

Study examining the factors influencing the performance of SME's with special reference to Ampara District, Sri Lanka.

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Abstract

Small and Medium Enterprises (SMEs) play a pivotal role in the economies of both developed and developing countries in terms of employment generation, growth of GDP, innovation, resource utilization and regional development. As a result of the twenty six years long civil war, Sri Lanka was unable to realize her full potential in the SME sector despite the endowment in human capital and natural resources. Particularly Colombo and Gampaha Districts are contributing more than 50% of GDP where the rest of the districts are not performing well. Only a few empirical researches have addressed the performances of small firms but these studies have not concentrated rural areas. Therefore the study aims to examine the factors influencing the performance of SMEs in Ampara District in Sri Lanka.

Data for the study collected through standard questionnaire distributed among 125 owner managers of SMEs using convenient random sampling in the Ampara District as there was no official list of SMEs established in the district. Entrepreneur characteristics, management and know-how, products and services, strategy, External environment and financial support were used as independent variable for the study to find out the extent of impact on the performance of SMEs in the region.

We attempted to find out the most significant factors that affect the Business Performance of SMEs in Ampara District and found out that SMEs characteristic, products and services, strategy and financial are the most significant determinants of Business Performance of SMEs in Ampara District. To ensure the continuous success of the SMEs, they need to concentrate further on products & services, novel strategies and prompt dealing with financial institutions.

Keywords: SMEs, External environment, Management know-how, Strategy, Performance