on the same basis as roads or electricity.

Policy Coherence and Long-Term Commitment

Sri Lanka's historically short policy cycles driven by electoral rhythms and changes of government have created a 'rolling stone' environment in which enterprise support frameworks are revised or discontinued before they have had time to produce results. This is not merely a problem for programme evaluation; it is a fundamental deterrent to both domestic and international investment in Sri Lanka's enterprise ecosystem. Investors require confidence in the stability of the regulatory and policy framework before committing capital to long-term enterprise development.

The solution is not constitutional lock-in of specific programmes which would reduce the flexibility needed to adjust policy as evidence accumulates but common agreement around core enterprise and investment framework principles backed by independent monitoring and public reporting requirements that create accountability beyond any single government's tenure.

- Initiate a cross-party process to develop a 'Sri Lanka Enterprise Vision' with a 10-year horizon, covering the institutional architecture, financing framework, regulatory environment, and digital infrastructure commitments required to support inclusive entrepreneurial growth. This process should be led domestically, with academic and practitioner input and should produce a document that commands cross-party endorsement.
- Establish an independent Enterprise Policy Review Unit modelled on bodies such as New Zealand's Productivity Commission with a mandate to assess the performance of enterprise support institutions, evaluate the evidence base for policy decisions and publish annual reports accessible to policymakers, practitioners and the public.

CONCLUSION

Sri Lanka stands at a genuine inflection point. The macroeconomic stabilisation of 2023–25 has created the conditions for a new phase but it has not resolved the structural weaknesses that made the country's entrepreneurial ecosystem so vulnerable to the shocks of 2019–2022. Translating stabilisation into sustainable, inclusive and competitive entrepreneurial growth requires a qualitatively different approach from what has been tried before.

Research based evidence both from within Sri Lanka, and comparable economies outside, is clear about what that approach must contain: a domestically owned vision with long-term political commitment; institutional architecture built for outcomes rather than throughput; advisory and coaching infrastructure that is relational, contextualised and appropriately scaled; a diversified financing ecosystem that goes well beyond concessional bank credit; agricultural supply chains that reward quality investment and protect smallholder producers; and digital infrastructure treated as entrepreneurial infrastructure rather than an administrative compliance requirement.

None of these changes is beyond Sri Lanka's current institutional, financial or political capacity. What they require is the kind of sustained, domestically owned commitment to reform that the comparative evidence from Rwanda to Vietnam to Estonia identifies as the decisive variable in every successful post-crisis recovery.

The February 2026 dialogue demonstrated that the knowledge, the evidence, and the will to build this approach exists within Sri Lanka. The task now is to translate that collective insight into an agenda that all stakeholders — from government, private sector, and civil society to the diaspora can commit to and implement together.

*

South Asia Centre
The London School of Economics and Political Science
Houghton Street
London WC2A 2AE
United Kingdom

lse.ac.uk/south-asia-centre
+44 (0)20 7107 5330
southasiacentre@lse.ac.uk

@SAsiaLSE blogs.lse.ac.uk/southasia facebook/SAsiaLSE @southasia_lse
YouTube South Asia Centre LSE lsesouthasia.bsky.social lsesouthasia.mastodon.social

© The Contributors
First published June 2026

The 'Occasional Paper' series publishes work-in-progress papers by Visiting Fellows at the LSE South Asia Centre. The views expressed in this paper are those of the author and not of the LSE South Asia Centre or the London School of Economics and Political Science.

The LSE South Asia Centre is part of LSE IDEAS. LSE IDEAS is LSE's Foreign Policy Think Tank which provides a forum that informs policy debate and connects academic research with the practice of diplomacy and strategy. LSE South Asia Centre and LSE IDEAS jointly work towards realising LSE Vision 2030 through their projects, papers, reports, public and off-the-record events, and cutting-edge training programmes for government, business and third-sector organisations. **lse.ac.uk/ideas**