

Factors affecting business performance of Small and Medium Enterprises in Sri Lanka: A Study on Pelmadulla Divisional Secretariat

K.P.D.N. Gunathilaka and C.M.Y.S.S. Bandara

Department of Business Management, Faculty of Management Studies, Rajarata University of Sri Lanka,

Mihintale

Corresponding author: dinushanayanathara@gmail.com

Abstract

Any country, any economy like developed, developing or emerging economies, an enterprise is essential for the enhancement in the country's economy and for the development. Small and Medium Enterprises play a significant role in the development of the country. SMEs contribute more than 70 percent of Gross Domestic Product in Sri Lanka as well as they have to face numerous challenges than large scale companies. In several studies, access to finance, access to infrastructure and availability of managerial experience have identified as important factors that affect business performance. Hence, the study investigates the factors affecting the business performance of SMEs in Sri Lanka. A questionnaire used to gather data from the owner or the managers of SMEs. Among 487 SMEs in Pelmadulla divisional secretariat area 110 SMEs preferred for the survey. Out of 110 SMEs, 98 were responded. Correlation and regression analysis were used to test the relationship and effect of the access to finance, access to infrastructure and availability of managerial experience on business performance. The study found access to finance and availability of managerial experience have a positive significant relationship on the business performance and there is a positive insignificant relationship between access to infrastructure and business performance. Regression analysis found access to finance and availability of managerial experience have a positive and significant impact on business performance. Access to finance and managerial experience is important for SMEs and the government should implement necessary ways for improving the financial accessibility and managerial skills.

Keywords: *Access to finance, access to infrastructure, availability of managerial experience, business performance, Small and Medium Enterprises (SMEs)*