

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

By

V.VAROTHAYAN

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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.