

**6.7 Developing SMEs in Sri Lanka through horizontal
business linkages:
Nature of existing business linkages among SMEs in Sri Lanka**

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ABSTRACT

In a developing country economic growth can be sustained by the expansion of private sector, as they are the engines of growth. Majority of Private sector in developing countries consists of Small and Medium Enterprises (SMEs), which consist of entrepreneurial skills and capable of quickly adapting to the market changes. Also lend a hand to reduce the unemployment and make a significant contribution to the GDP. As a consequence it is important to accelerate the growth of SME in order to gain sustainable development in this era.

In Sri Lanka most of SMEs have not succeeded to gain the advantages of economies of scale because business units operate in isolation with the inadequate total assets and management skills. Due to this reason number of SMEs were shut down and others are also discouraged to launch new businesses. Thus, it is compelled to promote the horizontal business linkages and may potentially affect the SME development in order to carry out an effective participation of the SME for the development of country.

The objective of this paper is to find the nature of the existing SMEs' horizontal business linkages in Sri Lanka and make suggestions to improve them. The information was gathered through the questionnaires distributed among 50 SMEs. Through the data analysis it was discovered that the SMEs in Sri Lanka have poor horizontal business linkages and it is suggested to improve them to gain the competitive advantages.