

Factors determining the performance of rural micro-enterprises in Sri Lanka: the case of Matara District

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This paper examines the factors determining the performance of rural micro-enterprises (MIEs) in Sri Lanka based on primary data collected from a sample survey and the case studies conducted on nine industrial categories scattered in the rural sectors in Matara District. Definition of the MIEs varies from country to country. In Sri Lanka, it is defined as an enterprise consisting of 1-5 employees and Rs. 5000-5,00,000 in fixed assets. The MIEs are very important for Sri Lanka in term of their capability in employment generation, poverty alleviation, arresting rural brain drain, and creating forward and backward linkages. Specific indicators such as job creation rate, and work experience of producers used to measures the performance of MIEs. As in the most of the third world countries, results indicate that the performances of MIEs in Sri Lanka have been stagnating. The studies conducted in many south Asian countries have shown that the sluggish performance of MIEs is largely due to supply side factors such as low level of education of entrepreneurs and interior technology they used. On the contrary, this study shows that demand side factors such as market condition and level of business responsible for the poor performance of MIEs in Sri Lanka. For example, producers in these industries always attempt at adjusting to demand shocks those derived from the current market conditions. This passive nature of the producers discourages them in using of modern technology and innovations and encourage them to serve only to poor people, to supply low priced food with low quality and to employ more temporary workers in their production process.

Key words: Rural-micro-enterprises; Employment; Business performance; Matara District