

The impact of types of ownership on small firm performance in Sri Lanka

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ABSTRACT

Over the past 2 years new and small firms have been identified by most economies as significant components of economic strategies for job and wealth creation. This has paved the way for a large amount of innovators to start new ventures. In the Sri Lankan context, according to the recent (2003/2004) banking survey done by International Finance Corporation on the Sri Lankan SMEs, SMEs constitute 80-90% of total establishments, 70% of employment and 20% of industrial value added. However recent literature shows that percentage of collapse of these newly started ventures is substantially high due to various reasons. Birley and Westhead (1990) pointed out that types of ownership directly affect the performance of small businesses. Businesses with one owner have been performed well and they have survived long time.

Accordingly with the objectives of identifying different types of ownership and testing it against performance of SMEs in the Sri Lankan context, this study has been carried out. The sample consisting of 5 small business owners, which was selected from the Gampaha District. The study followed the inductive method of research and the data was collected through a structured questionnaire and interviews. Data analysis was carried out using SPSS software which includes both descriptive statistics and parametric tests.

The results of the study showed that the ownership of small firms concentrated on sole proprietors, partnership, family members and private limited and 78% of the small businesses are run by sole proprietors. Further the study revealed that the different types of ownership will affect the performance of the small firms.

Keywords- Ownership, small businesses, performance