

6.2 Financial Constraints faced by Small Business Entrepreneurs in Sri Lanka.

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ABSTRACT

Big companies no longer the dominant players in developing new products and services in economies. It has generally been recognized that the top-down approach is not the best way to face this challenge. In order to be flexible, people have to take initiative to exploit new opportunities, create new businesses etc. In this setting, small business entrepreneurs play a vital role specially in developing economies.

Raising capital for the entrepreneurship is very important at both start up stage and the growing stage of businesses. But empirical evidence shows that entrepreneurs face many difficulties in satisfying their funding needs. Further, many small businesses had to close their doors merely because of the financial problems. Therefore, it becomes crucial to study this situation in the Sri Lankan context.

The objectives of the study are to identify the main sources of financing, financial barriers and study the financial support of financial and other institutions. The research methodology is basically inductive and the data was collected through a structured questionnaire and interviews. A sample of 50 entrepreneurs was selected randomly in Gampaha district. Simple statistical methods such as graphs, tables and percentages were used to analyze the data.

The study concluded that 92% had some difficulty in financing their businesses. 86% respondents did not go for bank loans at the start up stage because the relationship with financial institutions is not at a satisfactory level. Further, they are not satisfied with the government incentives. Consequently it is essential to formulate a favorable policy to increase government contribution towards development of the small business sector.

Key words: Entrepreneurs, Small business, Economic development, Financial problems