

Issues Related to Entrepreneurship in Sri Lanka: An Analytical Discussion

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Abstract—Sri Lanka's economy remains the backbone of national livelihoods while bearing a disproportionate burden of poverty risk, earnings volatility, and spatial inequality. The sequence of commodity price shocks, climate events, and the 2022 macroeconomic crisis, during which headline inflation peaked at 69.8% year-on-year in September 2022 and the rupee, after being floated in March, moved sharply before ending 2022 substantially weaker, thinned working capital, heightened uncertainty, and widened capability gaps across districts (Central Bank of Sri Lanka [CBSL], 2023). Entrepreneurship development in Sri Lanka involves efforts to promote startups, support small businesses, and foster an entrepreneurial culture, with challenges including financial constraints, policy gaps, and environmental difficulties. Initiatives focus on youth, women, and specific sectors, such as tourism and technology, employing strategies including training programs, startup competitions, school clubs, and improved access to finance and mentorship. Government and non-governmental organizations play a significant role through various programmes. The South Asia Leadership in Entrepreneurship (SALE) programme is implemented in Sri Lanka and Nepal by the International Labour Organization, with the financial assistance of the United States Department of State. The primary objective of SALE is to promote youth entrepreneurship by facilitating a shift in the entrepreneurial ecosystem and encouraging young people to transition into the entrepreneurial world. This research article examines the development of entrepreneurship issues in Sri Lanka, presenting relevant cases that enable academics, researchers, and others to explore these issues.

Index Terms—Entrepreneurship / Entrepreneurs, Smallholder farmers, Sri Lanka, SALE, Unemployment, and World Bank Group.

I. FULL ARTICLE

In early 2022, Sri Lankans began experiencing power outages and shortages of necessities, including fuel. The rate of inflation rose to 50% a year. As a result, protests broke out in the capital, Colombo, in April that year (2022) and spread across the country. The country ran short of fuel for essential services, such as buses, trains, and medical vehicles, because it lacked sufficient foreign currency reserves to import more. Unemployment was a significant issue among the youths. The following statistics reveal the facts. Sri Lanka's youth unemployment rate for 2024. Sri Lanka's unemployment rate for 2024 was 5.00%, a 1 percentage point decline from 2023.

- Sri Lanka's unemployment rate for 2023 was 6.00%, a 1.47 percentage point increase from 2022.
- Sri Lanka's unemployment rate for 2022 was 4.53%, a 0.45 percentage point decline from 2021.
- Sri Lanka's unemployment rate for 2021 was 4.98%, a 0.38 percentage point decline from 2020.

Unemployment refers to the share of the labour force that is without work but available for and seeking employment (www.macrotrends.net). To tackle the issue of unemployment, options include wage employment and self-employment. Although self-employment and entrepreneurship may sound similar, there are key differences between the two. Entrepreneurs are focused on innovation, growth, and building something big, while the self-employed operate comparatively smaller businesses, selling items that provide income for themselves.

Entrepreneurship is a crucial issue in generating employment. And worldwide Entrepreneurs' Day is observed. World Entrepreneurs' Day is a global observance dedicated to celebrating the visionaries

behind new business ventures. Entrepreneurs are at the heart of technological, economic, and social advancement. From small business owners to tech startup founders, the day highlights their resilience, creativity, and leadership. It also promotes entrepreneurial education, inspiring the next generation to take initiative and solve real-world problems through innovation.

International entrepreneurship is a rich and growing field of study that offers opportunities for organizations and individuals to establish themselves beyond their domestic domain. It involves exporting goods and services, investing directly in foreign companies, establishing new subsidiaries in other countries, and entering into licensing agreements to manufacture goods abroad. Transnationalization, also known as this process, often yields sizable growth and, thus, new ideas and higher economic returns.

The benefits of international entrepreneurship are mainly two.

Economic Growth: International entrepreneurship employs people in both the home country and the host country, thereby increasing economic activities for both countries.

Market Diversification: It helps firms spread the market risks, which in turn minimizes concentration in a single market.

II. FOCUS ON EMPLOYMENT ISSUES IN SRI LANKA

The United Nations began its work in Sri Lanka in 1952. Three years later, on 14 December 1955, Sri Lanka was admitted as a Member State of the UN. For more than sixty years, the UN, in partnership with the government and people of Sri Lanka, has worked continuously to ensure that all Sri Lankans enjoy better living conditions. Collectively, and through its 23 specialised agencies, funds, programmes, and offices across the country, the UN addresses the needs and creates opportunities, including for the poor, the most vulnerable, and the young. The UN has established broad partnerships with governments, civil society, the wider NGO community, bilateral donors, and international financial institutions to address a multitude of challenges, both in the long term and during times of emergency. Moving forward, the UN aims to support the Government of Sri Lanka in achieving sustainable and inclusive economic growth,

characterized by equitable access to quality social services, enhanced human capabilities, and reconciliation, ultimately fostering long-lasting peace. According to the World Bank Group's press release on September 9, 2025, more than 380,000 people across Sri Lanka are set to benefit from a new US\$100 million partnership between the Government of Sri Lanka and the World Bank Group aimed at strengthening rural livelihoods, creating jobs, and building climate resilience in the agri-food sector.

The Integrated "Rurban" (Rural and Urban) Development and Climate Resilience Project will directly support 8,000 agri-food producers, improve irrigation and drainage services on 71,000 hectares of land, and help smallholder farmers adopt modern, climate-smart agricultural practices that increase harvests and reduce losses. It also aims to generate new jobs in rural areas particularly for youth and women by strengthening agribusiness value chains and expanding market access. Smallholder farmers, who produce 80% of Sri Lanka's food, are at the center of this initiative. As climate change leads to more unpredictable rainfall, rising temperatures, and extreme weather events like floods and droughts, the project will focus on upgrading irrigation systems to help farmers manage water more effectively. It will also promote the use of modern technologies to boost crop yields and reduce losses, expand access to crop insurance, and invest in climate-resilient infrastructure to help farmers better cope with climate-related challenges.

III. SOUTH ASIA LEADERSHIP IN ENTREPRENEURSHIP (SALE) PROJECT

The International Labour Organisation (ILO) South Asia Leadership in Entrepreneurship (SALE) project, funded by the United States Department of State, aims to promote entrepreneurship as a viable career option for young people in South Asia. It encourages the development of entrepreneurial skills among young people and fosters an environment that enables youth entrepreneurship. SALE promotes entrepreneurship as a desirable career option for young people in Sri Lanka and Nepal. In this regard, a few points about the Youth Perception Survey (2022) are presented here (ilo.org/sites/default/files/2025)

1. 40.9% of youth aged 20-25 years were confident of their entrepreneurial mindset, but the same was for only 29.6% of youth aged 15-19 years;

2. Only 26.9% of young women strongly believed that they have an entrepreneurial mindset, while it was 43.4% for young men.

It is worth mentioning that entrepreneurship awareness creation and skills development training have been provided to over 10,000 youth across Sri Lanka.

Cases of Entrepreneurs from Sri Lanka:

Case 1. Siddhalepa: Quality signalling in credence-good markets:

Traditional medicine occupies a position squarely in the territory of credence goods, where users cannot verify efficacy even after consumption. Siddhalepa's growth can be viewed as an exercise in costly signalling to offset the verification gap. The family balm, marketed since 1934, was industrialized in 1971 by Victor Hettigoda; the decisive move came in 1994 with ISO 9002, followed by ISO 9001/14001/18001/22000, as well as HACCP and GMP claims the firm itself advances, and which are plausible given the period's standards diffusion. These certifications mattered less as routine processes and more as signals of credibility to retail gatekeepers and foreign regulators, who were unable to inspect Ayurveda quality directly. Siddhalepa inverted the usual FMCG sequence. It secured placement first, then scaled demand via a dedicated distributor and a large field force, the company describes as "500," creating near-ubiquitous domestic reach. The brand also embedded products in services (Mount Lavinia Hospital and Wadduwa Resort), yoking practitioner endorsement to over-the-counter remedies. Both moves lower consumer search costs and convert third-party stocking and clinician use into visible assurance. The company reports an international presence ("customers in 40 countries"), and recent format innovation the International Innovation Award (2021) for the Pain Relief Spray signals adaptive capability. Victor Hettigoda's death in April 2022 now provides a canonical family-firm succession test: if outcomes hold, capabilities were institutional rather than founder-idiosyncratic.

Case 2. Wijaya Products: Educational premiums in rural commodity upgrading: Small rural processors face two traps: quality variance and buyer uncertainty. Wijaya's founders' concurrent undergraduates in science and commerce converted a Dodangoda paddy and chilli unit (1989) into a formal food manufacturer by installing calibrated milling/packing equipment, documenting formulations, and making deliberate inroads into modern trade. The firm's certification stack (ISO 9001/22000/14001; OHSAS 18001; SLS) functions as a

market-access technology: not a guarantee of flavour or authenticity, but a credible assurance of process control to supermarket buyers and export inspectors. Many products, including spices, flours, noodles, and beverages, are now exported to numerous countries. Awards such as CNCI Achiever and repeated SLIM People's recognition aid reputation formation, but should not be over-read as evidence of pricing power.

IV. CONCLUSION

We have both observed that Sri Lankan entrepreneurs have generated wealth and achieved success through their various business ventures. They are dynamic and have innovative ideas. Sri Lanka's economy showed clear signs of stabilization in 2024, with GDP per capita growth reaching 5%, a significant turnaround from -2.3% in 2023. This progress occurred amid ongoing reforms and the country's engagement with the IMF's Extended Fund Facility. However, structural challenges remain, including a high rate of informal employment, limited industrial diversification, and persistent youth unemployment. Continued investment, policy reform, and inclusive growth strategies will be essential for long-term stability.

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