

## **Barriers for Innovation in Small and medium enterprises (SMEs) in Sri Lanka: An Empirical Study**

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### **Abstract**

The purpose of this article is to contribute to the empirical literature which investigates barriers for innovation in less developed countries. Small and medium enterprises (SMEs) have been identified as an important strategic sector for promoting growth and social development of Sri Lanka. Though SMEs have gained wide recognition as a major source of employment, income generation, poverty alleviation and regional development in Sri Lanka, the annual growth rate is at a low level due to lack of innovation and inefficient management. Thus, this research, conducted in Sri Lanka, a small less developed country, concentrates on barriers approach to innovation. The empirical analysis was carried out at the firm-level, on the ground of a survey covering 50 SMEs in Sri Lanka. A percentage analysis and a regression analysis were carried out to identify the most important external and internal barriers to innovation as perceived by the owners or senior managers in SMEs. The most important external barriers, as perceived by the firms' owners/managers were lack of capital for R& D (bank loans), shortage of necessary technical skills, easy to copy and lack of opportunities to cooperate with other firms and institutions. The paper finds that inadequate financial means, lack of qualified managerial or technical persons, inadequate R & D, excessively perceived risk of innovation and lack of time as the strongest internal barriers for their organizations. The study of barriers offers, nevertheless, some interesting clues to the innovation practice in small less developed countries. Some similarities with barriers in industrialized countries were found, but many differences as expected from the peculiar environment in countries like Sri Lanka.

***Keywords: Small and medium enterprises, Barriers.***

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