

ENTREPRENEURSHIP ORIENTATION, BUSINESS PERFORMANCE APPRAISAL OF SMALL AND MEDIUM SCALE ENTERPRISES: REFERENCE TO HAMBANTHOTA DISTRICT, SRI LANKA

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ABSTRACT

Small and Medium Scale Enterprises (SMEs) in Sri Lanka have great potential to generate economic benefits. This study investigates the level of entrepreneurship involved in fifty-seven manufacturing SMEs in the Hambanthota District of Sri Lanka, and attempts to assess the degree to which proactiveness, innovativeness, and risk taking (collectively referred to as "Entrepreneurship Orientation) have had an effect on Business Performance. Semi-structured interviews and questionnaires were used as the main instruments for data collection. Qualitative and quantitative techniques were applied for data analysis. Simple Linear Regression was used for analyze the relationship between Entrepreneurship Orientation and Business Performance.

The results of the study show that "innovativeness" and "proactiveness" made a significant impact on business performance. The most important variable was "innovativeness". The study found that "innovativeness" as a measure of business performance increased as the number of employees increased.

KEYWORDS: Small & Medium Scale Enterprises, Entrepreneurship Orientation, Business Performance, Hambanthota District, Sri Lanka

Introduction

More than 95% of the enterprises across the world are Small and Medium Scale Enterprises (SMEs), accounting for approximately 60% of private sector employment (Ayyagari et al., 2011). In Sri Lanka, SME accounts for about 70% of all industrial establishments, 30% of the total industrial output and 3% of employment (Munidasa, 2008). SMEs in Sri Lanka operate either as individual enterprises or clusters. According to the Sri Lanka Industrial Development Board (IDB), a small industry can hold capital investment in plant and machinery that does not exceed fifty persons (Central Bank of Sri Lanka, 1998). According to the Department of Small Industries (DSI), SMEs are those with capital investment of less than Rs. 5 million (US\$38,395) and fewer than fifty employees. According to the Sri Lanka Export Development Board (SLEDB) for export oriented enterprises, SMEs have capital investment excluding lands and buildings of less than Rs. 50 million (US\$383,950) (Hewaliyanage, 2001). The European Union defines SMEs by the number of employees, employee turnover, and the balance sheet total. The World Bank defines SME enterprises in Sri Lanka based on the number of employees: Fewer than forty-nine employees are small sized, more than fifty and