

IMPACT OF ENTREPRENEURS' BEHAVIOUR ON GROWTH OF SMALL AND MEDIUM ENTERPRISES (SMES): SPECIAL REFERENCE TO UDUNUWARA DIVISION

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Abstract

The study examined the impact of entrepreneurs' behaviour on growth of small and medium enterprises in Udunuwara Division. The main objective of the study was to identify the relationship between entrepreneurs' behaviour and growth of SMEs. Entrepreneurs' behaviour was operationalized as need for achievement, self-confidence, initiative, risk taking, independence and experience. The study was motivated by the fact that SMEs in Udunuwara Division find themselves in a competitive environment to improve their business growth. The study adopted the survey method. 91 respondents were considered as sample size using simple random sampling techniques for analysing the data. Validity test, reliability test, descriptive analysis, correlation analysis and regression analysis were performed using Statistical Package for Social Science (SPSS) version 23. The study revealed that there is a significant impact of entrepreneur's behaviours other than initiative on business growth of SMEs in Udunuwara Division. The study recommends that SMEs should improve the entrepreneur's behaviours such as need for achievement, self-confidence, risk taking, independence and experience other than initiative to generate profit in the SMEs. R² of Entrepreneur's behaviours is 0.898. So, 89.8% variation in business growth was explained by Entrepreneur's behaviours. This study facilitate to policy makers to implement efficient policies through the growth path.

Keywords: *Small and Medium Enterprises, Entrepreneurs' Behaviours, Business Growth.*

Introduction

Small and Medium Enterprises (SMEs) play an significant role in any economy through generation of employment, contributing to the growth of GDP, embarking on innovations and stimulating various other economic activities. These SMEs are said to be the backbone of all developed and developing nations. This is even more important to developing countries where poverty and unemployment are the persisting problems in these economies. Having understood this fact, successive governments in Sri Lanka have taken various steps, from time to time, to promote the SMEs through the growth path.

SMEs provide various service, professional practices and merchandisers filling immediate needs of their customers and

clients, so small business contribute to the high quality of life that we enjoy. Small business enterprises have been identified as an important strategic sector for promoting growth & social development of Sri Lanka. Over the years, small businesses have gained wide recognition as a major source of employment, income generation, poverty alleviation & regional development. The small business enterprises cover broad areas of economic activities such as manufacturing, service, trading, professional services and others. SMEs are usually associated with little capital outlay, minimal fixed assets, highly localized in the area of operation, and often with unsophisticated management structure (Ebitu, Basil and Ufot, 2015).

Growth is vital to the SMEs to achieve their long term targets. Marketing strategies and

entrepreneurial behaviours impact on the growth of SMEs (Ardjouman, D 2015). Enterprises must develop strategies (Dobbs & Hamilton, 2007). First step of entrepreneurial process is starting a small business. Here entrepreneurs incubate ideas, gather resources, take individual risks and they make effort to success their venture. Innovation and creativity helps to success this start up stage. As the owner-and the originator of the business, entrepreneur plays all managerial roles and he who starts small learns from the experience. Entrepreneurship is the core of economic development. It is a multi-dimensional task and essentially a creative activity. Now not only men, women also have been recognized as successful entrepreneurs as they have qualities desirable and relevant for entrepreneurship development. As the owner and originator of the business, entrepreneur plays all managerial roles and he who starts small business learns from the experience. Entrepreneurial characteristics have a bigger influence on the growth and survival of SMEs (Bannock, 2005).

There is no clear state policy for the development of SMEs in Sri Lanka, neither is there an authority with statutory powers to assume responsibility to co-ordinate the development of this sector. However the Governments "New Industrialization Strategy for Sri Lanka" set out by the Ministry of Industrial Development in November 1995 recognizes that Small and Medium industries need development. Some of the areas that have been identified for attention are facilitating expansion, access to funds, infusion of new technology, improving products, skills training, local and export marketing, promoting linkages with large firms and improving productivity. (Lazar & Paul, 2015). Therefore it is visible that there are several factors which challenge the success of small and medium businesses. Apart from these challenges, the behaviour of entrepreneurs is important to overcome these challenges. Awareness of these issues and challenges and the entrepreneurial

development in this field is very important factor to both men and women entrepreneurs in Sri Lanka for the development of this sector.

The SMEs in Udunuwara Division are also facing challenges for their survival and growth. Thus, this study analyses the impact of entrepreneurs' behaviours on growth of SMEs. Hence, the study focused to examine the relationship entrepreneurs' behaviour and independent and business growth of SMEs.

Literature Review

An overview of small and medium enterprises

Small and Medium Entities (SMEs) contribute substantially to the economic growth of any country. Entrepreneurs of SMEs play a major role in economic and social development and they are the economic drivers. It is a global understanding and a duly recognized fact that the SME sector is a major contributing source to emerging economies. Small and Medium Enterprises (SMEs) are backbone of all developed and developing nations. This is even more important to developing countries where poverty and unemployment are the persisting problems in these economies. According to Nair (2012), small businesses are an efficient process in alleviating poverty. It enhances the employment opportunities in most developing economies. Many researchers have found that most of the small-scale businesses have created the job opportunities and the self-employment opportunities. Small enterprises are acts as the important contributor to enhancing economic growth, rural economic activity, poverty alleviation and social justice. Small and medium enterprises are those enterprises which have a minimum number of employees and work on small scale. Many of the researchers have found that the small business has increased the gross domestic product (GDP) rate of the country and Small and Medium Enterprises

provide high contribution to the Gross Domestic Product (GDP). Small businesses hold an important place to enhance the growth of the country. It also provides the employment opportunities for those who are unemployed in the rising economy (Jasra, 2011).

Small And Medium Enterprises in Sri Lanka play a crucial role in the economy. A strong and diverse Small and Medium Enterprises (SME) is today acknowledged as being a critical factor in achieving sustainable economic growth (Bank of Ceylon 2017). Small and Medium Enterprise comprise more than 98 percent of the total establishments and contribute more than 65 percent of employment. According to Central Bank of Sri Lanka (CBSL 2017) recent guideline, Small and Medium Enterprises are defined as enterprises that that have an annual turnover less than Rs 600 million and its borrowings below Rs 200 million. SMEs encompass establishments operating in agriculture, mining, manufacturing construction and service sectors. However, its relative significance in the national economy cannot be estimated due to lack of information.

Entrepreneur's Behaviours

Need for Achievement

According to McClelland (1961) cited in Murad HusniAbdulwahab, (2015) explained entrepreneurship as the expression of a high need for achievement. Different studies conducted on entrepreneurs showed the need for achievement has a strong relation with the entrepreneurship (Smith, 2013). Moreover Pendergast (2003) mentioned entrepreneur deals with many characteristics, one of these characteristics need for achievement. Kedmerezet. al. (2015) stated entrepreneurs' characteristics include need for achievement. Smith (2013) claimed need achievement is one of psychological traits of entrepreneurs, and he defined need for achievement as desire to meet an internal standard of accomplishment.

Self-Confidence

Murad HusniAbdulwahab and Rula Ali Al-DamenKoh (2015), focused on the self-confidence as an important entrepreneurial characteristic. While Smith (2013) declared that the confidence is one of the eight entrepreneurial competencies exist in his study. Moreover Othman (2006) explained the main psychological characteristics of entrepreneurial personality including mainly self-confidence. Bondima, (2013) stated one of the characteristics and demographic factors influencing entrepreneurial inclination is self-confidence.

Initiative (Pro-Activeness)

Lumpkin and Dess (2001) defined the pro-activeness as opportunity-seeking, forward-looking perspective involving introducing new products or services ahead of the competition and acting in anticipation of future demand to create change and shape the environment Vijaya and Srinath (2012) mentioned initiative and pro-activeness are entrepreneurs' characteristics. Vanesaar et al (2008) stated pro-activeness is entrepreneurship characteristics. Al-Dhaafri, (2013) defined pro-activeness as willingness of organizations and their ability to expect new development. The researcher define the initiative as the ability of the entrepreneur to start motivating others to do something useful, which adds value to himself, his organization and society.

Risk- taking Propensity

Resurreccion (2012) stated entrepreneurial competencies include risk seeking. With reference to Rani and Tih (2013); risk taking propensity was identified as one of the essential characteristics which refer to entrepreneurial quality. Javan (2014) stated risk-taking is one of the six dimensions of the entrepreneurship. This study defined the risk taking propensity as propensity of the entrepreneur towards decision making in a turbulent environment with minimal information and unclear results.

Experience

Complementary educational activities and work experience prior to graduation could help to explain the propensity to create business start-ups. In addition to that Sandika and Kulasinghe (2010) said that entrepreneurs' characteristics contain experience.

Independency (Autonomy)

Santos-Cumplido and Linan (2007) claimed self-employed (autonomy) is one element which configured entrepreneurial quality. Vanesaar, (2008) studied the entrepreneur's characteristics including independence. Jaafar (2010) said one of the entrepreneur's characteristics is independency. Rani and Tih (2013) defined Independency; independency is desire to be in control.

Business Growth

Growth is an important phenomenon in small enterprises. In fact, their survival essentially depends on their power to participate in the market with other big companies. Growth decreases the possibility of closing small businesses (Rauch & Rijkskik, 2013). Strengthening is important not merely for the enterprises and their owners but for all stakeholders since these companies thrust forward the economy by underscoring diversity of products and services. The growth phenomenon of small enterprises had been widely analysed within entrepreneurship. One motive is that most fail to expand during their life span (Davidsson, 2010) and small businesses refrain from growing (Dubs & Hamilton, 2009). According to Lumpkin & Dess (2001), some enterprises do not desire growth and others desire slow growth even though they are successful as much as those that grow fast. In fact, most new enterprises do not go beyond the stage when they initiated their activities (Headd & Kirchhoff, 2009), Growth is the result of a good administration of resources and capacities which the companies use to promote growth. They comprise capacities, acquired

information, financial counselling and resources (Coad, 2013).

Hence the model for the study depicted as follows:

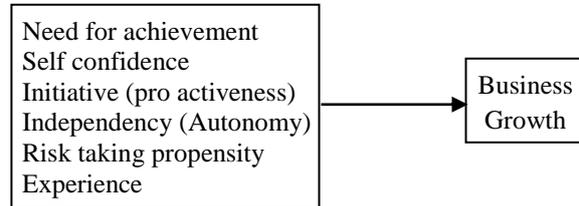


Figure 1. Conceptual Framework

Methodology of Study

Data collection methods include questionnaires and observations with questionnaires as the main method of collecting data. In this study elaborates on the research framework, hypotheses development, and research design, sampling design, research instrument, data collection process and the type of analysis. In order to carry out the research, it is important to select an appropriate data analysing method to obtain a superlative finding. The population of this research is 120 SMEs special reference to Udunuwara division. Sample size of 92 respondents out of the total population was chosen for the survey of the research using simple random sampling technique. 91 responses were obtained. Data was collected by issuing structured questionnaires.

After collecting the responses from the respondents, the researcher used SPSS software (version 23), to analyse the collected data. The data was analysed through different statistical technique such as Reliability test, Validity test, descriptive analysis, Pearson correlation analysis and regression analysis. The hypotheses of the present study were tested by using Pearson correlations. Moreover the survey results were displayed graphs to provide a better understanding to the readers.

Data Analysis

Table 1. Validity Test

Variables	Kaiser-Meyer-Olkin Measure of sampling Adequacy
Need for Achievement	0.853
Self Confidence	0.714
Initiative	0.696
Risk Taking	0.500
Experience	0.803
Business Growth	0.916

Source: Survey data

According to table 1, Kaiser-Meyer-Olkin for need for achievement is 0.853, self-confidence is 0.714, experience is 0.803 and business growth is 0.916. Those are more than 0.7. So the data has the validity. And also Kaiser-Mayer-Olkin value for initiative is 0.696. This is almost 0.7. So it also considered as good in validity. Kaiser-Mayer-Olkin value for Risk taking is 0.500 which is also acceptable and considered as valid.

Table 2. Reliability Test

Variables	Cronbach's Alpha
Marketing Mix Strategy	0.720
Ansoff Matrix	0.751
Porter's Generic Theory	0.826
Need for Achievement	0.911
Self Confidence	0.823
Initiative	0.807
Risk Taking	0.856
Experience	0.875
Business Growth	0.912

Source: Survey Data

Cronbach's Alpha simply provides overall reliability coefficient for a set of variables. In general, reliabilities less than 0.6 are considered to be poor, those in the 0.70 range acceptable and those over 0.80 good. Cronbach's Alpha for Need for Achievement is 0.911, Self Confidence is 0.823, initiative

is 0.807, Risk Taking is 0.856, Experience is 0.875 and Business Growth is 0.912. These variables are more than 0.80. So they are good in reliability. They have higher internal consistency.

Table 3. Descriptive Analysis for Entrepreneur's Behaviours

Variables	Mean	Std. Deviation
Need for Achievement	3.4835	0.5796
Self Confident	3.4103	0.6499
Initiative	3.4396	0.6552
Risk Taking	3.4835	0.6212
Independence	3.4725	0.6556
Experience	3.4808	0.6316
Business growth	3.8104	0.5070

Source: Survey data

According to the table 3, all showed a moderate agreement to the statements.

Table 4. Correlation Analysis

Variables	Correlations
Need for Achievement	0.828
Self Confident	0.879
Initiative	0.854
Risk Taking	0.894
Independence	0.903
Experience	0.862

Source: Survey Data

Table 5. Regression result

Model	B	Std. Error	t	Sig.
(Constant)	.938	.109	8.598	.000
Need for achievement	.116	.055	2.117	.037
Self confidence	.165	.056	2.940	.004
Initiative	.052	.056	.938	.351
Risk taking	.204	.071	2.887	.005
Independence	.146	.073	2.030	.046
Experience	.143	.057	2.499	.014

Source: Survey Data

Based on the regression result depicted in table 5, the summary of the hypothesis testing was derived.

Table 6. Hypothesis Testing

Variable	Alpha value	P value	Hypothesis Accept/Reject
Need for achievement	0.05	0.037	Accept
Self confidence	0.05	0.004	Accept
Initiative	0.05	0.351	Reject
Risk taking	0.05	0.005	Accept
Independence	0.05	0.046	Accept
Experience	0.05	0.014	Accept

Source: Survey

Significant value for need for achievement is 0.037, self confidence is 0.004, risk taking is 0.005, independence is 0.046, and experience is 0.014. Those are less than 0.05 p value. So hypothesis of those variables can be accepted. There is a relationship between need for achievement and business growth, there is a relationship between self confident and business growth, there is a relationship between risk taking and business growth, there is a relationship between independence and business growth, there is a relationship between experience and business growth. But the significant value of initiative is 0.351 which is more than 0.05 level. So the hypothesis of initiative cannot be accepted. It should be rejected.

Conclusion and Recommendations

Globalization creates more and more opportunities as well as challenges for small and medium sized enterprises. To overcome the challenges they need efficient marketing strategies and entrepreneurs who hold effective behaviours. The main objective of this study is to identify the relationship between entrepreneur's behaviour and business growth. Entrepreneurs should have successful quality behaviours to run the SMEs through the success path. To identify

the impact of entrepreneur's behaviour on growth of SMEs inUdunuwara division, entrepreneur's behaviourwas operationalized as need for achievement, self-confidence, initiative, risk taking, independence and experience. Research evidence revealed entrepreneur's behaviours impact the growth of small and medium enterprises.

Research evidence revealed that entrepreneur's behaviours (need for achievement, self-confidence, risk taking, independence and experience) also have positive relationship with business growth.

This study found out that most of the entrepreneurs of small and medium enterprises have need for achievement, self-confidence, risk taking, independence and experience through the success path. So the researcher recommended improving those behaviours efficiently. It will lead to the growth of the firm.

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