

## Thesis abstract

# Entrepreneurial decision-making and expertise acquisition: A study among Sri Lankan microfinance borrowers

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Microfinance institutions (MFIs) — organisations that provide small-scale loans, savings, insurance and other financial services to individuals who lack access to traditional banking services — are often criticised for not being able to create viable and profitable new ventures among their borrowers. Although the ability to create and manage businesses also depends on the social and human capital of the borrowers, little is known about how microfinance lending principles and procedures contribute to MFI-funded entrepreneurs' business decision-making and their human and social capital development. Using data collected from a mixed method approach (i.e., a survey, interviews, daily activity journals, group discussions, focus groups, and observations), this thesis examined MFI-funded entrepreneurs' business decisions, their venture start-up and development process and expertise acquisition.

The study findings demonstrate that MFI-funded entrepreneurs, in their business start-up and development, used both means-driven (i.e., effectuation) and predictive (i.e., causation) decision-making logics. They thought about available means such as the knowledge they have, available resources, relied on social networks for support, and attempted to minimise financial losses by using inexpensive resources and

personal savings during business start-up and development. With the microfinance loan, entrepreneurs considered losses beyond financial aspects, such as their reputation within the community, business and personal assets, and time required to borrow money and repay loans. Entrepreneurs also formed agreements with customers and suppliers and adapted products to meet seasonal, technological, and economic changes. Specifically, women entrepreneurs were careful to adapt their business practices according to social, cultural and gender norms. Similarly, consistent with predictive thinking, MFI-funded entrepreneurs set short-term goals, calculated returns, and considered market and competitor information.

To acquire expertise, entrepreneurs practised and rehearsed both means-driven and predictive thinking using unstructured and self-regulated business tasks. Less often, they used structured tasks, such as attending training programs, meeting experts and obtaining feedback to sharpen their expertise. These business tasks included pre-venturing activities, such as experimentation, and then sharpening business skills gradually by conducting technical, “tangible” business establishment tasks, “abstract” management tasks, and business complexity management tasks.

This study contributes theoretically and practically to the entrepreneurship and microfinance domains by linking means-driven and predictive thinking to continuous practice and task rehearsal, highlighting how MFI-funded entrepreneurs use social and other factors in business decision-making, and constructing a conceptual model for the development of entrepreneurial expertise. This study also outlines how MFIs can

use microfinance lending to enhance entrepreneurial expertise among borrowers and enhance their social and human capital.

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