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**ANALYSIS OF FACTORS INFLUENCING THE
PERFORMANCE OF SMALL AND MEDIUM
ENTERPRISES IN NORTH CENTRAL PROVINCE IN
SRI LANKA**



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ABSTRACT

The purpose of this study was to examine the factors influencing the performance of SMEs established in North Central Province in Sri Lanka. While little empirical research has addressed Small and medium Enterprises (SMEs) in rural areas, even fewer studies have addressed SMEs performance in Sri Lanka, using resource base theory, this study focused on SMEs in north Central Province in Sri Lanka. This study was directed to the SMEs owner Managers to determine their locus of control, need for achievement, risk taking propensity, managerial techniques used, degree of uncertainty faced in the business environment and their performance. Data for the study were collected through a questionnaire distributed among 175 Owner Managers selected in the North Central Province in Sri Lanka. This study was limited to manufacturing SMEs to ensure the internal validity of the findings. Data were analyzed using descriptive statistics and inferential statistics techniques such as ANOVA, chi square, correlation and linear regression. The findings of the study shown that SMEs owner managers have a high level of internal locus of control and high needs in their goal achievement process. Results also prove that SMEs owner Managers willingness to take moderately high level of risk in the activities in their business life. Significant statistical differences in locus of control and risk taking propensity by gender were found. The findings revealed that SMEs Owner Managers were in lacking of strategy making behavior and they have been faced high level of uncertainty in their business environment.

The results of this study supported four hypothesizes out of five developed in this study. Accordingly, internal locus of control and need for achievements of entrepreneurs were found to be positively correlated with firm performance. Surprising risk taking propensity was not found to be significantly correlated with firm performance. Business strategies used by entrepreneurs was found to be positively correlated with firm performance and it also identified as an intermediary variable on the relationship between entrepreneur characteristics and firm performance. More specially, business strategy strengths the relationship between entrepreneur's characteristic and firm performance. Finally environment uncertainty was identified as a moderator variable on the relationship between business strategy and firm performance. Specially, high level of uncertainty weakens the relationship between relationship between business strategy and firm performance.

As whole this research concluded that internal factors such as entrepreneur's locus of control and need for achievement and business strategy have contributed to SMEs performance. High performing SMEs tend to have proactive strategy, internal locus of control and high need for achievement. Higher environment uncertainty negatively influences towards SMEs performance.

Results of this study may be benefited to interesting different parties like SMEs owners, policy makers and other helping organizations to make their decisions appropriately. Limitations and suggestions also are made for future research into this topic.