Secure Livelihoods Research Consortium

Researching livelihoods and services affected by conflict

‘We do what we have to do’

Cultures of indebtedness among women entrepreneurs in the east of Sri Lanka

Working paper 74

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SLRC publications present information, analysis and key policy recommendations on issues relating to livelihoods, basic services and social protection in conflict affected situations.
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Preface

The Secure Livelihoods Research Consortium (SLRC) aims to generate a stronger evidence base on state-building, service delivery and livelihood recovery in fragile and conflict-affected situations. It began in 2011 with funding from the UK's Department for International Development (DFID), Irish Aid and the European Commission (EC).

Phase I: 2011 - 2017

SLRC's research can be separated into two phases. Our first phase was based on three research questions on state legitimacy, state capacity and livelihoods, developed over the course of an intensive one-year inception phase. Findings from the first phase of research were summarised in five synthesis reports produced in 2017 that draw out broad lessons for policy-makers, practitioners and researchers.

Phase II: 2017 - 2019

Guided by our original research questions on state legitimacy, state capacity, and livelihoods, the second phase of SLRC answers the questions that still remain, under three themes:

- Theme 1: What are the underlying reasons for continued livelihood instability in post-conflict recovery situations?
- Theme 2: How does the experience of conflict link to how people experience trust, fairness and expectations of the future as part of their recovery?
- Theme 3: How does service delivery influence the negotiation of state legitimacy?

Theme 1: Livelihoods instability

This paper is one of eight pieces of research from Theme 1 conducted in Afghanistan, Nepal, Pakistan, Sri Lanka and Uganda. The research was conducted by the Afghanistan Research and Evaluation Unit (AREU), Centre for Poverty Analysis (CEPA - Sri Lanka), Feinstein International Center (FIC, Tufts University - Uganda), Nepal Institute for Social and Environmental Research (NISER), Overseas Development Institute (ODI) and the Sustainable Development Policy Institute (SDPI - Pakistan). The research lead was Vagisha Gunasekara.

The studies under this theme question currently held assumptions about the nature of exchange and economic behaviour in rural economies. These studies demonstrate that livelihoods in conflict and post-conflict settings are in socially embedded economies - driven by patron-client relationship and non-contractual obligations.

In Afghanistan, we delve into the role of informal borrowing as a buffer in sustaining livelihoods. In Sri Lanka, we examine the suitability of 'entrepreneurship' promotion as a development intervention for people in war-affected areas. The study in Nepal looks at work and livelihood patterns of women in migrant households. The Pakistan study investigates how households access credit, the impact of indebtedness on families, and develops a framework that explains household indebtedness and its impacts. Lastly, the research in Uganda focuses on the internal migration of young people and their experiences with employment, the livelihoods realities of the war-wounded, and how livelihood trajectories of the war-affected influence decisions related to education of young people.

The evidence generated by the studies offers a number of insights into why people in conflict settings can no longer sustain their own lives through direct access to a living wage, why policies and aid interventions aimed at socio-economic recovery fail and the mechanisms people use in order to stay afloat within these economies.

For more information on who we are and what we do, visit: www.securelivelihoods.org/about-slrc

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Acronyms and glossary

CEPA	Centre for Policy Analysis
GDP	Gross domestic product
LTTE	Liberation Tigers of Tamil Eelam
NHREP	National Human Resource and Employment Policy
SLRC	Secure Livelihoods Research Consortium
SME	Small and medium enterprise

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Executive summary

This paper questions the use of entrepreneurship in Sri Lanka as a means of boosting post-war growth and transitioning communities into secure livelihoods. It does so by studying the lives of women entrepreneurs in Trincomalee and a 'micro' community in Batticaloa.

Methodology

The research was conducted over eight months with a panel of 20 households, using research tools including biographical histories and narratives, participant observations of production and market spaces, informal engagements, as well as semi-structured interviews with particular individuals and groups.

Research questions

- What do the 'life-worlds' (the lived realm of culturally and socially grounded understandings and mutual accommodations) of entrepreneurs tell us about secure post-war livelihoods?
- What role does entrepreneurship play in in the high levels of livelihoods volatility observed in post-conflict situations?
- What are the roles of the different institutions, rules and norms involved in entrepreneurship promotion?

The major findings of this study serve to reinforce much of the existing and emerging work that critiques 'pro-poor' strategies, including microfinance, and developmental 'hope and growth' post-war discourses around the dynamism of entrepreneurship. Our key findings can be broadly expressed as the following:

1. Women often do 'what they have to do' in order to survive the material and spatial disruption they experienced both during and after war. Our findings underline the fact that the life that is lived in the post-war economy continues to be lived in relation to the war economy, in the sense that everyday life is rarely lived without a sense of the past or the intersections of religion, class, caste, place and education.
2. A post-war financialisation drive to boost consumer culture has left many people working several jobs.
3. A reliance on microfinancing, as well as a habit of serial and multiple loan-taking from a variety of sources has led to a culture of debt, normalised by the intense financialisation of the post-war years.
4. Debt among women entrepreneurs is also driven by poor access to markets, skills deficits, unreliable payment and difficulty in negotiating due to gender-related social norms.

1 Introduction

Between 1986 and 2009, Sri Lanka experienced a protracted armed conflict, between the Liberation Tigers of Tamil Eelam (LTTE), who sought to establish an independent Tamil state, and the state of Sri Lankan, represented by successive Sri Lankan governments. Since the end of the war (2009), Sri Lanka's governments have sought to boost the economy, stabilise livelihoods, and forge reconciliation through economic development. Economic development is seen as a cornerstone of reconciliation policy. . The approach – as outlined by the Prime Minister's Office's 'Vision 2025' – seeks to create economic prosperity through a social market economy, driven by innovation and entrepreneurship.

However, within Sri Lankan activist and academic circles there is significant concern with regard to entrepreneurship as a means to secure post-war livelihoods, particularly because it involves loan-taking and thus recreates a kind of continued dispossession (Kadirgamar, 2017), especially for severely war-affected communities, and may entrap individuals in cycles of debt. It may also concretise a morality of wealth creation (Blaney and Inayatullah, 2010; Rai, 2008), which drive forms of expropriation (Tilley, 2018).

In noting this, the paper questions the use of entrepreneurship in Sri Lanka as a means of boosting post-war growth and transitioning communities into secure livelihoods, and asks if more epistemic diversity in policy-making and planning could point to alternative ways forward. To do so, we discuss the situation of entrepreneurs in post-war eastern Sri Lanka, with a particular focus on the lives of women entrepreneurs in Trincomalee and a 'micro' community in Batticaloa. The paper is also concerned with the need to continue to argue for alternative approaches to development. We can, for example, see how communities find solutions from their own resources and how community solidarity allows some individuals to exist apart or break entirely from debt cycles, creating what we may term as 'spaces of debt resistance'. It is imperative for policy-making and project design in Sri Lanka to engage with these critiques and spaces.

1.1 Structure of the report

Section 2 lays out, narratively, the experiences of three entrepreneurs who were interviewed for this study. Section 3 reviews the central role accorded to entrepreneurial activity in development programmes in Sri Lanka for a range of objectives, including growing the economy, supporting women’s livelihoods, and promoting peace and reconciliation, including transforming lagging regions. Critiques of this approach are presented and discussed in relation to past Secure Livelihoods Research Consortium (SLRC) and Centre for Policy Analysis (CEPA) research findings. Section 4 reviews the qualitative research design and Section 5 discusses the main findings of the present study. Conclusions, wider implications and recommendations for development policy are discussed in Section 6.

2 Three case studies: a seamstress, a miller and the entrepreneur

In this section, the paper lays out, narratively, the experiences of three entrepreneurs who were interviewed for the study. Each case highlights the complexity and diversity of experience, as well as the strong survival narrative that is associated to post-war livelihoods.

> *I got Rs 75,000 from Samurdhi bank and was paying Rs 2,500 monthly. The interest rate was 1.5% and now I have completed it. My daughter got Rs 500,000 from Pan Asia bank. This I paid the loan we got when my daughter went to Australia. Other than this my daughter got another Rs 100,000 from Virag loan. Rs 7,100 should be paid monthly. This is a loan for one and a half years. With this loan our jewelleries that were pawned were recovered. She has taken MPSL 100,000 loan. I pay Rs 8,500 per month for this. This is one and a half years' loan. Loans were settled with this. Our neighbours signed as witness.' (Female respondent from Trincomalee)*

We begin with the story of 61-year-old Dayalini.[1] For her, the war began in 1985 and she was displaced twice and moved to a refugee camp. Once she was able to move to a temporary shelter, she started a small tea shop from which she earned a meagre income. She then migrated to Saudi Arabia to provide a better income for her family. However, both her sons died in the war, and one of her three daughters joined the Liberation Tigers of Tamil Eelam (LTTE), leading Dayalini to return home. With savings she had accumulated abroad she was able to acquire a plot of land and build a house, but this was destroyed in the 2004 Boxing Day tsunami and she was relocated to a government housing scheme. She has not seen her eldest daughter since she was abducted in 2008. Dayalini now lives with her second daughter and her children, and has to provide for them as the daughter's husband lives with another family. She earns her income through the packing and selling of ground floor to local shops. This earns her a monthly income of Rs 15,000 (£65). She has taken loans from both private and state banks, which she has to pay off monthly. In order to supplement her income, she also pawns her jewellery.

A second story is that of a seamstress, Rani. She learned sewing for her O-Level examinations and therefore decided to design, sew and sell clothes for her living. Unfortunately, her debt exceeds her income. She purchases the cloth she needs from a shop on credit. Her sewing machine was obtained using a loan from her

1 All names have been changed to preserve anonymity.

relatives, but as it no longer works she sews her clothes by hand. Her everyday groceries are bought on credit, leaving her in constant debt to the vendor. She has also borrowed large sums from the government’s *Samurdhi* programme[2] and the Alliance Finance Company and has a monthly payment for each. She earns Rs 15,000 (£65) from selling clothes she stitches for students, but says it is not enough to support her family.

Two things are immediately apparent from these stories as well as the quote that opens this introduction. The first is that the women all access multiple loans through multiple sources in order to stay solvent. The second is that their monthly incomes are not sufficient to meet their monthly expenses, or in Rani’s case her everyday expenses. All these cases are indicative of the difficulties and vulnerabilities faced by people in post-war development in Sri Lanka. At both the individual and the national level, there is a great anxiety to survive and become ‘secure’.

There is another case that is relevant to this introduction, which emerged from an interview that this researcher had with a development scientist attached to a long-term international development project that is aiming to boost economic growth in Sri Lanka. The interview was in the heart of Colombo in an affluent, well-secured building, worlds away from our field sites of Trincomalee and Batticaloa. The programme we spoke about primarily benefits medium to small enterprises of at least five persons. It is a strong scheme, providing 1:1 matching investment grants, technical knowledge and financial skills, but it does not benefit individuals like Rani or Dayalini, as the enterprise has to be able to raise a threshold amount of Rs 2 lakhs (£888) for the organisation to match, and has to employ a certain number of individuals. We asked if there was funding and support for individuals, especially those who were transitioning to entrepreneurship after the war, and the response was that they preferred to assist family businesses that had already been in existence for a number of years, because they were less likely to fail. The interviewee also noted that, in order to make an enterprise successful, the genus for the business had to come from the person themselves, who must be in a space to take a risk and to ‘evangelise’ the community and their employees to sell the product. As an example, we were introduced to a young gentleman, who we’ll call Ramesh, who had been provided with a small office space within the building. Ramesh was based in Batticaloa and ran a medium-sized business. He was a standout to our interviewee because he did not run a family or long-established business, but had an idea and a passion for his idea that had seen it grow over the past few years. Ramesh essentially brought together other local entrepreneurs who offered tourism services and established his enterprise as a platform through which clients could access these services. The business has strong social media feeds and a regular clientele. Not long after I returned from the interview, Ramesh had already emailed me with the links to their social media and asked me to leave a review of his business on Google.

These cases show that the entrepreneurial model succeeds when the entrepreneur is not only willing and able to take a risk, but also believes in the idea behind the business and does not tire of promoting it. In this way, Ramesh is an excellent example of the kind of ‘creative destruction’ or disruptive force that Joseph Schumpeter wrote about. Similarly, in urban Colombo, a quick scroll through Instagram or Facebook pulls up a variety of entrepreneurial efforts, from handmade beanbags to novelty sweets and healthy-eating services. By and large, these businesses are successful, with aggressive, well-planned marketing. In a few cases, the entrepreneur also has the backing of family or private wealth and is not reliant on loans. As such, these entrepreneurs have the space, ability and willingness to take risks, be innovative and creative, and thus achieve entrepreneurial success. They fit the generalised and expected characteristics of entrepreneurship identified in the literature: *innovation, arbitrage, risk-taking, creativity and coordination* (Addison, 2001; Naudé, 2009).

In the cases of Dayalini and Rani, their entrepreneurial efforts are not driven by an idea they wish to take out into the world but by their need to have a livelihood and economic security. The development scientist we spoke to raised this in a different way, querying why entrepreneurial schemes are being encouraged as a means of securing livelihoods when many of these populations are risk-averse and not in a position to drive a business forward. In order to understand this ‘why’, we have to look at the situation on the ground in Sri Lanka in the post-war years.

2 Samurdhi (literal translated as ‘prosperity’) is a programme launched by the Sri Lankan government in 1995 to address material poverty by providing material incentives for personal betterment. Key components include: provision of food-stamps, a savings and credit programme for entrepreneurs and business development, the rehabilitation of community infrastructure.

3 Enterprise, aspiration and the promise of secure post-war livelihoods

We will usher in an era of economic prosperity for all Sri Lankans. Our new approach to growth, based on the principles of a social market economy, will seek to foster innovation and entrepreneurship to facilitate skill-based technological change as a driver of productivity and economic growth in the new global economic landscape.

Vision 2025 (Prime Minister's Office, 2017)

As Sri Lanka moves on from the war that ended in 2009, successive governments look toward ways in which to boost the economy, stabilise livelihoods, and forge reconciliation. There is urgent need to do this. Vulnerability resonates heavily, and has lopsided impacts in terms of labour capacity and research. Much of this is due to fundamental disparities within the global economic system, and the country's own struggle with a high debt-to-GDP ratio, even though it has moved towards the status of a middle-income country and has recorded respectable economic growth by international standards. According to the World Bank diagnostic, the country's economy has grown at a rate of 5.8% a year since 2009, with an observable decrease in the last three to four years as the immediate effects of the peace dividend and associated post-war infrastructure projects are felt less over time. In the last six consecutive quarters, economic growth has been under 4% due to debt accumulation, with 2018 starting off at a low of 3.2%. The country's external debt now amounts to 60% of its GDP. According to the Institute of Policy Studies State of the Economy Reports of 2015, 2016 and 2017, from 2010 to 2015 Sri Lanka borrowed $4.8 billion for the building of a port in Hambantota, the Mattala airport, a coal-fired power plant and highways. By 2016, China had extended $6 billion in loans to Sri Lanka: it wrote off $1.1 billion in 2017 in exchange for a long-term lease on the deep-water port of Hambantota. Chinese loans worth $1.5 billion were used to build the port, the lease to which is held by a state-owned Chinese company. This is only an example of the high levels of borrowing that the Sri Lankan state has taken on, and continues to take on.

Livelihoods are seen as key to fostering social cohesion, and entrepreneurship has been idealised as a particularly robust way of developing livelihoods. Facilitating a more innovative and entrepreneurial society is seen as vital for the Sri Lankan economy (Marambe, 2015). Policy-makers subscribe to the idea that entrepreneurs' innovation or 'disruption' can drive growth and broaden and diversify the domestic economy (Naudé, 2011). Entrepreneurial activity is seen as embedded within the Sri Lankan economy, with 90% of the country’s economies said to be small or medium enterprises.

There is also the argument that the networks formed by entrepreneurs create linkages that build sustainable peace (Yoosuf and Premaratne, 2017; Naudé, 2009). Many scholars argue, for example, that low levels of development in post-conflict states are often the result of not enough entrepreneurship (Schulpen and Gibbon, 2002), and such activity is often needed in order to ‘incubate’ and dynamise post-conflict growth (Caryannis, 2005). According to Government of Sri Lanka documents, the small and medium enterprise (SME) sector ‘is envisaged to contribute to transform lagging regions into emerging regions of prosperity’ (Ministry of Industry and Commerce, 2016: 1). ‘Enterprise Sri Lanka’, for instance, aims to connect existing industries in the north to markets through existing subsidised credit schemes.[3]

Enterprise and self-employment are also proffered as means for women to improve their life situations. Women-headed households are a particular target for development activity as studies have found that they fare worse than male-headed ones, reporting lower asset wealth, with this insecurity further increasing if the household belongs to a minority ethnic group (Attygale, 2017). The National Human Resource and Employment Policy (NHREP – Government of Sri Lanka, 2012) states that women’s entrepreneurship, enhancing their access to credit, technology, business knowledge and markets, will boost the post-war economy. In 2018, the Asian Development Bank received $12.6 million to develop women’s entrepreneurship in Sri Lanka. The government’s ‘Enterprise Sri Lanka’ particularly targets women and those who were unable to get into universities, offering them a route through which they may escape the ‘low-skilled’ label through self-employment.

Skills learned through training for entrepreneurial efforts are also said to address the ‘skills constraint’ or skills gap that commentators say the country is experiencing, noting the room for growth in terms of labour and capital augmentation. There is also the increasing problem of an ageing workforce, which in time will reduce the number of economically active people. To tackle this, economists and policy-makers advocate a move towards a ‘knowledge economy’ that actively encourages citizens to re-learn and reskill and constantly be in pursuance of skills acquisition. Entrepreneurship, then, is seen in the political realm as addressing labour and livelihood issues at all these levels.

International development organisations take a similar approach to the government. A cursory scan of most peacebuilding and reconciliation project work being done in Sri Lanka by international development organisations provides evidence of the favoured role of entrepreneurship. From USAID’s focus on ‘mobilising local wealth’ in entrepreneurship, to ILO projects,[4] to the UN Peacebuilding Fund, entrepreneurial schemes for boosting and creating livelihoods are a constant factor.

3.1 Critiques: livelihoods, debt and microfinance

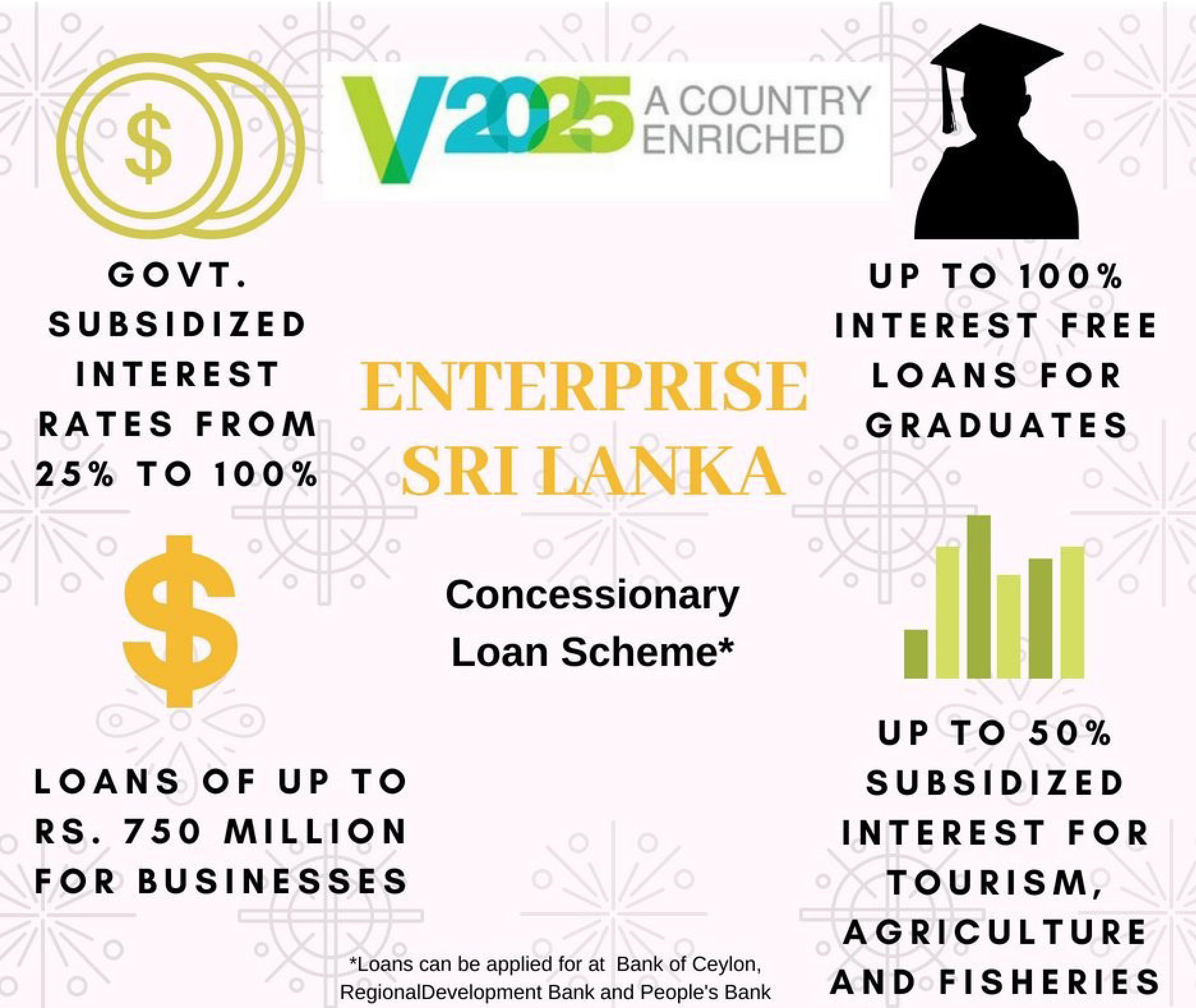
For all the encouragement of the idea of entrepreneurship, there are problems in its application to the livelihoods of the poor, in particular with respect to the proliferation of personal debt. Indeed, much of the interest in entrepreneurship is not only towards stable livelihoods but also towards wealth creation and the promise of a more comfortable life (Perera, 2014). The focus of the Enterprise Sri Lanka scheme, as discussed above, is explicitly about this ‘promise’, and when faced with continued unemployment and significant debt issues, the government’s most significant response has been to introduce more loan schemes into the market (Figure 1).

Within this, debt-taking and the promise of freedom through entrepreneurship becomes ever normalised in the discourse. Indeed, in order to finance such entrepreneurial activity, the Sri Lankan government offers a variety of loan schemes through the Regional Development Bank, the Lankaputhra Development Bank, the National Development Bank, the SANASA Bank and the People’s Bank. Such loans are not easy to access, so individual entrepreneurs turn to microfinance to remain afloat within the economy.

3 The provision of grants and the establishment of minor industries to contribute to SME development related to the palm jaggery and tuber processing industries are to be established. Similarly, the programme’s concept paper notes that entrepreneurs in the North and East Provinces have suffered due to an inability to produce title deeds, making them ineligible for proving collateral for loans. As such, under ‘Enterprise Sri Lanka’, there are to be government guarantees for SMEs, Micro Entrepreneurs, Self-Employees and other all businessmen who need a guarantee to obtain a loan without producing collateral.

4 The International Labour Organization’s (ILO) EMPOWER project aims to ‘increase economic participation of conflict-affected women by enhancing their access to new market opportunities, resources and information’ and ‘Enhance the voice and representation of conflict-affected women in peacebuilding through increased social status, and networking skills’ (ILO EMPOWER project).

Figure 1: Infographic on the goals of Enterprise Sri Lanka



Indeed, the Global Development and Entrepreneurship Index of 2011 notes that there are times when entrepreneurship is not always a driver of growth, especially when individuals are faced with debt. The taking on of debt is understood as a natural part of entrepreneurial activity, and microfinancing has been prescribed as an ideal way in which entrepreneurial activity can sustain itself and lift individuals out of poverty (Van Kooy et al., unpublished). In order to survive on a day-to-day basis, a business, whether large or small, requires an ongoing source of funding. Research has long identified the *mésalliance* between the entrepreneur and debt, especially debt acquired through microfinancing. As early as 1996, Hulme and Mosley noted that poor households do not benefit from microfinance; only non-poor borrowers (with incomes above poverty lines) do well with microfinance and enjoy sizable positive impacts. Aneel Karnani (2007) summarises this point as follows: ‘Most people do not have the skills, vision, creativity, and persistence to be entrepreneurial. Even in developed countries with high levels of education and access to financial services, about 90% of the labour force is employees, not entrepreneurs.’ According to Vijay Mahajan (2005):

> *Microcredit is a necessary but not a sufficient condition for micro-enterprise promotion. Other inputs are required, such as identification of livelihood opportunities, selection and motivation of the micro-entrepreneurs, business and technical training, establishing of market linkages for inputs and outputs, common infrastructure and sometimes*

> ***regulatory approvals. In the absence of these, micro-credit by itself, works only for a limited familiar set of activities – small farming, livestock rearing and petty trading, and even those where market linkages are in place.***

In this vein, Pollin and Feffer (2007) noted that:

> ***…micro enterprises run by poor people cannot be broadly successful simply because they have increased opportunities to borrow money. For large numbers of micro enterprises to be successful, they also need access to decent roads and affordable means of moving their products to markets. They need marketing support to reach customers.***

Micro-financed entrepreneurial lending complicates this picture. As Dhattarsharma et al. (2015) noted in their study of microfinance companies in India, microfinance loan repayments led to impoverishment as these were made at the cost of basic household consumption, like food staples. This finding is also corroborated in the narratives that were captured for our SLRC study. The challenge that has arisen, as we will see in our collection of development ethnographies, is the viciousness of the cycle of debt that many find themselves in. Dhattasharma et al. argue that a way in which scholarship and policy-making can change the ‘microfinance as poverty alleviation’ narrative is by not looking at microfinance loans in isolation but by situating them in the context of the totality of consumption, cash inflows and debt that govern the lives of the poor, or through the life-histories model that has been used in our study. It is at this nexus that the findings presented in this working paper prove significant.

3.2 Findings from SLRC studies and CEPA's work on livelihoods

In the first phase of SLRC research, Sri Lanka was featured as one of two countries exhibiting the highest levels of sustained indebtedness (Mallet and Pain, 2017). In the first wave, 69.3% of respondents noted that someone in their household was in debt; in the second, this number reached 70.3%: thus, 54.7% were always in debt, and 15.7% went into debt between 2013 and 2016. Much of this high level of debt is linked to difficulties in accessing loans and insurance schemes, even those set up by the Central Bank of Sri Lanka. The SLRC report noted the correlations between the households' ability to increase productivity and the failure to extend credit schemes to these households. Such a situation also calls for engagement in non-traditional livelihoods for which there is little knowledge or training (ibid.).

Livelihoods studies done over a span of ten years at CEPA note that much of this may be due to the combination of increased demand for credit, continued exposure to consumerist lifestyles, and also poor management of finances. Long-term studies by CEPA have noted that households tend to cope with increasing indebtedness by compensating in terms of the quantity, quality, and frequency of meals (Romeshun et al., 2014).

SLRC I found that entrepreneurial skills often fail to cater to specific needs or offer ‘secure and dignified’ livelihoods (Mallet and Pain, 2017). A nuanced understanding of local context and social culture are imperative for sustained support of livelihoods as labour markets and donors often miss the point of *how* [emphasis mine] people are making a living. An action research study on improving the performance of micro and small enterprises in order to provide a sustainable income highlighted the need for a holistic, systematic approach to improving livelihoods, and the need to understand the link between hereditary and contemporary livelihoods (Van Kooy et al., unpublished: 29, 64). As such, it could be argued that cycles of precariousness and insecurity manifest themselves almost organically. Our larger study on entrepreneurship has attempted to delve deeper into this contextual analysis and the particular negotiations undertaken in making and securing a living.

4 Research methodology

The research focused on entrepreneurial activity in two districts in the Eastern Province of Sri Lanka in order to gain a critical understanding of entrepreneurship promotion as a strategy for poverty alleviation and economic development in post-war Sri Lanka. It asks, chiefly, how does the lived reality of being an entrepreneur in a post-war economy differ from development policy design and practice? Three research questions frame the project:

- What do the life-worlds of entrepreneurs tell us about secure post-war livelihoods?
- What role does entrepreneurship play in the volatility of livelihoods observed in post-conflict situations?
- What are the roles of the different institutions, rules and norms involved in entrepreneurship promotion?

The research questions necessitate a line of inquiry that is in-depth and iterative, supplemented by informal interactions. The iterative method comprises interactions with a panel of 20 households from two locations over a period of eight months. The two locations are: (1) Trincomalee, a port city and a focus for eastern development initiatives where there is significant external support for entrepreneurial activities; (2) a division in Batticaloa, a Muslim-dominated trade and entrepreneurial hub, which has depended much less than Trincomalee on external assistance and funding to establish and promote enterprises.

The tools include in-depth biographical histories and narratives, participant observations of production and market spaces, informal engagements, as well as semi-structured interviews with particular individuals and groups. Thinking inductively, the research allowed for the stories encountered to continuously guide the ways in which the field research itself is carried out, allowing our researchers a certain amount of flexibility in who and how they interviewed and observed. In taking on such in-depth immersion, the research attempted to build distinct life stories, drawing from the qualitative method of data collection where people are asked to document their life over a period of time. This produces a personal account of their life, in their own words and using their own personal time lines. As such, we collected not only their present understandings of their livelihood, but allowed for the research to be aware of the multiple displacements, multiple livelihood changes and other dynamics that also influence their choice in entrepreneurial engagement. This underscores our research's sociological assumption that the actions of individuals are simultaneously emergent and structured. Table 1 and Figure 2 provide a tabulation of the interviews, triangulation and documentary review conducted.

Table 1: Sources of data collection

Extant global scholarship	Local scholarship and research	Policy and funding	Miscellany
Drawing from: ▪ Sustainable peacebuilding ▪ Theories of entrepreneurship ▪ Identities ▪ Post-conflict transformation ▪ Feminist methodology ▪ Decolonial thinking ▪ Global development ▪ Innovative growth ▪ Labour theory	Studies on MSME development ▪ Ethnicity studies ▪ Post-war economic development ▪ Women’s empowerment and livelihoods ▪ Eastern development	Global level: ▪ ILO ▪ USAID ▪ Government development funding to Sri Lanka ▪ ADB ▪ UNDP ▪ WUSC ▪ Private development partners Local level: ▪ Reconciliation policies ▪ Finance ministry ▪ Post-war livelihood development ▪ Enterprise development ▪ Budget speeches ▪ Vocational training ▪ Private investment ▪ University training schemes ▪ Chambers of commerce	▪ English, sinhala and tamil mainstream media coverage ▪ Political commentary ▪ Economic commentary ▪ Participant observation ▪ Social media

Source: Authors’ own

Figure 2: Quantification of data collection from three sites.

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Batticaloa

Case studies: 2 traders, 5 entrepreneurs, 2 three wheel drivers
KPIs: Mosque federation, school principal, local development organisation, zakath committee, welfare union, community credit supplier

34

Trincomalee

Case studies: 22 entrepreneurs
KPIs: 1 divisional secretariat, 1 youth development officer, 1 international development officer, 3 credit suppliers, 1 rural development officer, 2 chamber of commerce, 1 FGD with women entrepreneurs

8

Colombo

KPIs: 2 local economists, 2 international development partners, 1 local researcher, 2 policy analysts

Source: Authors’ own

Drawing from this methodology and previous research (see Section 3.2 above), our study began with a series of initial assumptions. Over the course of the iteratively designed fieldwork, our thinking began to evolve significantly. These assumptions and evolutions are mapped out in Figure 3.

Figure 3: Study assumptions and evolution of thinking

Initial assumptions

- A lack of clear understanding of who an entrepreneur is in the post-war context.
- A host of psychosocial and mental health factors that continue to impact the stability of and capacity to build livelihood recovery in post-war Sri Lanka.
- Enterprising activities, like other economic activities of men and women, are embedded in the social and the political and that therefore, inequalities, power hierarchies and marginalities that exist within the wider socio-political fabric are part of their economic lives.

Evolving thinking

- The need to critique sustainable peacebuilding and ‘durable solutions’.
- No change in policy approaches, yet new language regarding sustainability, reconciliation.
- Debt became observable phenomena – what is unsaid? Have the right questions been asked?
- More micro-level attention to the local socio-political fabric that drives forward transformation – analysing life-histories.

Source: Authors’ own

5 Findings

The following section expands on the study's broad findings using different life stories as illustrations.

5.1 Entrepreneurship as need

In many of the stories that we encountered, we noted that respondents took up entrepreneurial work not in pursuit of a particular business idea, or as a larger transformation of material reality, but more as a means of quotidian survival. Akin to the stories of Rani and Dayalini, who took up entrepreneurship to support their families, we can also highlight the story of Dina. She entered the labour market at the age of 12, working in the paddy fields to assist her family with their upkeep. As an adult she worked in clinics, hospitals and hotels. She was affected by both the war and the tsunami, and is also affected by various diseases. Indeed, she took up self-employment due to a medical condition, and now sells lunch and dinner parcels by a petrol shed. If she sells all her parcels, she manages to make a daily profit of Rs 300 (£1.30). She notes that her income has somewhat increased by being self-employed but that she remains poor. She does not have any savings and borrows money from a private individual who lends money with interest.

We can also highlight the example of Nithya, a young widow who works as a cook and cleaner in a local institution. This position allows her to provide the basics for her family, but it is her entrepreneurial work in selling biscuits, tea and rice parcels that helps her to improve her situation and to pay back her small *Samurdhi* loan. Nithya, too, speaks of the displacement and disruption of her livelihood as the war dragged on, and her own journey of survival following the death of her husband. Although she is the sole provider for her children, she receives emotional support and advice from her family.

5.2 Multiple jobs

Nithya is also an example of the fact that those who look to improve their situation cannot do so with just one form of livelihood. Nithya juggles three separate jobs, as well as her family. Similarly, we encounter Priya, an elderly woman living in a village in Trincomalee, and the President of her rural development society. Describing her community to us, she says that everyone in her village is self-employed, taking on work as shop-keepers, running laundries, making spices, or animal husbandry. Yet, she says, the acuteness and complexity of the poverty being faced in their now post-war society has led people to also take up alternative, sometimes multiple livelihoods, doing jobs that provide easy and speedy monetary gain. Priya also mentions that many of those who take up multiple jobs do so because they wish to avoid having to take on loans. In both Nithya and Priya’s interviews we note that ‘improving one’s situation’ also indicates the fact that communities do not simply want to meet their survival threshold, but, because of the end of the war and rising consumerist culture, are interested in an economic situation that provides more access to such a culture.

5.3 Microfinance, entrepreneurship and the culture of debt

Debt is among the most significant of our findings and one of the most key in illustrating how hope becomes deferred to the disciplining that occurs under ‘pro-poor’ strategies. In many of the interviews we conducted, any money earned one day is used the next, and many livelihoods are run with debt. This links the finding on debt quite directly with the finding on survival. In focus group discussions, for example, respondents noted that a single day’s full earnings, Rs 500 (£3) on average, was not sufficient to cover the day’s expenses for a family. In seven out of ten respondents in the focus group, microfinance loans were used to buy daily groceries. One of the respondents, who makes and sells *murukku* (a deep-fried wheat snack), had created a cooperative with other women in her family in order to be able to take out multiple, daily loans. Some receive support from within the community, or the small amounts that the rural development society is able to mete out, but for the day-to-day running of a business, or for the repayment of debts, microfinance loans are given out. Loan documents from microfinance companies state that interest rates are usually between 19% to 28%. This is particularly high when compared to the subsidised loans from state institutions that range between 5% and 8%. The real difficulty arises when one calculates the effective interest rate. Our research team noticed this during an interview with the President of the Trincomalee Chamber of Commerce, where we were able to trace the life cycle of a loan. Effectively, a loan of Rs 100,000 (£490) at 28% annual interest, when paid back at the end of year, would amount Rs 128,000 (£626). However, microfinance loans are paid weekly, requiring a payment of at least Rs 2,500 (£12) a week for the next 50 weeks. Therefore, both the principal and the interest payments are being made together through the flat weekly payment. The effective annual interest rate can therefore be as high as 69%. Additionally, if the debtor is unable to pay their weekly amount, that amount is then added to the original loan amount and, according to the Trincomalee Chamber of Commerce, some may end up paying back amounts as high as Rs 700,000 (£3,200) or more by the end of the loan.

As our research and studies by others have noted, rural women who have taken multiple loans often speak of the Monday loan, Tuesday loan, Wednesday loan (Kadirgamar and Kadirgamar, 2018), and describe how much of their week is spent in trying to come up with the weekly or sometimes daily payment. Fieldwork in the north and the east of Sri Lanka by CEPA researchers often encounters anecdotal stories of individual or group suicide due to inescapable debt. Local grassroots organisations told our researchers that over 60 suicides were reported in 2018 alone in the north and the east, all related to severe microfinance related debt. What manifests, therefore, is a quotidian economics of debt-driven development that concretises the extractive relationship between individual, state and development.

As noted in the earlier description of context, it is imperative to understand here that many of those who take on microfinance loans do so because they cannot access traditional loan-giving institutions such as banks. While several receive small amounts through their Rural Development Society or through *Samurdhi*, for the purposes of their everyday business, as well as family upkeep, they prefer to take other loans. Furthermore, development societies or pooled schemes like the *seettu*[5] often only provide equipment but not financial resources. Such equipment is useful in some cases as we can see below:

> ***When I was doing my self-employment, I did not have any furniture. So I borrowed the utensils and furniture from someone else’s and made the cookies. Therefore I could not go for big orders. In this situation furniture and utensils worth of Rs 30000 were provided by the divisional secretariat in 2015 and it was very helpful.***

However, others complain of the need for ‘financial aids’ [sic]. State bank loans are difficult to access. Women in Trincomalee, for example, noted that in order to access a loan from a state bank one needed a government

5 A traditional system of savings and credit. The participants in such a group contribute an agreed sum of money to a pool on a daily, weekly, two-weekly or monthly basis. The pooled amount is awarded to one member of the group at a time, either in an agreed order or by drawing lots. Seettu enables people who find it difficult to save to gain access to a lump sum of money which they would otherwise not be able to acquire. They are generally not very large amounts, but can be used for groceries, school uniforms and paying utility bills.

guarantor or a land deed. Many of those who have been resettled or relocated from the north or other parts of the east do not have their land deeds, having either lost the document in their displacement or because the land is currently still under government or military authority. Indeed, in many of the interviews, the issue of land rights is often brought up. Microfinance loans are much easier to obtain and, after six months one loan, the borrower is often able to acquire a second from the same financier.

Working as an entrepreneur often necessitates that the individual take on debt from different sources because of the nature of the business, such that entrepreneurial culture is by default debt culture. As an illustrative example, let us look at the story of Jeevika from Kaddachennai. In 2011, a few years after the end of the war, she and a few other women were given training in collective cultivation. A group decided to mill corn and, as they had no capital, they took a loan of Rs 2,000 (£9) from a women’s society. They did milling alongside other side jobs such as cooking and cleaning, but needed more investment. They then took Rs 10,000 (£50) from the economic ministry. Under this first programme they were able to turn a small profit because the training organisation also assisted them with marketing their product. Much later, they were provided training on poultry farming. However, each person had to put in Rs 50,000 (£250) towards their own poultry business. This limited the number of people who could take up such a business, and among those who did, some needed to take loans. As such, in this vignette, we can see that Jeevika has been involved in at least three to four separate loans simply for her livelihood. She has also taken up each enterprise not for the purpose of pursuing an idea, but in order to make a basic living.

5.4 Lack of access to markets as a debt driver

A lack of access to markets also drives borrowing and makes debt repayment difficult. In a focus group discussion with a group of women entrepreneurs in Trincomalee, we were told that the most significant challenge faced was a lack of access to markets, as well as the difficulty in ascertaining the right market.

Additionally, external suppliers from larger cities like Colombo were often provided with government assistance and brought into Trincomalee, affecting the sales of local entrepreneurs. Indeed, we were in the field over the New Year period, a time when many people buy new clothes and other items for their household. This would have been an ideal time for local entrepreneurs to sell their products. However, under a national government scheme, traders from Colombo were brought to Trincomalee City to do a kind of one-week ‘pop up’ market. These products were much superior to the local product, and as such, local traders lost out on profitable New Year sales.

Connected to this, some respondents noted that even once they had established a relationship with a vendor, receiving payment was a challenge, with the money often only received towards the end of a calendar month. In order to keep the business running, it was important, then, to access a series of temporary microfinance loans. Women face yet another level of difficulty here, and our fieldwork contains stories of sexual harassments by loan officers, vendors and others in the line of production. As an example, a female hotelier told us of her difficulty in accessing the reduced rate loan provided by a state bank. She had made the loan application herself. The loan officer had accepted her papers but called her later that night, suggesting that she meet with him privately in order to guarantee her loan.

Women from higher castes, especially, find themselves unable to negotiate directly in such-male dominated or profit-related spaces. As an example, Rani, who is a married upper-caste woman, married to an Iyer[6], told us that due to her husband’s high position in the community, it would be unseemly for her to talk business with a trader on the high street. She is reliant on her brother and brother-in-law to accompany her for business trips and to negotiate on her behalf. Indeed, in the interview, Rani was very quiet, often preferring her companion to do the talking for her. The microfinance companies often come direct to the door and therefore circumvent any of these challenges in the public sphere.

5.5 Spaces of debt resistance

What this paper is calling ‘spaces of debt resistance’ manifest in various ways. The first of these is through cooperatives and through the use of community linkages. We can first return to Nithya, who relies on her mother as her business advisor, using existing community knowledge rather than relying on an external actor. As another example of what occurs on the local and

6 A caste of Hindu Brahmins of Tamil origin, and are members, therefore of the privileged priestly class.

everyday level, during a focus group discussion at the Chamber of Commerce in Trincomalee, an older lady who makes and sells compost, let us call her Jayalakshmi, described her arduous journey to find a steady market for her product. Jayalakshmi had received several kinds of training from development actors to learn and refine her craft, and won awards for her product. Yet, establishing a consistent relationship with buyers proved difficult. During a meeting of the Women’s Wing of the Chamber, she fell into conversation with other female entrepreneurs who were running plant nurseries, hotels and landscape businesses. Through these connections, she created a small but steady stream of buyers to whom she can supply her product. Other women we engaged with noted the alternative ways in which they diversified and formed cooperatives with other local entrepreneurs in order to provide a comprehensive business, such as a hotel that provides tour guides, translation services and handicrafts, each service provided by a different entrepreneur who they met through the Women’s Wing. In fact, this Women’s Wing in Trincomalee is itself a space of debt resistance where those who find it difficult to negotiate a loan may work with a named advisor from the Chamber to find alternative routes for financing, as well as to petition the local and national governments about the issue. The Women’s Wing is also active in raising awareness about the lack of market access, raising this issue at the local government level. It is also emblematic of the kind of cooperative society and solidarity that is achieved organically between women.

The second ‘space of resistance’ stems from the organisation of a community of Muslim traders in Batticaloa. This community has a long history as a trading site, and many respondents’ responses have explicit pre- and post-war framings, such as when discussing the higher prices and greater competitiveness in the post-war period. Spoken of as a way of keeping the community together, the ways in which the community ‘helps each other out’ suggests one possible alternative model. Here, the community provides assistance and financing for those who wish to go abroad for training, and the yearly practice of *zakath* – the Muslim collection of charitable funds at Ramadan – allows for the mosque association to pay off the debts of vulnerable members of the community. Those assisted by such largesse often set up trade within the community, bringing financing into their neighbourhood and broader society, and managing to remain free of microfinance or other forms of debt. Respondents also noted an unwillingness to take on institutional loans, preferring to take family or community loans. In fact, one respondent quite explicitly told our researcher that he ‘doesn’t like to deal with banks.’ The community also assists in finding jobs and ascertaining markets.

Respondent Imran, for instance, runs a textile business inherited from his father. The business was profitable until the 2004 tsunami, when they lost their entire capital. Their business was also affected by the war as the LTTE would often shoot at the market. In 2008, he decided to find work abroad. He lived there for two years, sending all his money and savings back to his home. With this he built up enough capital to restart the textile business in 2010. All his capital was obtained through personal savings, as well as work done by his wife, so he did not have to seek external funds. Indeed, his wife did not spend any of the money he sent her from abroad, managing to survive as a seamstress until his return. He received assistance from the community to go abroad, and ensures that he puts adequate money back into communal schemes. This kind of reciprocal relationship can ensure a continuity of success from businessperson to businessperson.

Another interview, with a doctor who is also a community leader, details the process of *zakath.* For many years during the war, the *zakath* committee did not function properly. Under the aegis of the doctor, they reformed and also brought women into the committee in order to ensure that vulnerable women could have their cases handled in a sensitive manner. The committee members visit a *zakath* applicant and assess their situation before decided on what remuneration will be possible. In the year 2017, they had had 1,700 applicants, of whom 55% were women. The committee provides assistance for basic expenses, especially to unemployed women and housewives. The doctor noted that there are many poor households in the area and that it is the responsibility of the community to ‘give their *zakath* portion properly’ so that all may benefit. The doctor also detailed that there are certain exceptions to the *zakath* gift, such as money for building a house for newlyweds. However, she also noted that assisting entrepreneurs is also important in the framework, and so the fund has assisted those who wished to set up businesses like tailoring, catering and floor grinding. He noted that he needed a better monitoring system for tracking what happens after the aid was received. Through the fund, they have also provided assistance with utilities like water and electricity. These funds, however, are only distributed during the *zakath* period. The following quote from the interview is instructive in how the funds are given out:

> ***After analysing the family situation the ladies wing women together arranged a fund to provide interest-***

> ***free short-term loan for deserving families to keep them reaching the interest related to settle the electricity bill and water bill. They used to reach such places in case of emergency money needed. So we decided to formulate a fund to support them in this kind of situation. In the first meeting we got around Rs 50,000 and monthly our members give 100 each and some other capable ladies give more. So with the rough amount of 5,000 we used to help a family, we provide around Rs 5,000-10,000 per family for the duration of a two-week to two-month period. Once they returned the money we assist another family. Some level of deserving families benefitted via this help; at least we are helping to get away from interest. Even this money used for medical support and other emergencies. We don't get anything in return from them.***

What is notable here is not only the community linkages that appear but the reciprocal and internal nature of the assistance where looking after the one benefits the whole. Those who receive support can then put money into the fund allowing for another family to receive support. The circularity, internality and reciprocity of the model allows for vulnerable populations to escape the debt trap. In essence, this is the use of local traditions and resources in creating a framework that works for a particular community. This framework, according to the interviewee, was also expanded successfully to a neighbouring district.

5.6 Summary

The stories show see the spectrum of experience and negotiation that entrepreneurs in our field sites encounter. We note how much of this entrepreneurship stems not from the *risk-taking*, *innovation*, and *creativity* that defines entrepreneurial work, but from everyday survival. Furthermore, with significant debt issues, low skills training and challenges in accessing the market, not to mention the repercussions of wartime displacement and as difficulties faced as a result of religion, gender and class, the rhetoric of forward movement and economic transformation sits uncomfortably with the dynamic realities of quotidian survival. Spaces where community linkages and cooperatives are organically forming and where communities are negotiating vulnerability internally should be encouraged.

5.7 Corrective measures by the government?

The issue of debt derived through microfinance has not escaped the notice of government, media, civil society or development actors. With a view to ameliorating the problem, the 2018 Budget of the Government of Sri Lanka highlights a number of existing and proposed credit schemes, collectively termed the 'Enterprise Sri Lanka Credit Scheme' (Parliament of Sri Lanka, 2017). The purpose is to allow small-scale businesspeople to access funds to use as collateral to banks in order to obtain loans.

These measures, however, are unlikely to be transformative. Though several credit schemes are available, awareness of them is low. Despite the attention paid towards women and SME development, it does not seem to be a major aspect of the existing policy frameworks. While almost all policies categorise women as vulnerable, there seems to be no contrasting change to the way in which female empowerment is approached. Credit and loan schemes are constantly made available through banks and credit schemes, and while microfinance schemes have been identified as leading to indebtedness, no policy has been formulated on the regulation of unlicensed microfinance institutions, even though there have been repeated calls for such regulatory mechanisms to be put into place.

What we can observe is a persistent narrative, repetitive interventions and the same superficial changes that seem to, at least empirically, stunt economic development. It also points, overwhelmingly, to the pervasive and singular ideology of development itself. Policy-making and development planning do not seek to be wholly transformative; instead, they seek to advance expansive projects of development within existing frameworks. They lack epistemic diversity and require deconstruction.

It is clear that all voices are not well represented in how policy making and development design are put together in post-war Sri Lanka. This is not simply related to the fact that much knowledge and financing for development activity comes through the western world and is targeted at individuals specifically, but that policy is formulated by drawing from a limited pool of developmental thinking. There is, for instance, no suggestion of creating a kind of public ownership of development, supporting community-driven development programmes, strengthening cooperatives or even engaging with local or one-off solutions to problems of accessibility, even though these examples of these are to be found. Local-government-created cooperatives exist but are not always successful. Organic cooperatives, formed through individual connections, like that of the Trincomalee Women's Wing, could be further researched and brought into play in creating frameworks for solidarity and development.

6 Conclusions and recommendations

6.1 Different ways of knowing and 'doing' development

This paper has touched on the disciplining and silencing that can occur in post-war development, specifically in terms of entrepreneurship and development. It joins with the academic voices asking for a 'radical break' with how development is done, in particular ways of rethinking tropes of 'hope'. This paper has again shown that simply encouraging entrepreneurship and espousing 'pro-poor' strategies such as microfinance is destructive. In this section we discuss a few ways in which development practice can be rethought.

There can also be a focus on developing alternatives to the structures governing public life in the global north and global south, shifting away from following a market-driven paradigm or the common model of north-to-south development intervention. Indeed, there is an urgent need to consider diverse epistemologies in how we 'do' development.

There also is a need to rethink the hegemonic ways in which we gather knowledge about the developing context, even in something as simple as a baseline assessment. We often draw on theories and methods devised from within the 'west', and researchers usually replicate and reproduce the same method in data collection for something as *de rigueur* as a baseline or needs assessment. Project design and research-based assessment can strive to be more participatory and collaborative. A strong example is the building of the Francis village in a rural part of the Philippines where community members who lost their houses in the hurricane were invited to design their new home, as well as be part of the construction crew for the housing settlement (Development and Peace, Pope Francis Village).

For national governments there must be more focus on assessing whether a particular development method is suitable for their polity, and then designing development schemes based on the community and not an external discourses of hope and growth. There could also be a championing of local knowledge and local expertise in such design, rather than expensive foreign expertise.

Lastly, if we look at the success of the internal and reciprocal work that occurs within communities¸ there needs to be a push from local and national levels to support, encourage and raise awareness of community-based ways in which individuals can be made less vulnerable.

6.2 Recommendations for future policy-making and project design

The following table makes an attempt to suggest possible ways in which such alternative thinking may be brought to policy-making and project design.

Finding	Recommendations
Current entrepreneurial livelihoods are linked to basic and historical survival, not ‘business drive’	This requires an overhaul of entrepreneurial schemes as they are and a redesigning of project schemes, working alongside targeted populations and allowing them to design a livelihood scheme that meets their survival needs. Ideally, this will also shift the focus away from encouraging the ‘risky business’ of entrepreneurship, and segueing towards building a community-owned space for resilient and secure livelihoods, such as the example suggested by the Pope Francis village. The process could be participatory and collaborative from the outset, bringing the community in at the design stage, encouraging cooperative funding schemes. The community may, for example, identify that rather than receive debt assistance, they need better upskilling packages. We found that organically grown cooperatives and community groups are successful, and policy makers, community members and implementers could work together to identify such cooperatives and provide them with necessary assistance. Successful cooperatives seem to be those that are tied to the ‘life-worlds’- such as the amplified use of the zakath system, and which have had historic and long term presence in the community. Schemes must think in terms of the ‘long-term’ and not simply in terms of a ‘short-term’ boost.
Adverse effects from post-war financialisation drive – multiple jobs	To address these issues, there must be frank analysis of ongoing government and international organisation schemes for economic growth. In what ways are the schemes themselves driving financialisation and promoting wealth creation? In what ways can radical breaks be achieved? What non-market centred paradigms of development can be built and encouraged?
Reliance on microfinancing and debt	Exploring and building forms of community financial distribution and redistribution that work in terms of communal reciprocity and sharing are key, rather than focusing on ‘pro-poor’ strategies. There is also a need to directly regulate and - in the case of Sri Lanka - to firmly remove microfinance companies from the socioeconomic picture.

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