

RARE

SMALL AND MEDIUM ENTERPRISES IN SRI LANKA AND

THEIR FINANCING PROBLEM

A Case Study of Kesbawa Divisional Secretariat Division
in Sri Lanka.

By

Suba Nayana Kanthi Mallikahewa

ලකුණු අංකය	346
වර්ග අංකය	

This thesis submitted in partial fulfillment of the requirement of the Master of Social Sciences in Economics degree in the Department of Economics at the University of Kelaniya.

July, 2004

ABSTRACT

Small and Medium Enterprises (SMEs) have been recognized as an important strategic sector for generating high economic growth and reducing unemployment, income inequality and poverty. The small and medium scale enterprises have the potential for more employment generation and economic growth and therefore can help to provide a self-sufficient industrial foundation for the country. The government therefore has made it a policy to promote and strengthen the SMEs throughout the country. Various measures have been adopted by different governments of post- independence Sri Lanka to promote Small and medium enterprises. The most important objective of the industrial policy is to promote business environment, which was followed by the Liberalization process. Despite liberalization and any other improvements, small and medium enterprises are still facing many problems, which are special to them.

The main purpose of this study is to discuss the conditions faced by the small and medium scale entrepreneurs' 'financing problems'; involving conduct of a case study of Kesbawa Divisional Secretariat Division with regard to SMEs finance. For the purpose of the present survey, an SME is defined as an enterprise with less than 100 employees. Basic assumptions of the study are, the lack of financing facilities of the Small and Medium Enterprises and lack of adequate contribution of the banking sector to SME development in Sri Lanka.

A field research was conducted to collect the data and also secondary data were obtained by library surveys. Ninety Small and Medium Enterprises were investigated for the field survey. This study is a descriptive analysis and simple statistical methods were used in this.

According to the result of the survey, many credit facilities available at present in Sri Lanka, are mostly loans by banks through the SME schemes but the benefits of SME loan schemes have largely flowed to large and medium scale enterprises forming a very small group in the domestic enterprises. . This lack of support predominates in the mater of policy implementations. Attitudes of Small and Medium Entrepreneurs towards banks are at a rather low level regarding credit facilities. SMEs suffer from lack of awareness about the credit facilities targeted at them.