

A STUDY OF SELECT DIMENSIONS OF DEVELOPMENT OF THE SME SECTOR OF SRI LANKA

by

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Submitted

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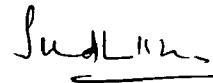
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CERTIFICATE

The thesis entitled “**A Study of Select Dimensions of Development of the SME Sector of Sri Lanka**” being submitted by A. Saj U. Mendis to the Indian Institute of Technology Delhi for the award of the degree of Doctor of Philosophy is a record of bonafide research work done by him, under my guidance and supervision. He has fulfilled the requirements for a Ph.D. degree of the Institute. The research findings presented in this thesis have not been submitted anywhere else for the award of any other degree or diploma.



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ABSTRACT

The Small & Medium Enterprise (SME) sector is often stated and quoted as the backbone of an economy, but often overlooked their interests and concerns. Most developing nations, including Sri Lanka, place a great degree of vitality on large companies, conglomerates and blue-chip companies as since they often have the capacity to impact the governmental and corporate machinery. Further, the SMEs contribute, conspicuously, to the GDP and growth of the economy, including in the case of Sri Lanka. The most telling challenges, among many others, SMEs confront are accessibility to finance, marketing and lack of assistance by the Government for advancement of their entities. Since the SMEs have been overlooked by many, including the Government to an extent, today, they have become lackadaisical in their operations and approach to opportunities and new economic vistas.

The study of SMEs and related aspects of SME sector of Sri Lanka is complex and intricate in nature. This study is conducted on a nationwide basis. Accordingly, the Government officials and Banks and Financial Institute (FI) officials too were given the same questionnaire in order to determine the manner in which the groups would respond. The three groups were statistically tested on the scales of Satisfaction, Perception and Understanding in order to derive a more comprehensive outlook and perspective of the SME sector. This study analyses and evaluates these aspects, in detail, with intense focus on the SMEs of Sri Lanka.

Most of the SME entrepreneurs expressed lack of satisfaction with regard to the assistance and cooperation extended by the Government and Banks and FIs. Further, the SME entrepreneurs' perception and understanding of competitiveness, FTAs, joint ventures/international joint ventures and international demand were much lesser than that of the officials' of Government and Banks and FIs. The officials of Government and Banks & FIs were of the impression that their institutions extend adequate and sufficient assistance and

cooperation. According to the Government officials and Banks and FIs officials, SME entrepreneurs do not take the advantage of the privileges, utility and facilities provided by the Government, in particular, and Banks, in general. The SME entrepreneurs did not express much sanguinity and optimism of the existing FTAs and other trade arrangements vis-à-vis the advancement of their enterprises.

It is observed that facilities, assistance, cooperation and privileges extended by the Government as well as by the Banks & FIs and Business chambers do not transcend to the SME entrepreneurs. Further, it was observed that the SME entrepreneurs are confronted with increasing difficulties and impediments to obtain the necessary finances, thus hindering their progress let alone advancement. The impression of the officials of Banks and FIs, with regard to access to finances to SMEs, was not difficult as opposed to the impression of the SME entrepreneurs. The degree of satisfaction, perception and understanding of various issues related to the SMEs are consonant and consistent vis-à-vis the Government and Banks/FIs but markedly differed with the SME entrepreneurs. The study recommends a number of adequate and efficacious measures to reduce the existing discrepancy of perception and understanding between the SME entrepreneurs and Government officials' and Banks & FIs. It also recommends the establishment of an SME Authority, execution of necessary institutional reforms and coordination, formulation of national policy and strategy for the development of SMEs, creation of a Special Fund for the development and advancement of SME sector, and necessary and relevant education training programs and workshops to SME entrepreneurs in order to impress the benefits of FTAs, trade arrangements and IJVs among others. It is also noted that such measures could enhance the productivity and efficacy of SMEs as well as strategies for SMEs to be engaged in external trade and investments, thus leading to IJVs.

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