

IDENTIFYING GAPS IN THE ENTREPRENEURIAL ECOSYSTEM IN THE NORTH AND EAST OF SRI LANKA: AN ACTION-DRIVEN STUDY

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ABSTRACT

This study focuses on understanding entrepreneurs' challenges and problems in the Northern and Eastern provinces of Sri Lanka and uncovering whether any gaps exist in accessing the key elements of an entrepreneurial ecosystem, such as resources (investment), knowledge, and skills. Through a survey conducted among entrepreneurs, this study understands that entrepreneurs in the Northern and Eastern provinces are unable to advance their start-ups and thrive not because they lack hard work, talent, and aspirations but because they lack adequate access to knowledge, resources (investment) and skills retraining their capacity to act towards entrepreneurial activities and achievements. Among these, the lack of access to finance/investment is a major challenge caused by the 'knowledge gap' and the 'supply gap'. The findings reveal the need to establish an accessible and affordable finance mechanism and an accessible and effective knowledge spillover mechanism in an Inclusive Entrepreneurial Ecosystem.

Keywords: Entrepreneurial Ecosystem, North and East, Sri Lanka, Entrepreneurial challenges, Ideapreneurs, Entrepreneurs, Entrepreneurial achievements, Alternative Modes of Investment and venture capital funds.

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01 INTRODUCTION

Entrepreneurship does not just mean business; innovation and creativity are essential elements. It methodologically identifies controllable and uncontrollable resources to realise new ideas (Bygrave et al., 2019). However, an individual cannot command all the resources, institutions, markets, and business functions required for his/her entrepreneurial ventures alone—it is a collective achievement involving a network of actors in both the public and private sectors (Van de Ven, 1993). This is where the role of the entrepreneurial ecosystem, which consists of all the elements needed to promote and sustain entrepreneurship in a specific territory, becomes important. For example, Stam and Van de Ven (2019) divide eight pillars of a flourishing ecosystem proposed by the World Economic Forum (2013, pp. 6-7) into five key factors: human capital, finance and services; the actors involved in this (talent, investors, mentors/advisors, entrepreneurial peers); the formal ('government and regulatory framework') and informal institutions ('cultural support') enabling entrepreneurship; and finally, access to customers in domestic and foreign markets.

However, the structures and functions of entrepreneurial ecosystems vary from region to region (Ibid,). This highlights the need to build context-specific entrepreneurial ecosystems to encourage and thrive entrepreneurship, especially in rebuilding post-war countries and territories to support economic growth and empower the war-affected people. As Entrepreneurship is a productive force for job creation (Haltiwanger et al., 2013), innovation, and economic development (Sanders & Weitzel, 2013) and contributes to peace (Williams & Park, 2019), promoting entrepreneurship in post-war areas is becoming paramount.

However, uncertain political and socio-economic conditions and unequal resource and opportunity distribution are commonly found in post-war/conflict situations unfavourable to entrepreneurship (Belitski et al., 2022). Therefore, to stimulate and drive entrepreneurship in post-war/conflict regions, it is necessary to consider the role of local conditions and bottom-up processes and create inclusive entrepreneurial ecosystems among underserved entrepreneurs (Isenberg, 2010; Stam, 2015; Spigel, 2017). An inclusive entrepreneurial ecosystem is a supportive environment that provides equal access to resources, knowledge, skills, and opportunities to address the entrepreneurial challenges and problems underserved/marginalised communities face (Powel et al., 2021; Gines & Sampson, 2020).

The extent to which a person attains entrepreneurial achievement and thus succeeds in empowerment depends on the availability of resources, knowledge, skills, access to opportunities and the level of his/her capacity to act (power). This is because the availability of resources, knowledge and skills (ecosystem) creates opportunities for entrepreneurs, which in turn enhances their capacity to act (power) and determine their entrepreneurial achievement (opportunity recognition, opportunity exploitation, innovation and value creation). This means the ability to act (power) produced by

knowledge, resources and skills (ecosystem) determines what one aspires and can achieve in his/her entrepreneurial endeavours. This agency construction to create opportunities is mediated by networking, and the networks are thought to represent the coherence of ecosystem players (Colombelli et al., 2019; Nordling, 2019).

This is why developing strategies that effectively mobilise resources, knowledge, and skills is crucial to build entrepreneurship among war-affected communities and strengthen local economies. Against this backdrop, this study examines the extent to which resources, knowledge, and skills are available to entrepreneurs in the Northern and Eastern provinces of Sri Lanka, which have been severely affected by more than 30 years of war. Such a study is important to devise appropriate interventions to build an entrepreneurial ecosystem to build entrepreneurship to support aspiring entrepreneurs and make the regional economy more vibrant.

The post-war environment in the Northern and Eastern provinces since 2009 has been witnessing an increased social cost of disability, youth migration, women-headed families, and war trauma such as post-traumatic stress disorder (PTSD). While NGOs played a key role in rehabilitating people from the Northern and Eastern, they were mainly provided with cattle and other normalised forms of self-employment. This was the initiation point of 'entrepreneurship' in the Northern and Eastern provinces. However, those self-employed did not recognise them as entrepreneurs, and the term 'entrepreneurship' was relatively new to many people. While there is an emerging trend of entrepreneurship in the current scenario, multiple challenges hinder entrepreneurial growth. Notably, the structural environment of the country has failed to enable an entrepreneurial ecosystem to enhance an entrepreneurial culture (Selvarajan & Thayani, 2022). This difficulty, in correlation with other challenges, such as cultural resistance, socio-economic causes, and unstable political climate in the past years, has manifested a dysfunctional ecosystem for entrepreneurs. Structural difficulties, such as lack of access to alternative financing options and business support services, such as consultation and mentoring, are said to be the rational limiting factors. In addition, both emotional triggers and rational difficulties restrict the potential for entrepreneurial success. Passions, lack of entrepreneurial intentions among youth, obsession with government jobs, and cultural resistance by parents and school systems are considerable emotional triggers (Lingam, 2024).

In addition to structural barriers, emotional triggers are critical in shaping entrepreneurial intentions in post-war communities. Individuals affected by trauma, such as PTSD, struggle with long-term confidence, limiting their ability to take entrepreneurial risks or access necessary resources. Understanding these psychological factors is key to fostering resilient entrepreneurial ecosystems (Williams & Park, 2019).

Moreover, entrepreneurship faces cultural resistance in many post-war regions, where societal norms may prioritise stability over risk-taking. The Northern and Eastern provinces of Sri Lanka cannot be an exception to this, where traditional views on employment, such as a preference for government jobs, may inhibit young people from pursuing entrepreneurial ventures, potentially slowing economic recovery and innovation.

Under this premise, the objective of this study is to investigate whether any gaps exist in accessing the key elements for a conducive entrepreneurial ecosystem, such as resources (investment), knowledge, and skills, and to identify opportunities for improving the entrepreneurial ecosystem in the war-affected Northern and Eastern provinces of Sri Lanka.

In the impending sections of this paper, entrepreneurial ecosystems are discussed, and the studies conducted on the current state of the ecosystem in the Northern and Eastern provinces are summarised. Subsequently, the methodology used in this study is described. Lastly, the study's results are analysed, and conclusions are provided with recommendations.

02 REVIEW OF ENTREPRENEURIAL ECOSYSTEMS IN POST-WAR SITUATIONS

Diverse theoretical viewpoints have evolved regarding the concept of entrepreneurial ecosystems. Scholarly views discuss how ecosystem actors should focus on creating a value chain for entrepreneurs and how contemporary demands, such as virtual networking and artificial intelligence, should be integrated into the ecosystem.

2.1 Entrepreneurship and the Entrepreneurial Ecosystem

As explained by Kuratko (2007) and Shane & Venkataraman (2000), entrepreneurship is the process by which an individual demonstrates the following four behaviours: opportunity recognition, opportunity exploitation, innovation, and value creation. According to this perspective, entrepreneurship entails more than just starting a business; it also involves innovation and creativity. Thus, the ability to plan, see possibilities that others have not yet grasped, and connect disparate information streams to identify market gaps and opportunities that might lead to value creation is what it means to be an entrepreneur (Ahmetoglu et al., 2011).

Entrepreneurship is, hence, an empowerment activity as it gives people a means of realising their ambitions (Ratten, 2020). Kabeer (1999, p. 439) identified three interconnected components of empowerment: resources, agency, and accomplishments. Access to materials and human and social resources are all considered resources. "The ability to define one's goals and act upon them" or "the agency" refers to the efficient use of resources. It suggests how resources are transformed into successes (well-being results) for a better life. Entrepreneurial achievements in a business context may be defined as spotting and seizing opportunities that help a business expand, create value, produce innovation, and remain competitive (Frese & Gielnik, 2014). This is why Gedajlovic et al. (2013) identify the necessity of an entrepreneurial ecosystem to achieve entrepreneurial achievement because it makes it easier for entrepreneurs and those who have entrepreneurial ideas (ideapreneurs) to take advantage of opportunities, acquire resources, establish legitimacy, and achieve their objectives (Aldrich, 1992; Davidsson & Honig, 2003).

An ecosystem should provide a flow of skills, knowledge, and resources to manage each stage, from conception and launch to development and scaling. An entrepreneurial ecosystem is a network of participants interacting formally and informally within a region (Brown & Mason, 2014). According to Acs et al. (2017) and Mack & Mayer (2016), an ecosystem employs an evolutionary method in which learning occurs individually and collectively throughout time, resulting in

collective innovation. To quote Spiegel (2017, p.2), an entrepreneurial ecosystem is a “combination of social, political, economic, and cultural elements within a region that support the development and growth of innovative start-ups and encourage nascent entrepreneurs and other actors to take the risks of starting, funding, and otherwise assisting high-risk ventures”. An entrepreneurial ecosystem comprises interdependent participants and a regulatory framework that gathers, organises, and codes knowledge (Stam, 2015) to foster innovation and productive entrepreneurship. According to Stam & Van de Ven (2019), an entrepreneurial ecosystem is defined by physical infrastructure, demand, intermediaries, talent, knowledge, leadership, and finance.

Nowadays, more attention is being paid to creating virtual entrepreneurial ecosystems using the development of digital technology, as it has dramatically changed the locus of entrepreneurial opportunities and practices (Autio et al., 2018). Steininger (2018) states that information and communication technology play the roles of facilitator, mediator, outcome, and enabler of new business models in digital entrepreneurial processes. Several recent studies have examined the impact of digitalisation on entrepreneurship and identified the interlinks between them and ecosystems (Du et al., 2018). Bejjani et al. (2023) identify governance, actors, resources, architecture, complementarity, reach, and identification process as the key elements of the digital entrepreneurial ecosystem.

Social transitions due to generational evolutions also demand the need to adopt contemporary ecosystem practices, such as digital ecosystems, to adhere to the desires of millennial and post-millennial entrepreneurs who aspire to travel and want to be digital nomads. Hence, a geocentric influence of the ecosystem is what the entrepreneurial scholars advocate the most, allowing transnational innovation. The possibility of replacing AI tools to assist entrepreneurs in scaling their businesses is also an emerging focus related to an ecosystem (Roundy, 2022).

In post-conflict/war regions, rebuilding entrepreneurial ecosystems involves not only physical infrastructure but also the restoration of social trust and the development of local human capital. These ecosystems must be inclusive, addressing war-affected populations’ unique challenges, such as limited access to financial resources, education, and networks (Isenberg, 2010). The role of external actors, including NGOs and government agencies, is often pivotal in helping to create and sustain ecosystems that can foster long-term economic growth and recovery. Furthermore, entrepreneurial ecosystems must ensure inclusivity by providing equal access to resources and opportunities for marginalised groups, including women and ethnic minorities. Gendered barriers to entrepreneurship in post-conflict/war regions are particularly pronounced, requiring targeted efforts to support female entrepreneurs and ensure equal access to the ecosystem’s resources (Acs et al., 2017; Powell et al., 2021). Finally, social capital plays a critical role in developing entrepreneurial ecosystems, particularly in post-conflict regions. In such areas, rebuilding trust and fostering collaboration among local communities and entrepreneurs is essential to unlocking innovation and business growth opportunities. Social networks, both formal and informal, can help entrepreneurs access resources, share knowledge,

and mitigate risks, particularly in the early stages of venture creation (Putnam, 2000; Aldrich & Kim, 2007).

Despite the contemporary focus of literature on ecosystems, other insightful trends focus on humanitarian values and reverse innovation. With the increased values of ethicality, scholars also discuss how ecosystems should promote inclusiveness to benefit marginalised segments, especially those relating to war-affected communities.

2.2 Ecosystem Practices Relating to Post-War Contexts

Due to various political, social, and economic factors—mostly in underserved or war-affected communities—not all entrepreneurs or ideapreneurs have equal access to these essential components of the entrepreneurial ecosystem. In post-war conditions, as entrepreneurs' productive assets are liquidated and insolvency increases (Desai et al., 2013), they resort to entrepreneurial ecosystem structures for their entrepreneurial endeavours (Audretsch & Belitski, 2017). Incentives specific to a region's entrepreneurial environment, such as networks, culture, and finance in a post-conflict/war area, can more effectively encourage productive entrepreneurship (Stam, 2018). Since governments often have insufficient financial resources to support entrepreneurial activities in post-war regions, efforts to improve local entrepreneurial conditions (Godley et al., 2021) and create an entrepreneurial ecosystem through a bottom-up approach receive attention (Thurik et al., 2013). This highlights the importance of the entrepreneurial ecosystem as a tool to enhance productive entrepreneurship in post-conflict regions/war (Desai, 2008). This, in turn, underlines a greater need for establishing entrepreneurial ecosystems among post-conflict/war societies.

Since this study focuses on whether the ingredients of an entrepreneurial ecosystem are available in the Northern and Eastern provinces of Sri Lanka, the following section briefly reviews the prevailing conditions for entrepreneurial activities in the region.

2.21 Entrepreneurial Ecosystems in the North and East of Sri Lanka

Due to the political complexities that prevailed after the war in Sri Lanka, neither the government nor the private sector has been able to carry out significant entrepreneurial or business activities in the Northern and Eastern provinces that were worst affected by the war. Economic development programmes implemented by the government and INGOs did not reach the peak benefits, as they were limited by constraints such as political uncertainties and interferences, cultural stereotypes, and lack of support eco-system- the subsequent economic crisis in the country further affected the economy of the Northern and Eastern provinces. The economic needs and problems that prevailed during the war in the North and East are still present.

Central Bank (2021) statistics show that the contribution of Northern and Eastern provinces to Sri Lanka's national output is consistently meagre. Northern Province has the lowest contribution (4.2%) in 2021 out of all the nine provinces of Sri Lanka. The contribution of the Eastern Province is only 5.5%. Similarly, the Northern Province makes the most minuscule contribution (3.9%) to the country's economic activities in industry compared to all the other nine provinces. The contribution of the Eastern Province is only 5.7%. This shows the Northern and Eastern provinces' overall economic/entrepreneurial failure and their industrial activities' fragility.

The region's economic stagnation directly impacts unemployment and poverty in these provinces. According to 2020 statistics (UNICEF, 2022), the unemployment rate of Northern Province is 5.2%, and the poverty level is 23.8%. The most poverty-stricken (44.5%) district in Sri Lanka is the Mullaithivu district of the Northern Province, which is worst affected by the war. This dysfunctional economic situation and unemployment spike are causing severe consequences in society (Maneshka, 2018), like substance misuse, crime, and youth migration. Thus, the poor economic situation and the resulting impact on society do not create an environment conducive to these entrepreneurial endeavours.

2.211 Business Support Services and Access to Finance

According to a study by the International Trade Centre (2018), in Jaffna, one of the major cities of the Northern Province, the training, workshops, and meetups required to develop the business skills and knowledge needed to create an ecosystem is minimal. Events and contests crucial for entrepreneurs to network with industry colleagues and broaden their knowledge are also minimal. As further uncovered in the same study (Ibid), access to finance is a major obstacle despite the advent of new financing channels, including angel investment networks, venture capital firms, and crowdfunding. Most entrepreneurs require market access support, including market information, to expand their business internationally and explore new company prospects. However, as the study identifies, the existing ecosystem structures support entrepreneurs in their early stages and offer just a few services to help them connect with markets and grow their businesses. Similarly, a study identifies the problems facing tourism and hotel entrepreneurship in the

Sasitharan and Premaratna (2022) identify inadequate credit lines, poor infrastructure, and inadequate research and technical skills as the main challenges in the Northern province. According to Kalaiyesan (2021), access to finance influences entrepreneurship development, and at the same time, entrepreneurs' financial literacy influences their access to finance, which in turn impacts the growth of entrepreneurship. A study commissioned by the British Council (Lanka Social Ventures & Social Enterprise UK, 2018) indicates that compared to other provinces, business support, such as access to finance for entrepreneurship efforts in the northern and eastern provinces, is limited, the number of startups there is low, and the stimulus for innovation is little. International Labour Organisation's (Assessment of the Key Bottlenecks, 2020) study also reveals that poor access to finance and financial illiteracy significantly affect private sector investment in the Northern Province. Selvarajan and Thayani's (2022) study to understand the

challenges women entrepreneurs face in Jaffna, in the Northern province, reinforces these findings, identifying finance as their biggest problem, followed by marketing, infrastructure, and raw materials. Government support and human resources were also identified as challenges.

The challenges in acquiring skills and knowledge, access to finance, and market access in the Northern and Eastern provinces, highlighted above, elucidate the shortcomings of the existing ecosystem on the one hand and the need for restoration on the other.

According to studies, the availability of financial resources and support systems increases one's chance of engaging in entrepreneurship (Simoes et al., 2015)- in contrast, a lack of available financial and other support systems reduces the opportunity for 'pull entrepreneurs' to engage in entrepreneurial activities (van der et al., 2016). Pull entrepreneurs are those influenced by new business ideas, opportunities, and personal desires such as economic freedom, better income, self-fulfilment and achievement, and personal development, and there is a positive relationship between them and education level (Fossen & Büttner, 2013; van der Zwan et al., 2016). However, 'push entrepreneurs' are motivated to start new ventures due to their situational needs, such as unemployment, family pressure, and individuals' general dissatisfaction with their current situation (Ibid). In short, push entrepreneurs are driven by necessity, while pull entrepreneurs are driven by opportunity (Alam et al., 2021; Dhar et al., 2022), and the latter are more likely to be successful in their ventures than the former (Amit & Muller, 1995).

Therefore, the lack of/limited access to the latest technology, expertise, knowledge, resources, and funding tends to limit the ability of the youth to adopt technology and innovate in their entrepreneurial endeavours and create a situation where having more 'push entrepreneurs' than 'pull entrepreneurs' in the Northern and Eastern provinces. The Secure Livelihoods Research Consortium's (Lokuge et al., 2019) study corroborates this assumption that entrepreneurship in war-affected Northern and Eastern provinces is a deliberate choice rather than a desperate need to survive.

2.212 Lack of Marketing, Sociocultural Prejudices and Deficit of Motivational Networks

As highlighted already (Stam & Van de Ven (2019)), the market is a key component of an entrepreneurial ecosystem, as it is the potential customer base for entrepreneurs in a specific region to consume the goods and services they offer. However, the lingering effects of the war, such as those highlighted above, high unemployment, limited infrastructure, land disputes, and a lack of access to capital, have created market problems, hindering entrepreneurship development in the Northern and Eastern provinces (World Bank, 2017). Further, lack of exposure, thriving through limited networks, and language barriers are reasons for poor marketing. Entrepreneurs' limited exposure and practical knowledge in quality control and packaging affect their marketing.

On the outlook, although the issues faced by entrepreneurs seem identical to those faced by entrepreneurs in other districts, structural prejudices remain unique to the Northern and Eastern provinces. For example, land-ownership confusions are common in the post-war context, especially among women who are either widowed or wives of missing persons. Many lost their documents during the war, further creating problems for them when attempting to finance their businesses (Asian Development Bank, 2015). On the other hand, obsession with government jobs is a common loophole in the region, wherein the current education systems don't promote the culture of entrepreneurship.

Entrepreneurs commonly complain about the lack of motivational networks to inspire them. This perspective illustrates the necessity of creating examples for entrepreneurs as a channel of motivation. Some organisations, such as Chrysalis, practice TOT (Training of Trainers) models to leverage entrepreneurs by creating village-level micro-scale entrepreneurs. However, there needs to be more entrepreneurs with success stories to inspire youth in the context (Selvarajan & Thayani, 2022).

To summarise what we have discussed, we first looked at what entrepreneurship is. We saw that entrepreneurship is not just about launching a startup but is about innovation and creativity. We saw how entrepreneurial ecosystems drive entrepreneurship activities, mainly how they help start and scale a startup by providing skills, knowledge, and resources. We also discussed how digital technology can help strengthen entrepreneurial ecosystems. We highlighted the need for a robust entrepreneurial ecosystem to drive entrepreneurship in post-conflict/war areas. We then looked at how the socio-economic factors that have arisen due to the impact of the war have negatively impacted an entrepreneurial ecosystem in the Northern and Eastern provinces of Sri Lanka and identified the shortcomings in having a dynamic ecosystem: Lack of access to the essential elements of an ecosystem, such as resources, knowledge, and skills, lack of marketing, sociocultural prejudices and deficit of motivational networks. However, this study focuses on the Northern and Eastern provinces' availability of resources (investment), knowledge, and skills to build a thriving ecosystem.

Against this backdrop, the research questions addressed in this article are:

1. What gaps exist in the availability of key elements of an entrepreneurial ecosystem, such as resources (investment), knowledge, and skills in the Northern and Eastern provinces?
2. How can the entrepreneurial ecosystem be improved in the Northern and Eastern provinces?

03 RESEARCH METHODOLOGY

The research questions focused on identifying gaps in the availability of key elements of an entrepreneurial ecosystem, such as resources (investment), knowledge, and skills, in the Northern and Eastern provinces and improving the entrepreneurial ecosystem in the Northern and Eastern provinces.

Since this survey was conducted in the Northern and Eastern provinces, where the Tamil people live in large numbers, the Tamil translation of the English language questions was also provided.

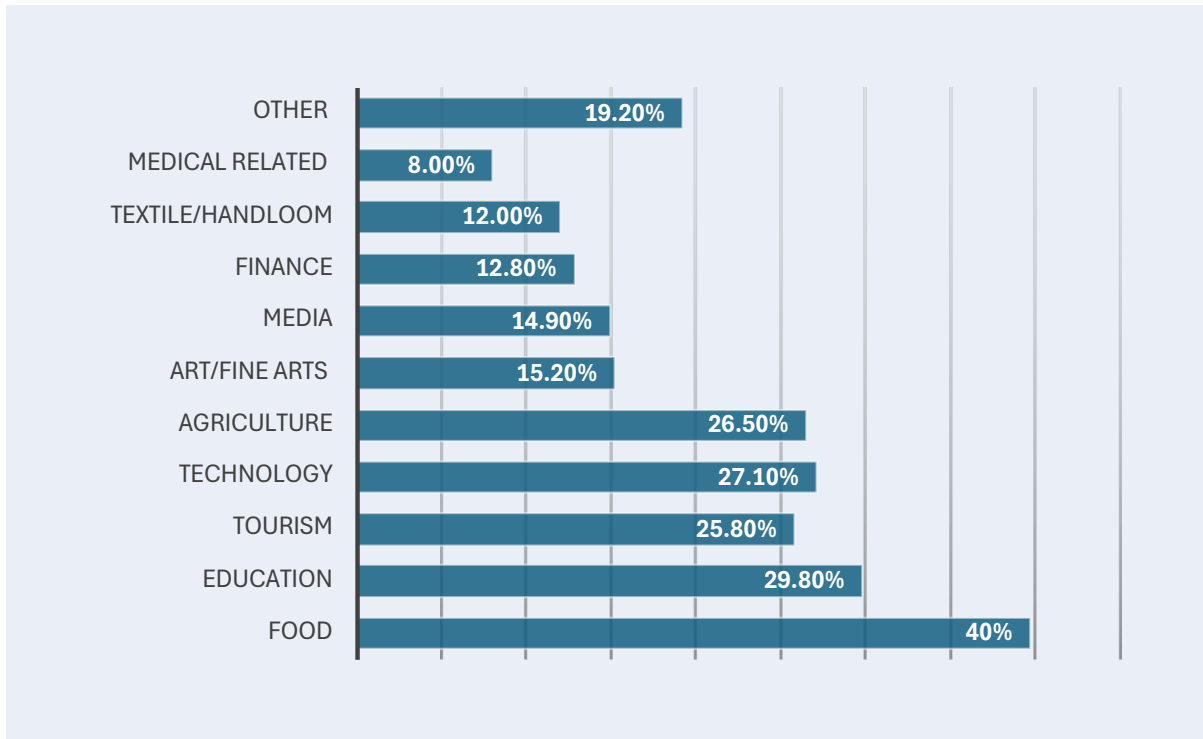
This study used a Google survey analysis tool and a structured questionnaire method to enable the respondents to select appropriate predefined answers by asking open-ended questions. Snowball sampling was used as this research was done only among ideapreneurs (those with entrepreneurial ideas) and active entrepreneurs in the Northern and Eastern provinces from June 2023 till March 2024. Snowball is a non-probability sampling method that helps to select suitable respondents through referral among respondents. Biernacki and Waldorf (1981, p.141) explain that Snowball sampling is “a study sample through referrals made among people who share or know of others who possess some characteristics that are of research interest”. These entrepreneurs often lack formal business networks or visibility in public databases, making them difficult to reach through traditional sampling methods. Snowball sampling helped overcome this barrier by using referrals from initial participants to identify others with similar characteristics, thus expanding the sample. Additionally, this method fostered trust and participation, as individuals were more likely to engage when referred by someone within their own community. Given the lack of a comprehensive list of entrepreneurs in these regions, snowball sampling provided an efficient and cost-effective means of gathering diverse insights while ensuring that hard-to-reach participants were included.

University Business Linkage (UBL) of the University of Jaffna, Eastern University, Sri Lanka, and the University of Vavuniya in the Northern and Eastern provinces were chosen as the starting point to reach ideapreneurs and entrepreneurs for this survey due to their connections with them. However, many entrepreneurs do not have connections to UBLs, and their perspectives may differ significantly. Using snowball sampling, it was possible to include ideapreneurs and entrepreneurs unknown to UBLs. This is because choosing snowball sampling allows reaching out to relevant populations that are rare and hidden (Yingling & McClain, 2015).

A total of 183 responses were received. Among them, 32 duplicate and invalid entries were removed, and 151 entries were subjected to analysis.

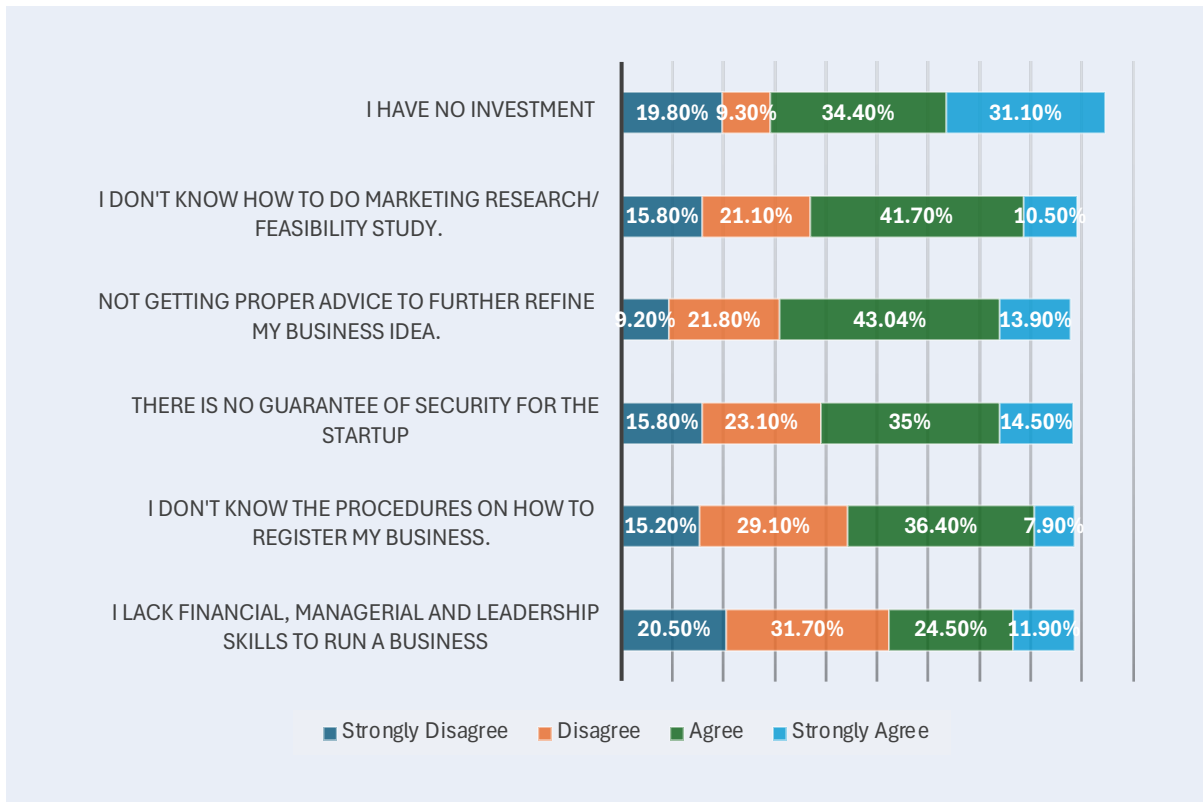
04 FINDINGS AND DISCUSSION

Figure 1: What category does your business idea belong to? You can choose more than one answer.



The majority of the 151 participants in the study chose to engage in food production-based (40%) entrepreneurship, while a significant number have expressed interest in entrepreneurship in education (29.8%), Technology (27.1%), Agriculture (26.5%) and tourism (25.8%). Despite the lower number of people inclined to engage in other fields such as finance, medical-related, media, and art/fine arts, the interest in the northern and eastern provinces to engage in entrepreneurship in these fields is manifested. Generally, food is a popular industry for entrepreneurs because food is a basic necessity, the world's population continues to increase, people are increasingly affluent and health conscious, and the food industry is innovative; such a trend has also been observed in the Northern and Eastern provinces. For example, a fifth of budding entrepreneurs in the UK are interested in a food-related start-up (Dunsby, 2024).

Figure 2: What are your main challenges when starting your business startup?



Various challenges have been identified in launching a start-up in the Northern and Eastern provinces. Among these, finance is the biggest challenge. The majority (31.1+34.4= 65.5%) agree that lacking investment hinders their entrepreneurial venture. Similarly, being unable to get proper advice to refine their start-up ideas was also mentioned by a significant number (43.04+13.9= 56.9%) as a major challenge. Not knowing how to do market research/feasibility study necessary for starting a start-up (41.7+ 10.5= 52.2%) and not knowing how to register a start-up (36.4+7.9= 44.3%) were identified as challenges by many respondents. When asked whether security is a challenge, a significant number of respondents (35+14.5= 49.5%) agreed. However, the majority (20.5 + 31.7 = 52.2%) mentioned that a lack of financial, managerial, and leadership skills was not a challenge in implementing their start-up ideas—yet it should be noted that 47.8% of them agreed with it.

As previously discussed, physical infrastructure, demand, intermediaries, talent, knowledge, leadership, and finance are the main ingredients of an entrepreneurial ecosystem (Stam & Van de Ven, 2019); as identified by the respondents in this study, the lack of investment (finance), inadequate entrepreneurial advice and knowledge services (intermediaries, talent, knowledge and leadership) highlight the extent to which the entrepreneurial ecosystem of the Northern and Eastern provinces needs to be developed and nurtured.

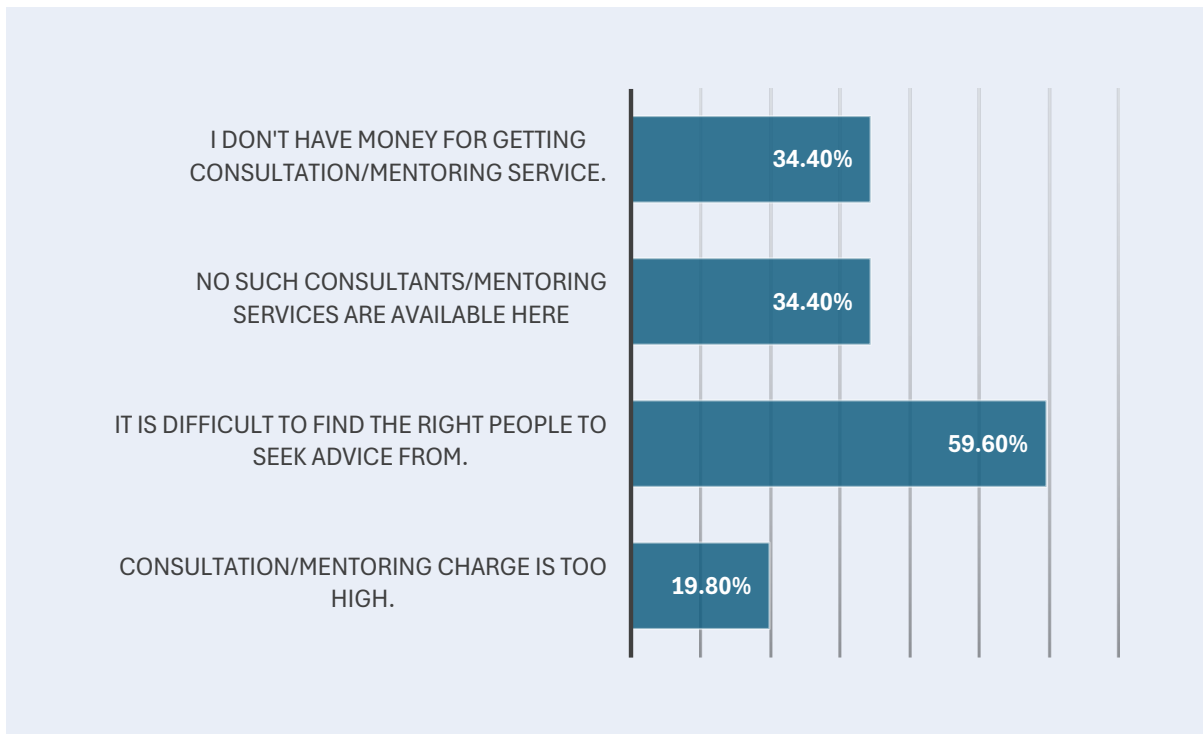
Among the challenges, financial access is a crucial element of the entrepreneurial ecosystem (Frimanslund et al., 2020). As revealed above, lack of investment/ access to

finance is the biggest challenge for most respondents (65%) in taking their start-up ideas forward. This corroborates the results of various studies referred to at the beginning of this study, which state that lack of access to finance is a major challenge to entrepreneurship development in the Northern and Eastern provinces (International Trade Centre, 2018; Sasitharan & Premaratna, 2022; Kalaieesan, 2021; Lanka Social Ventures & Social Enterprise UK, 2018, 2018). According to Storey (1994), the lack of access to finance/investment in entrepreneurial endeavours is referred to as the 'financial gap', which has two components: the 'knowledge gap' and the 'supply gap'. A lack of sufficient knowledge about different sources of financing is called a 'knowledge gap', while the situation where funds are not available for entrepreneurship or the available financial sources are very high cost is called a 'supply gap'. As discussed earlier, a study in Northern Province shows that entrepreneurs' financial literacy influences entrepreneurial growth, shedding light on the existing 'knowledge gap' (Kalaieesan, 2021). Similarly, the challenges entrepreneurs face in accessing finance in the other studies highlight the 'supply gap' (Sasitharan & Premaratna, 2022; Lanka Social Ventures & Social Enterprise UK, 2018, 2018).

The respondents also identified the challenge of obtaining the necessary advice and skills to perform their entrepreneurial initiatives. As highlighted previously, knowledge spillover is a crucial component of entrepreneurial ecosystems because knowledge is an essential source of opportunity and, thus, entrepreneurial emergence (Lattacher et al., 2021). Various entrepreneurial scholars have recognised the nexus between knowledge spillover and innovation and entrepreneurship (Schumpeter, 1934; Acs et al., 2017). According to Audretsch (2007), knowledge stimulates innovation and facilitates economic growth. Ferreira et al. (2017) argue that Human capital is the essential source of information diffusion.

Therefore, a successful knowledge spillover mechanism must exist for an entrepreneurial ecosystem to thrive. However, significant respondents in this study said that they do not get the necessary advice to enrich and implement their start-up ideas, they do not have enough skills for market research/feasibility study skills, and they do not know about the procedures for registering their startups. This exemplifies the need for an accessible and effective knowledge spillover mechanism for entrepreneurial learning in the Northern and Eastern provinces to reinforce the successful functioning of an ecosystem.

Figure 3: If you mentioned that you did not get the necessary advice to refine your start-up ideas, what are the reasons for that?

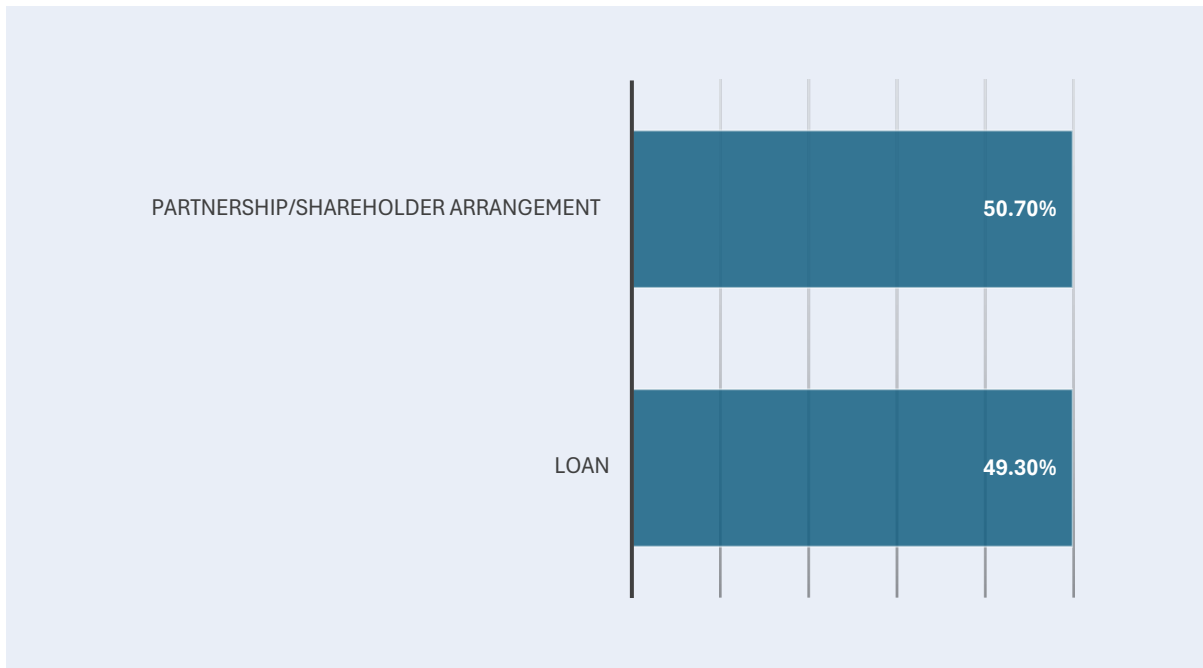


The respondents who mentioned above that they needed to get the necessary advice to refine their start-up ideas were asked why. While the majority (59.6%) responded that it was challenging to find the right people to seek advice from, a significant number of respondents identified a lack of money for paying for mentoring services (34.4%) and a lack of mentoring services (34.4%) as reasons. This highlights the need for accessible and effective mentoring programmes/ consultation services to be integrated to strengthen the entrepreneurial ecosystem.

For entrepreneurial scholars, learning takes place in experiential learning (Kolb, 1984) and vicarious learning (Bandura,1977). Experiential learning occurs when an entrepreneur develops knowledge based on experience (Cope & Watts, 2000; Minniti & Bygrave, 2001). Vicarious learning is about an entrepreneur improving his /her knowledge by observing others or listening to them (Bandura, 1977). A key element of vicarious learning is mentoring, which transfers information, competence, and experience to mentees.

Mentoring plays a vital role in the entrepreneurial ecosystem. Mentors, acting as 'Personal Enablers,' facilitate entrepreneurial achievements by helping entrepreneurs navigate the challenges of building a successful business. By providing necessary human capital (experience, expertise) and social capital (networking) to entrepreneurs, mentors enable them to use them for their entrepreneurial activities such as designing, building, scaling, hiring, acquiring customers, establishing legitimacy and raising money (Murphy, 2024).

Figure 5: What kind of financial assistance would you like?



Most mentioned earlier that lack of investment was a significant challenge in implementing their start-up idea. When asked what kind of financial support they expect for their investment, the respondents mentioned the partnership/shareholder arrangement (50.7%) and loan (49.3%) options as almost equal choices- this highlights the extent to which entrepreneurs depend on financial assistance to carry forward their entrepreneurial activities.

Investment refers to the financial capital required for entrepreneurship. That is, sources of money to acquire the physical and financial assets required by a business (Tymon & Stumpf, 2003). The sources of financial capital are divided into two categories: formal institutions and informal institutions (Basu, 1998). Formal institutions refer to financial institutions and government sources; informal institutions refer to family and community networks.

However, severe poverty in the Northern and Eastern provinces has made it difficult for entrepreneurs to access the finances of formal institutions. For example, to quote a study conducted by the International Labour Organisation (Assessment of the Key Bottlenecks, 2020, p.2):

Owing to the high levels of poverty in the region, the majority of the population in the North do not have money to invest and only have enough for daily sustenance. As such, they need financing for new ventures or to expand existing operations. However, most communities in the North face a challenge in terms of accessing affordable finance as banks and lending institutions look for collateral when granting loans.

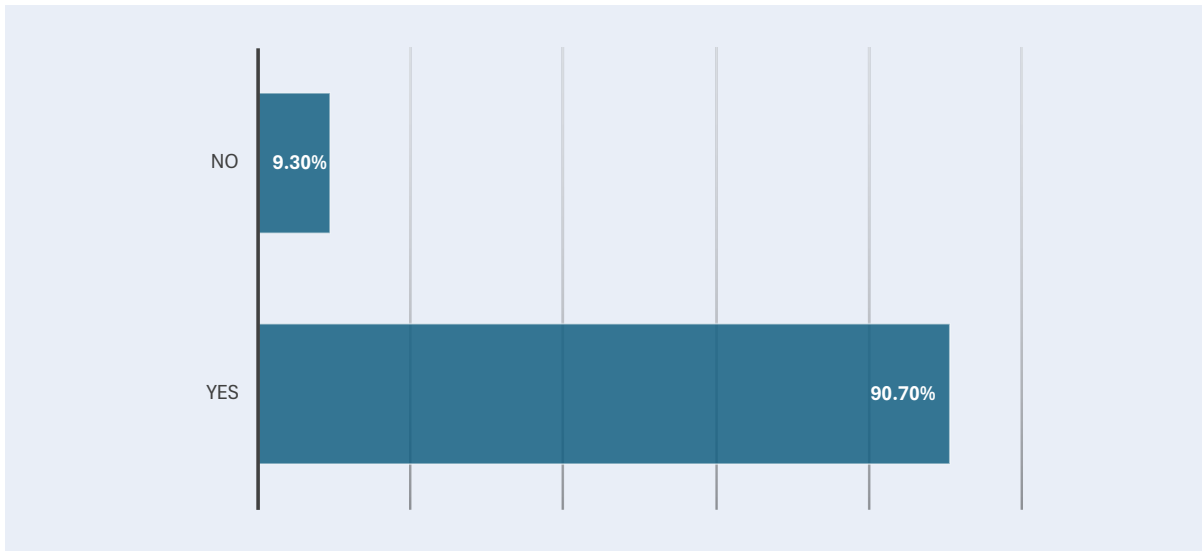
The Secure Livelihoods Research Consortium (Lokuge et al., 2019) confirms that having to engage in precarious employment due to the daily cash flow for subsistence in the war-affected Northern and Eastern provinces affects the emergence and development of startups.

In addition to the country's worst economic situation, the difficulty of obtaining finance from formal institutions emphasises the role that informal institutions have to play in supporting entrepreneurial endeavours. Especially in rural areas of the post-war areas, where poverty is at its highest level, the entrepreneurs do not have the necessary investment to carry out their entrepreneurial activities, and they are only able to run their daily lives; thus, the International Labour Organisation (Assessment of the Key Bottlenecks, 2020) highlights the role of alternative financing sources to support new venture or expand the existing business operations. However, the International Labour Organisation warns that in such an unfavourable situation, entrepreneurs take loans from informal institutions such as microfinance at high interest rates and cannot repay them. It emphasises creating an accessible and affordable finance mechanism to foster entrepreneurship (Ibid).

As illustrated in the graphs, the preferred partnership arrangements can also manifest in the forms of alternate modes of financing, such as venture capital and angel investments. The necessity of integrating forms of angel investments can be realised to meet the need for mentorship and investment. This is mainly because many angels would prefer to mentor startups due to their interest in the firms. On the other hand, venture capital can suit businesses that require significant investments and be able to provide equity in their businesses. The fact that half of the respondents prefer loan arrangements over partnership models indicates their fear of losing independence and control in their businesses. The positive aspect is that half of the remaining respondents are willing to try alternative modes of investments and are willing to overcome their perceived fear of losing autonomy. This very nature of the respondents also indicates the need to educate them on alternative mode of financing, their limitations, and massive potential.

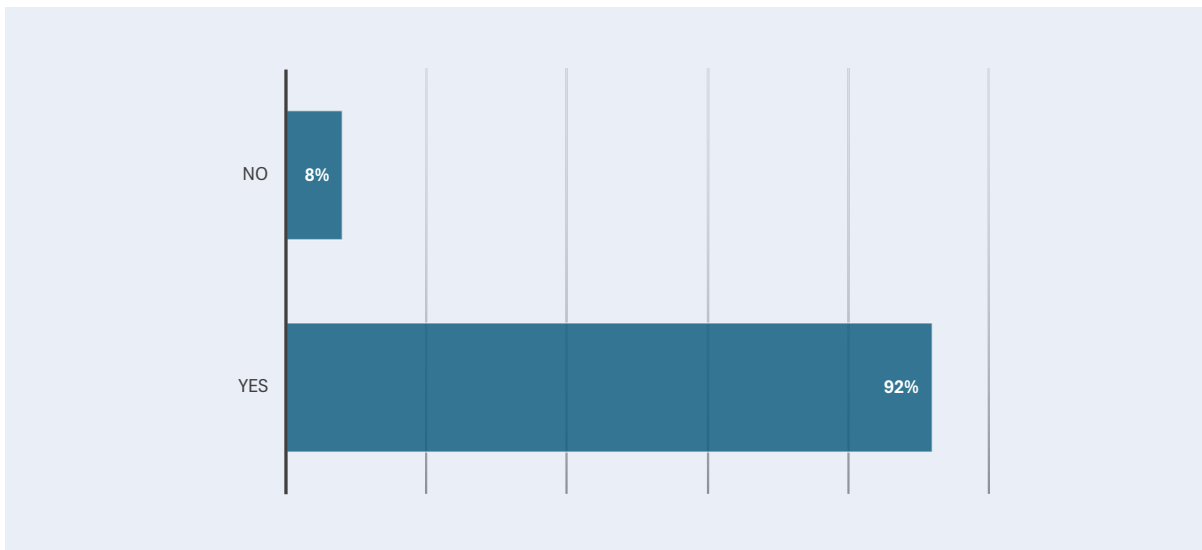
To address the investment needs of their start-ups, most respondents in the above survey expressed their preference for a partnership/shareholder arrangement, which shows the need for accessible and affordable finance mechanisms and the willingness of entrepreneurs to work with informal investment arrangements. On the other hand, the fact that almost half of the students expressed their desire to get a loan shows the expectation of investment opportunities among entrepreneurs and the contribution that informal sources, including the diaspora, can make to address this problem.

Figure 6: When/if you start your business, do you want monitoring and /or business support from an expert?



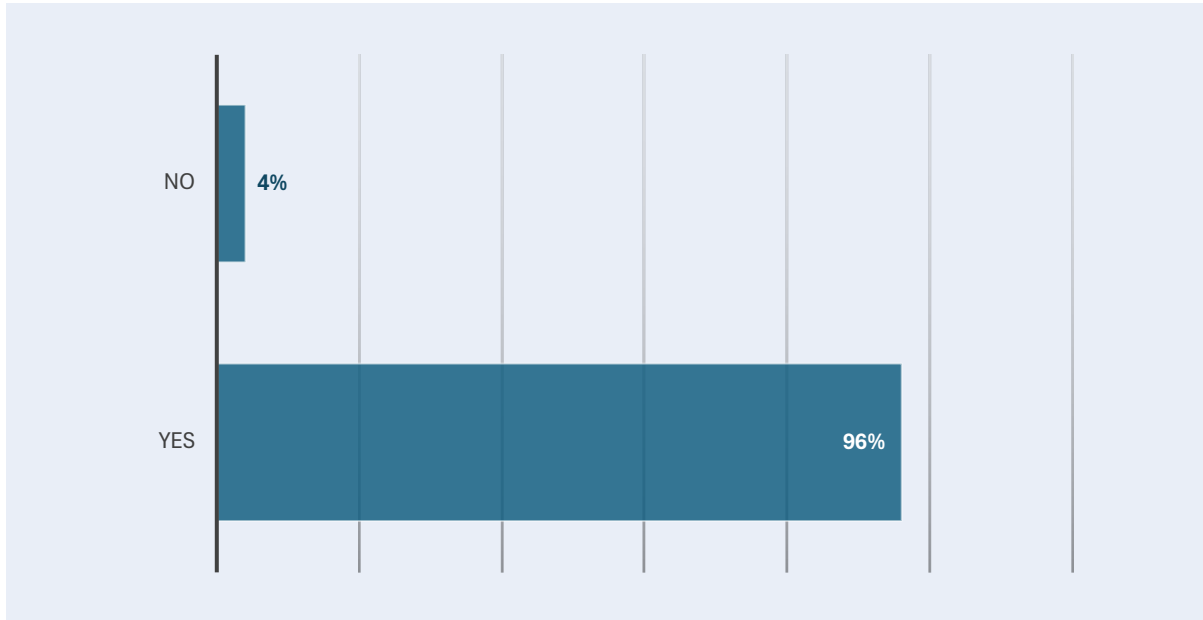
Most people answered 'yes' (90.7%) when asked whether they would like monitoring or business support while launching their start-up idea. This is in parallel with the opinion expressed by the respondents above that they do not get proper advice to refine their start-up ideas, it is difficult to identify the right people to get advice, and they do not get mentoring services, and on the other hand, shows how much expectation there is among them for monitoring and/or business support.

Figure 7: Would you like to share your business idea with potential funders/ professionals for mentoring or financial support?



While most people mentioned earlier that mentoring support and finance are big challenges for their entrepreneurship, when asked if they would like to share their start-up idea with potential professionals or funders for such help, most answered 'yes' (92%). On the one hand, this shows a need to create a healthy entrepreneurial ecosystem by providing these services in the Northern and Eastern provinces, and on the other, it shows how much of an appetite entrepreneurs have for these services.

Figure 8: If a virtual networking platform is created to link entrepreneurs, researchers, academics, professionals, experts, investors, institutions and universities to facilitate knowledge transfer and financial support, will you join?



It is noteworthy that 96% of respondents mentioned 'Yes' when asked whether they would join if a virtual networking platform were created to link entrepreneurs, researchers, academics, professionals, experts, investors, institutions and universities to provide knowledge transfer (mentoring) and financial support to facilitate entrepreneurial endeavours. While various studies have underlined the advantages of having digital systems in the creation of entrepreneurial ecosystems (Du et al., 2018; Li et al., 2017; Bejjani et al., 2023), the survey results above highlight the potential of digital networks to contribute to building and nurturing an ecosystem in the Northern and Eastern provinces to create a knowledge spillover model and an accessible and affordable investment mechanism for entrepreneurs.

The analysis brought forward both positive and negative trends related to entrepreneurship in the Northern and Eastern provinces. Despite Northern and Eastern's saturated food-processing industry, respondents are willing to try new fields. Since the research primarily targeted a young audience, the findings also validate how the perspectives of the current generations have evolved. As literature review evidence, entrepreneurship was only viewed as self-employment a few years back, and the post-war induced entrepreneurs are not necessarily thriving but serving. Market saturation and undifferentiated business models remain the primary issues that reduce the competitiveness of businesses and put entrepreneurs to survive within a limited marketing network and exposure.

The findings reveal both supply and demand shortages of business support services. For example, entrepreneurs are either unaware of mentoring and consulting services in the Northern and Eastern or cannot afford them. This pinpoints the knowledge gap prevalent in the Northern and Eastern provinces.

The findings identify various challenges such as lack of investment opportunities, inability to conduct marketing research, not getting proper guidance to refine their ideas, no guarantee of success, lacking knowledge about the registration process, and the lack of financial, managerial, and leadership skills as the primary obstacles. As observed, the respondents further revealed that they are either unaware of the consulting and mentoring services available in the Northern and Eastern provinces or have deemed these services as highly expensive. This indicates wide-ranging challenges prevailing among the entrepreneurs in Northern and Eastern provinces.

The majority of the respondents stressed the following challenges.

1. Lack of investment or access to finance.
2. No mentoring and consulting services.
3. Lacking knowledge about the business procedures such as business registration.
4. Lacking financial, managerial and leadership skills.

The fact that entrepreneurs have emphasised the need for mentoring and knowledge access as much as finance is important to them demonstrates their understanding of reality on the one hand and the need on the other. Thus, financing can enhance entrepreneurial sustainability when integrated with mentoring needs through alternative models such as angel investments, as underlined already. For example, in the UK, the government's Start Up Loan is tied to free mentoring, including a personal business mentor. The mentor provides an unbiased assessment of an entrepreneur's current strategies, allowing him/her to make more informed decisions and access knowledge and resources that might not otherwise be available. (British Business Bank, n.d.).

The discussions also fuel the idea that an effective ecosystem can be built by adopting a triplex perspective of combining the government, private sector, and academic sectors to foster innovation.

The findings also indicate the respondents' readiness to be open to mentoring and to participate in a digital ecosystem.

05 CONCLUSION AND RECOMMENDATIONS

This study's research questions focused on understanding entrepreneurs' challenges and problems and uncovering whether the ingredients required for a conducive entrepreneurial ecosystem, such as access to capital, entrepreneurship training, skills development, resources, knowledge, talent, mentorship, etc., are available in Sri Lanka's NE. A survey was conducted among ideapreneurs and entrepreneurs in the Northern and Eastern provinces to answer this research inquiry.

While entrepreneurs tend to engage in entrepreneurship in various sectors, such as education, technology, agriculture, and tourism, there is an increasing interest in food production-based entrepreneurship in the NE. The lack of access to finance/investment is the main challenge to realising entrepreneurs' startup ideas. This financial gap is caused by the 'knowledge gap' and the 'supply gap' (Storey, 1994), and the need to establish an accessible and affordable finance mechanism has been emphasised to address this gap. It has also been revealed that entrepreneurs expect partnership/shareholder or loan arrangements to overcome the problem of finance/investment access.

Similarly, not being able to get proper advice to refine their start-up ideas, lack of knowledge about the registration procedures for starting a start-up, lack of knowledge about conducting marketing research and feasibility studies, and lack of sufficient financial, management, and leadership skills have also been identified as the main challenges for entrepreneurs in making their startup ideas a reality. Lack of money for consulting, lack of/inadequate mentoring services, and high charges associated with existing consulting services have been identified as reasons for not gaining entrepreneurial knowledge and skills. This situation highlighted the need for an accessible and effective knowledge spillover mechanism to be in place.

Overall, the survey findings illuminated the vast gap in the ingredients of an ecosystem conducive to thriving entrepreneurship and achieving entrepreneurial achievements, such as access to capital, entrepreneurship training, skills development, resources, knowledge, mentorship, etc. In other words, the region's entrepreneurial support systems are underdeveloped. It is clear from this study that there is no conducive situation for opportunity-motivated startups (pull entrepreneurs) to thrive in the Northern and Eastern provinces due to the lack of available financial support and knowledge spillover mechanisms, including training and consultancy. Although the participants in the survey were not distinguished as push and pull entrepreneurs, it is apparent that such a dysfunctional ecosystem is discouraging not only for opportunity motivation startups (pull entrepreneurs) but also for the rise and development of necessity start-ups (push entrepreneurs).

The challenges identified in this study, such as the lack of/limited access to the latest technology, expertise, knowledge, resources, and funding, limit the ability of the youth to adopt technology and innovate in their entrepreneurial endeavours. This situation requires immediate attention from all the community stakeholders, such as the government, educational institutions, NGOs, diaspora, CSOs, donors, and industry, to create an Inclusive Entrepreneurial Ecosystem (IEE) in the Northern and Eastern provinces to effectively organise, mobilise, and manage the necessary skills, knowledge, resources, and opportunities among both opportunity entrepreneurs and necessity entrepreneurs as well as ideapreneurs equitably for entrepreneurial achievement. An inclusive entrepreneurial ecosystem removes barriers to ensure entrepreneurs have fair access to the resources and tools to launch, grow, and expand new startups to facilitate local economic development (Powel et al., 2021). An Inclusive Entrepreneurial Ecosystem, as Gines and Sampson (2020, p.10) define, “works intentionally to engage the disengaged and under-resourced entrepreneurs to provide equitable opportunity for all entrepreneurs”. It addresses the existing disparities and enduring impediments that lower the success rates of underserved entrepreneurs and provides them equal and equitable access to knowledge, resources, skills and opportunities to generate wealth and bolster their local economies.

This study highlights that entrepreneurs in the Northern and Eastern provinces are unable to advance their start-ups and thrive not because they lack hard work, talent, and aspirations but because they lack adequate access to knowledge, resources and skills (ecosystem), limiting their access to opportunities and restrains their capacity to act towards entrepreneurial activities and achievements. This highlights the importance of creating an Inclusive Entrepreneurial Ecosystem (IEE) aided by digital networks. Distributing resources, knowledge and skills equitably among disadvantaged entrepreneurs through digital networks (agency) can provide them fair access to opportunities to increase their capacity to act (power) to search for things necessary for their needs, identify areas of their interest, develop their skills and secure capital to attain their entrepreneurial achievements.

5.1 Recommendations

Creating an Inclusive Digital Entrepreneurial Ecosystem

Both the secondary and primary discussions evidence the need to integrate contemporary demands in the ecosystem. The demand for integrating a geocentric approach and transnational innovation is realised. This is an ongoing action point of the Gate Institute, wherein a digital hub has been conceptualised and implemented (www.give.community). ‘GIVE’ is a transnational collaborative networking hub between researchers, professionals, experts, entrepreneurs, and investors to foster an Inclusive Entrepreneurial Ecosystem (IEE) by providing equitable access to knowledge, skills and resources for entrepreneurs. This network can meet the following needs:

1. Identifying alternative modes of financing. The digital ecosystem aims to connect entrepreneurs with the right investors, mentors, and consultants.
2. This approach will help create examples of successful entrepreneurs.
3. Establishing a motivational channel.
4. Hosting a knowledge transfer and exchange forum for entrepreneurship.

Triplex Incubation Models

The study revealed that startups require resources, including funding, mentoring, and networking, for their growth and development and rely on academic institutions, industry, and government to provide these. This emphasises the need to establish 'Triple Helix-based Startup Incubators', connecting academic institutions, industry, and government. Interactions between the three main actors are essential for startups' growth and development and provide them access to business registration, quality control, and resources, including funding, mentoring, and networking.

University-Based Techno Parks

Establish university-based Technoparks to conduct research and development activities, entrepreneurship courses, and knowledge exchange programmes. An example is the Technopark recently launched at the Eastern University in Batticaloa to create an ecosystem that supports innovation, entrepreneurship, and technological advancements in the region. Such technoparks can also provide advice and services for business registration, legal, IT, and accounting needs under one roof.

Private Equity Capital Firm

Introducing private equity finance companies with diaspora participation as an alternative finance mode. An example is 'Tamil Ventures' (<https://www.tamilventures.com/>), the Gate Institute's partnering organisation. Tamil Ventures is a dedicated venture capital firm that prioritises investments in the Northern and Eastern provinces support initiatives with venture capital funds with a reasonable return on investment. Such alternate finance modes can open doors for those prioritising partnership models.

Opening Impact Buying Incubation Channels in foreign markets and local markets

Establishing 'marketing incubation' channels to facilitate marketing and provide quality control training. There is also a high deficit in understanding consumer tastes with saturated products. Hence, the marketing incubation body will undertake marketing research on consumer tastes and form impact buying shops in foreign countries. The channel will also include an e-commerce platform. Through this, entrepreneurs will have to upgrade their standards and can benefit from marketing.

Recommendations for Further Research

While this research provides comprehensive insights into the needs of entrepreneurs and ideapreneurs in the Northern and Eastern provinces, there is an opportunity for further exploration. This study primarily focused on younger audiences; however, generational differences among entrepreneurs were identified. Therefore, future research should explore the needs of entrepreneurs across different generations to better understand how these differences impact entrepreneurial behavior and challenges. Additionally, a qualitative study would offer valuable insights into the

socio-cultural and psychological needs of entrepreneurs, providing a more holistic view of the factors influencing entrepreneurial success in these regions. While this study addresses the overall needs in the Northern and Eastern provinces, future research could benefit from conducting a cross-district analysis and a comparative study with other post-conflict regions to identify broader trends and context-specific challenges.

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