

Frugal Innovation and SMEs in Sri Lanka

Perera R. L.¹✉, Perera R. S.²

Abstract

Over the past years, in several developing economies, frugal innovation (FI) has gained its traction as a type of resource constrained innovation which originated from emerging economies like India and China targeting low and middle income customers who are neglected by the high priced products of mainstream innovations which originated from advanced economies. FI can be identified as a product or a service innovation which simultaneously meets significant cost reduction, concentration on core functionalities and optimal functionality level and it is generally sourced by both large scale firms and small and medium scale enterprises (SMEs). However, it seems that the term of FI is not popular in Sri Lanka as a developing country context. Hence, this research is posited in order to investigate the potential of FIs among the SMEs in Sri Lanka and the objective of this research is to identify the opportunities and the barriers with SMEs towards FI in Sri Lanka. This study applied a qualitative research approach and collected data through interviews with ten respondents including SMEs, academicians, government and non-government organization officers. After analysing the interview data using content analysis, this research revealed attitudes of customers and SMEs, weak marketing and lack of awareness of SMEs as barriers and sustainability orientation, business ecosystem and internationalization as opportunities towards FI of SMEs in Sri Lanka. As per prior research, FI has proved its benefits in several countries by ensuring sustainability. Therefore, encouraging FI among SMEs allows more sustainable businesses among SMEs. Hence, policy making and university-industry linkages should be in line with promotion of FIs among SMEs in Sri Lanka by utilizing the opportunities and minimizing the barriers. Finally, it is recommended to conduct surveys with a large number of customers and SMEs in order to confirm these findings with quantitative data and methods.

Keywords: *Frugal innovation, low cost innovation, SMEs, Sri Lanka*

¹ School of Management, Asian Institute of Technology, Thailand

² Faculty of Fisheries and Marine Sciences, University of Ruhuna, Sri Lanka

✉ Corresponding Author: ranjika.perera@gmail.com