Impact of Factors Affecting on Success of Small and Meduim Scale Business in the Sri Lankan Context.

D. Dissanayake.

D.K.B Pethiyagoda & Co,Chartered Accountants,
Kandy,Sri Lanka.
dinusha.d.dissanayake026@gmail.com

INTRODUCTION

Small and medium business organizations consider as the heart of country that directly contributed to the economic development. According to the study of Zelealem (2004) human resources development, organizational development, managerial background, managerial leadership and competitive strategy affect the performance of SMEs. The study of Kinyua (2014) mentioned that "*The roles of finance, management skills, macro-environment factors and infrastructure have been viewed as a critical element for the performance of small and medium-sized enterprises".* As a developing country Small and medium business organizations are backbones in Sri Lanka. In this context it is necessary to identify the value of Small and medium business organizations functioning in Sri Lankan context. Also it is necessary to identify the impact of factors affecting on success of small and medium scale businesses in Sri Lankan context.

AIM/OBJECTIVES

The main aim/objectives of the research is to find the impact of factors affecting on success of small and medium scale businesses in Sri Lankan context. So researcher tries to find what are the most critical factors that affecting to the success of SMEs in Sri Lankan Context through this research paper.

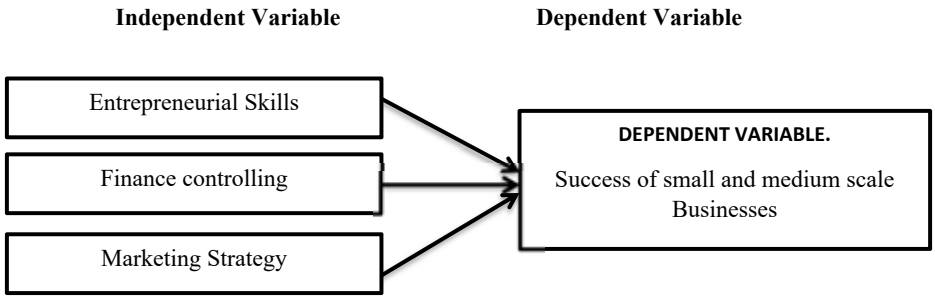
RESEARCH GAP

Previous researchers have missed out on to find the most crucial factors that affect to the success of the small and medium scale Business in Sri Lankan context. So researcher conducted this research to bridging that gap.

THEORY

The Ministry of industry and commerce defines small and medium businesses based on the number of employees and annual turnover. The organizations less than 300 employees and maximum annual turnover not exceeding Rs.750 Mn Consider as the small and medium businesses in Sri Lankan context.

Literature shows that the study of Ihua (2009). Poor management was found to be the most crucial factor influencing to SMEs failure in the UK, poor economic conditions and infrastructural inadequacy were found to be most crucial factors in Nigeria. Also in the study of Ranjith (2014) found that family background of the entrepreneur, ability to make decisions, level of training and the amount of money invested on the business are the key factors that leads to success of SMEs. According to the previous literature following research framework developed. Researcher selected three independent variables as Entrepreneurial Skills, Finance controlling, Marketing Strategy and one dependent variable called Success of small and medium scale Businesses. To address the research problem after the reviewing of the literature researcher developed following conceptual framework.



Source: developed by author.

METHODS

The research methodology was quantitative and deductive in nature. The study relied on survey method and the convenience sampling method for this study is 50 top clients in the ABC Company, chartered accountants. Sampling procedure was that top 50 clients selected by based on their annual turnover (NBT Tax Liable Clients). The Population is the total number of clients in the firm Was 350. Data are gathered using the Primary data methods. The data collection was done by using a structured questionnaire. The measurements are done with the descriptive & multiple regressions. Data presented through tables.

RESULTS

Reliability test

Dimensions	**Number of items**	**Cronbach's alpha**
Entrepreneurial Skills	**7**	0.783
Finance controlling	**7**	0.804
Marketing strategy	**7**	0.709
Success of small and medium scale Businesses	**25**	0.923

Cronbach"s alpha coefficients were above 0.7 in all variables.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Variance	Skewness	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error
ES	50	3.00	5.00	4.1000	.43773	.192	-.192	.337
FC	50	3.00	5.00	3.9200	.49285	.243	-.277	.337
MS	50	3.00	5.00	3.7400	.53150	.282	.284	.337
SSME	50	3.25	5.00	4.1250	.50822	.258	.144	.337
Valid N (list wise)	50							

The mean values of the variables were in above moderate level indicates that Entrepreneurial Skills, Finance controlling, Marketing Strategy affecting to Success of small and medium scale Businesses.

Multiple regression analysis

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.628[a]	.394	.354	.40840

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.484	.689		.703	.486
	ES	.357	.145	.307	2.460	.018
	FC	.181	.136	.176	1.333	.189
	MS	.392	.117	.410	3.365	.002

The regression analysis indicate that 39.4% of the variance in Success of small and medium scale Businesses can explained by the Entrepreneurial Skills ,Finance controlling , Marketing strategy. Coefficients significant by .018, .189, .002 this indicated that all the independent variables had the significant impact of dependent variables.

DISCUSSION

Cronbach"s alpha coefficients were above 0.7 in all variables. The mean value of the variables were in above moderate level also considering the mean values of Entrepreneurial Skills (4.1) , Finance controlling (3.92), Marketing strategy (3.74) also in agreed level to the Success of small and medium scale Businesses. The regression analysis indicate that the Entrepreneurial Skills (.018), Finance controlling (.189), Marketing strategy (.002) have a significant impact (39.4%) to the Success of small and medium scale Businesses and this 39.4% of the variance in Success of small and medium scale Businesses can explained by the Entrepreneurial Skills ,Finance controlling , Marketing strategy. This shows that the rest 60.6% of the variance in success of small and medium scale businesses in Sri Lankan context will be explained by some other variables such Nature of the business, family support, Government involvement, etc. which are not captured by the current research study's scope.

Through this result the objective of the research has been achieved. There is an impact of Entrepreneurial skills, Finance controlling and marketing strategy on success of small and medium scale businesses in Sri Lankan context.

CONCLUSION

In the study of Sitharam *et al.,* (2016) mentioned that in his research the internal and external factors affecting the performance of SMEs in KwaZulu-Natal, SA. Also poor management was found to be the most crucial factor influencing to SMEs failure in the UK (Ihua, 2009). According to the Kinyua (2014) the role of finance, management skills, macro-environment factors and infrastructure have been viewed as a critical element for the performance of small and medium-sized enterprises. In this study,

researcher found the Entrepreneurial skills, Finance controlling and marketing strategy are most crucial factors that lead to Success of small and medium scale Businesses in Sri Lankan context. Also the majority of Success SMEs are started as single owner business and not as a family business. Also current research found that majority of entrepreneurs are try to fill the market gap and it leads to the success of the business. The effective finance controlling and debt management also leads to the success of SMEs. Moreover, it is clearly noted that these top clients had the effective entrepreneurial skills in people management, employee and client relationships, target oriented behavior and proper work life balance.

Also, the current study has conducted using only small sample group of entrepreneurs. Also this study limited only to three independent variables. There are another several factors that affect to the success of small and medium scale businesses.

According to Ahmad (2019), Individual factors, business characteristics, management factors, business support, capital availability and business environment are the success factors of small and medium-Sized Enterprises in Saudi Arabia. So Apart from that, future research can be carried out to while expanding current the research scope in to different segments of entrepreneurs in local or international level. SMEs help stimulate economic growth by providing employment opportunities to people who may not be employable by larger corporations.

KEYWORDS

Small and Medium Business Organizations (SMEs), Entrepreneurial Skills, Finance Controlling, Marketing Strategy, Success of Small and Medium Scale Businesses.

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