AN INVESTIGATION OF STRATEGIC FACTORS AFFECTING THE PERFORMANCE OF MANUFACTURING BASED SMALL AND MEDIUM ENTERPRISES (SMEs) IN BATTICALOYA DISTRICT

By

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LIST OF FIGURES

Figure 3.1 Conceptual Framework ................................................................. 31
Figure 4.1 Gender Information ........................................................................ 45
Figure 4.2 Civil Status ..................................................................................... 46
Figure 4.3 Age Level ....................................................................................... 47
Figure 4.4 Educational Level .......................................................................... 48
Figure 4.5 Expected Income ........................................................................... 49
Figure 4.6 Types of SMEs ............................................................................. 50
Figure 4.7 Cross Tabulation of Expected Income ........................................... 54
Figure 4.8 Cross Tabulation Type of SMEs with Civil Status ....................... 57
Figure 4.9 Level of Overall Strategy Factors .................................................. 59
Figure 4.10 Overall Strategic Factors Means Comparison ............................. 60

Among Indicators

Figure 4.11 Indicators of Financial Based Factors .......................................... 60
Figure 4.12 Indicators of Management Based Factors ...................................... 61
Figure 4.13 Indicators of Marketing Based Factors .......................................... 61
Figure 4.14 Indicators of Technology Based Factors ...................................... 62
Figure 4.15 Indicators of Infrastructure Based Factors .................................. 62
Figure 4.16 Indicators of Government Regulation Based Factors .................. 63
Figure 4.17 Overall SMEs Performance Indicators Mean ............................... 64

Comparison

Figure 4.18 Level of SMEs Performance ......................................................... 65
Figure 4.19 Indicators of Profitability ............................................................... 66
Figure 4.20 Indicators of Turnover ................................................................. 66
Figure 4.21 Indicators of Market Share ........................................................... 67
Figure 4.22 Indicators of Growth in Labour .................................................... 67

LIST OF TABLES

Table 2.1 Comparison of No of Employees Engaged in SMEs .................... 11
Table 3.1 Operationalization - SMEs Performance ......................................... 34
Table 3.2 Operationalization - Strategic Factors ............................................ 35
Table 3.3 SMEs Operating in Batticaloa District ............................................ 37
Table 3.4 Composition of the Samples ........................................................... 38
Table 3.5 Decision Criteria ........................................................................... 39
Table 3.6 Variables and Dimensions ............................................................... 40
Table 3.7 Decision Rule for Correlation Analysis ........................................... 41
Table 3.8 Summary of the Reliability Test Statistics ...................................... 43
Table 4.1 Gender Information ..................................................................... 45
Table 4.2 Civil Status ..................................................................................... 46
Table 4.3 Age Level ....................................................................................... 47
Table 4.4 Educational Level .......................................................................... 48
Table 4.5 Expected Income .......................................................................... 49
Table 4.6 Type of SMEs ................................................................................. 50
Table 4.7 Gender Cross Tabulated with Educational Level ............................ 51
Table 4.8 Respondent's Type of SMEs Cross Tabulated with ......................... 53
Expected Monthly Income
Table 4.9  Respondent's Age Level Cross Tabulated with .......................... 55

Educational Level
Table 4.10  Type of SMEs Cross Tabulated with Civil Status ..................... 56
Table 4.11  Univariate Analysis of Strategic Factors and its ......................... 58

Dimensions
Table 4.12  Level of Overall Strategic Factors ......................................... 59
Table 4.13  Descriptive Statistics of SMEs Performance ............................. 64
Table 4.14  Level of SMEs Performance .................................................. 65
Table 4.15  KMO and Bartlett's Test of Sphericity ..................................... 68
Table 4.16  Varimax Rotation Method of Factor Analysis ........................... 70
Table 4.17  Correlation between Strategic Factors and SMEs ...................... 71

Performance
Table 4.18  Correlation Matrix for Variables of Strategic .......................... 72

Factors on SMEs Performance
Table 4.19  Regression Model Summary .................................................. 73
Table 4.20  Regression ANNOVA .......................................................... 73
Table 4.21  Regression Coefficient ......................................................... 73
Table 4.22  Summary of T Statistics ....................................................... 75
Table 4.23  Correlation Summary of Hypothesis ....................................... 76

ABBREVIATIONS

CBSL :  Central Bank of Sri Lanka
CSSI :  Cottage and Small Scale Industries
DC :  Department of Census
DCS :  Department of Census and Statistics
DSI :  Department of Small Industries
EDB :  Export Development Board
EDP :  Entrepreneur Development Program
EU :  European Union
FBF :  Financial Based Factors
GDP :  Gross Domestic Product
GRBF :  Government Regulation Based Factors
IBF :  Infrastructure Based Factors
IDB :  Industrial Development Board
IFC :  International Financial Corporation
MBF :  Management Based Factors
MKBF :  Marketing Based Factors
MOU :  Memorandum of Understanding
ROA :  Return on Asset
ROE :  Return on Earnings
ROI :  Return on Investment
SMED :  Small Medium Enterprises Development
SMEs :  Small Medium Enterprises
SSI :  Small Scale Industries
TBF :  Technology Base Factors
UNIA :  United Nation Information Agency
ABSTRACT

Small and Medium Enterprises (SMEs) play a pivotal role in the development of the country. It has made significant contribution to industrial production, export and employment generation and very much important for developing countries like Sri Lanka. The objective of this study was to identify the underlying strategic factors in a collected data set that represent to indicate to the performance of small and medium enterprises (SMEs) in Batticaloa district in Sri Lanka. The analysis based on the 150 numbers of owner / managers who responded to a questionnaire survey conducted on randomly selected samples of manufacturing based SMEs which are operating in Batticaloa District.

The study examined six factors namely financial, management, marketing, technology, infrastructure and government regulation that influence in the performance of SMEs. The theoretical framework has been drawn out from literature and questionnaire was designed originally by the researcher based on the factors chosen. In the beginning phase of this research, pilot study was conducted to verify the reliability of questionnaires through Cronbach's alpha test. Seven hypotheses were developed to find out factors that are impacting the performance of SMEs in Batticaloa district. The entire hypotheses were successfully tested with SPSS and five hypotheses were accepted including the overall strategic factor. The factor, correlation and regression analysis results shown that the most significant factors affecting SMEs performance in Batticaloa district were SMEs financial, marketing, management and infrastructure based factors. The hypothesis related with technology and government regulation based factors not shown significant relationship.

Overall strategic factors and SMEs performance correlation value indicates 0.786 which shows a moderate strong positive relationship and the regression analysis shown that, SMEs performance could be explained by 70.60% variations of its independent variable. Therefore these results confirmed that, there is a significant association between strategic factors and SMEs performance in Batticaloa District.

Finally recommendations are suggested to enhance the performance of SMEs in Batticaloa. In this juncture, especially the government participation and its valuable contributions are very much expected in the growth of the manufacturing based SMEs in Batticaloa District and for the entire country.