

The Impact of Business Development Services: As a Method of Improving Small-scale Industries

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Abstract

Developing small industries can be regarded as a means of achieving many economic and social objectives. Small Scale Enterprises (SSEs) seem to be an accepted perception within the development policies and programmes, and necessarily favour them due to continuing results the sector offers in economic development. Thus, creating a conducive environment for businesses to flourish is essential while providing appropriate support through financial and non financial aspects. The Business Development Services (BDS) provide non financial development services and integrated into every stage of the value chain and it adequately supports to promote the competitiveness and the productivity of the small scale sector. However, there are very limited number of studies to identify the real needs, perceptions, potential demand and the impact of these services. Thus, the main purpose of this study is to examine the impact of the BDS as a method of promoting the agro based small sector in Sri Lanka. Under that the study tries to identify how these services affect to improve the quality of human capital, which would ultimately directed towards the positive impact of the organization. Further this study has reviewed the present situation of the Small Scale Enterprises and their overall performances, situation analysis of the BDS market, real needs and the practices of BDS.

The above stated objectives have been achieved basically using the macro and micro analysis. Initially, macro analysis was conducted to acquire comprehensive understanding about the present situation of the BDS market and the overall performance of the SSEs. With the view of having an exhaustive understanding on important aspects of BDS and SSEs, a micro analysis was also conducted by using a questionnaire based survey and in depth interviews. The micro analysis involved interaction with 58 agro based SSEs in the Gampaha District which represents 89% of the total sample and thereby has derived reliable conclusions.

The macro analysis has found that, the small scale industries have not grown steadily in a number of establishments, despite its dominance in the manufacturing sector. However, still the agro based industries are in the front line of the small sector leading food manufacturing sector, providing its ability to support the country's economic growth. Furthermore, the study has found that there is an increasing trend of employment generation, proving low capital intensity. Even though there is a rapid expansion in the number of service providers for small sector after the economic liberalization, they are scattered limited to the metropolis area. The demand for BDS among small sector is for technology transfer, whereas the heaviest

concentration of BDS supply is found in the consultancy services and training, representing the demand and supply deviation.

The survey results have found that there is a deviation of the performance of the users of BDS and non users. In terms of impact measurements, research findings identified that, non financial services such as business plan, feasibility study, management competency, employment training, computer aided designs, technology transfer and product development have significant influence on the economic impact. This economic impact mainly depends on the human resource of the organization because the identified sub dimensions directly or indirectly link with the quality of human capital giving sustainable competitive advantages. Even though there are attainable benefits from the BDS, the demand for these services seems to be very low. This was due to unrealistic benefit measurements, lack of transparency between entrepreneurs and providers, financial difficulties and over competency of the entrepreneurs themselves in their capabilities. Nevertheless, most of the entrepreneurs who pay for the BDS are satisfied with the service received from the private consultants than the government and NGOs. Hence a fully-fledged BDS market for SSEs is needed by restructuring the BDS activities. Regarding the BDS market development, government too has to play a proactive role in policy regulations, coordinating BDS market development activities, information provision and investment in research and development, as a part of broader local development strategies.

Keywords: Economic Development, Business Development Services, Small Scale Enterprises Manufacturing Sector, Agro Based Industries, Service Providers