

A Study of the Existing Knowledge and Practice of Small and Medium-scale Agricultural Entrepreneurs on the Export Market

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Abstract

As a developing country, it is important for Sri Lanka to consider the export sector in achieving the desired economic goals and still, Sri Lanka is a country that has prioritized the export of agricultural products. Entrepreneurship plays the most important role in achieving the economic development of a country, and considering Sri Lanka, small and medium-scale agricultural entrepreneurship makes a remarkable contribution to it. When considering the export sector, the contribution of small and medium-scale agricultural enterprises is at a very low level. Therefore, this research aimed to gain an understanding of the knowledge and practices of small and medium-scale agricultural enterprises about the export market and to assist in the development of the export market accordingly. Out of 1,376 small and medium-scale entrepreneurs registered in the Galgamuwa and Giribawa Divisional Secretariats of the Kurunegala District, 250 were selected as a sample using a simple random method. A principal component analysis was conducted to identify the main factors affecting it, in which the factors of literacy, financial ability, management ability, government policies and marketing capability were identified as internal factors that have a high impact on the export market and existing knowledge regarding the export market, and utilization of knowledge of the export market were identified as external factors. Accordingly, proper policies and practical programs are necessary to empower small and medium-scale agricultural enterprises. Further, entrepreneurs can be encouraged to remove the obstacles to access the export market and achieve the desired economic development goals for Sri Lanka.

Keywords: *Small-scale business, Medium-scale business, Export market, Agriculture, Entrepreneurs*

I. INTRODUCTION

The contribution of the export sector to the economy of a country is very special by dint of globally, every country is trying to increase its export revenue. For this, there is a strong competition between powerful states. Especially China, USA, Germany, Japan and South Korea are leading countries in the export sector respectively (world market figures, 2019).

Although this is the world market situation, Sri Lanka has earned 15.0 billion in export revenue in 2023 (Sri Lanka Central Bank report, 2023) and it ranks 86th in the world's export revenue ranking. When looking at Sri Lanka with domestic and global development, low growth in the export sector continues to be seen. Due to this, an exchange deficit has been created in the country for almost a decade.

In finding solutions for this, there are very few studies on the contribution of small and medium agricultural entrepreneurs to the export market and the knowledge and practice they have about the export market. Accordingly, it is important to study this as a matter that needs special attention. According to Mayneris & Poncet (2015), the nature of the knowledge of the business community regarding the demand in the foreign market related to their business affects the export process. Also, it has been confirmed in the investigations that the awareness and trust in the business community regarding the availability of related institutions and their services in the export process has an impact on the nature of knowledge for the export process (Filatotchev & et al, 2009). This study aims to identify the obstacles that prevent businesses from entering the export market and to highlight how addressing these challenges can contribute to uplifting Sri Lanka's economy. By examining the interest and attitudes of the current youth and business communities towards the export market, the study seeks to foster a greater inclination toward exporting. Furthermore, it explores the new market opportunities highlighted by the Export

Development Board, particularly those beyond Sri Lanka's traditional export products. The study also assesses the level of awareness, knowledge, and attitudes within the local business community regarding the procedures for becoming an exporter, as well as the challenges they face in utilizing these opportunities (Sri Lanka Export Development Board Annual Report, 2019).

Accordingly, the primary objective of this study is to gain an understanding of the existing knowledge and practices of the small and medium scale agricultural entrepreneurs about the export market.

II. METHODOLOGY

The main target of this research is to study the gain an understanding of the existing knowledge and practices of the small and medium scale agricultural entrepreneurs about the export market. When studying the contribution of them in the export market, considering the expansion of the small and medium scale agricultural entrepreneurs in Sri Lanka, the expansion of the small and medium scale agricultural entrepreneurs can be commonly identified in the districts of Colombo, Gampaha and the Kurunegala district of the North-West Province, with the Western Province leading. Thus, in the selection of the sample used in the study, small and medium scale agricultural entrepreneurs registered in the Galgamuwa and Giribawa Divisional Secretariat Divisions of Kurunegala District was used. 250 entrepreneurs were selected for this purpose from the registered small and medium scale business in Giribawa and Galgamuwa areas using simple random sampling method.

Both the primary and secondary data methods were used to collect data. Under these two methods, both quantitative and qualitative data were classified and in order to obtain data relevant to the two methods, primary and secondary technical methods inherent to that were used for the collection of data. To obtain primary data, questionnaire was used, and using it a principal component analysis (PCA) was conducted to identify the factors affecting the knowledge and practice of SMEs in export markets.

III. RESULTS AND DISCUSSION

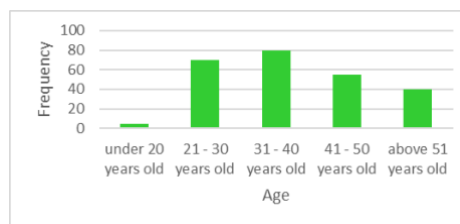


Figure 01: Responders Age level

Most of the respondents in the sample are people in the age group of 31-40 years. That is, when this group is expressed as a percentage of the entire sample, it is about 32%. Secondly, when classified according to the age structure of small and medium scale entrepreneurs, most people belong to the age group of 21-30 years. They are 28% when taken as an overall fixed percentage. In the sample, there are only five small entrepreneurs under 20 years of age, which is 2%.

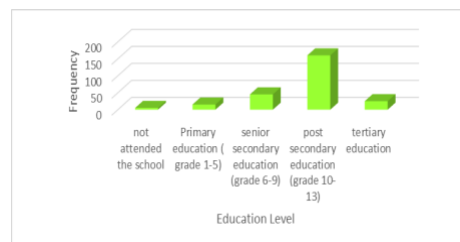


Figure 02: Responders Education level

Considering the educational level of the studied small and medium scale entrepreneurs, the highest percentage represents the post-secondary level of education. That is, the people who studied advanced level and ordinary level. It is a percentage of 64% in the entire sample. 18% percent had higher secondary education which is 45% of the total sample. The business community with college and university education as tertiary education constitutes 10% of the sample. Those with primary education represent 6% and the uneducated represent 2%.

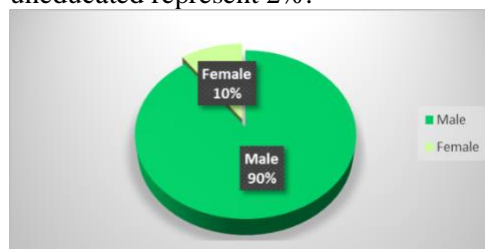


Figure 03: Gender Disparities

92% of the total respondents are represented by males which is 225 out of the total sample.

Females represent 10% which is 25% of the total sample.

Table 01: Component Score Coefficient Matrix

	Component	
	1	2
Literacy	.208	-.110
Utilization of Knowledge of Export Market	.092	.380
Financial Ability	.243	-.056
Management Ability	.242	-.003
Government Policies	.223	-.143
Marketing Capability	.182	.155
Knowledge of the Export Market	-.114	.844

Source: Authors generated using SPSS

Here, the contribution of variables to each component can be indicated through Score coefficients. The results presented are based on a Principal Component Analysis (PCA), which was employed to reduce the dimensionality of the data and identify the key factors (components) that contribute to the variability among the variables studied. The method used to extract these components was PCA with Varimax rotation to ensure that the components are orthogonal (uncorrelated).

The score coefficients represent the contribution of each variable to the respective components. These coefficients were calculated using the factor loadings obtained from PCA. The higher the absolute value of a score coefficient, the greater the contribution of the corresponding variable to that component. For the first component, variables such as Literacy, Financial Ability, Management Ability, Government Policies, and Marketing Capability showed the highest contributions, indicating that these factors are the most influential in this component. The second component is primarily influenced by the Knowledge of the Export Market and the Utilization of Knowledge of the Export Market.

The above factors could be identified as internal factors affecting the export market. Among the internal factors affecting export market access, financial ability can be identified as one of the most influential factors. According to the data obtained from the entrepreneurs, the problems of financing the working capital for internationalization, the lack of funds for investment for internationalization, the lack of

insurance for internationalization can be identified as internal barriers affecting export market access.

Management ability as an internal barrier to the export market can also be identified as the second influencing variable. Accordingly, strong management is required for export market performance. The study identified that there is insufficient knowledge in the small and medium scale entrepreneurs. Based on that, it was identified in the study that it is necessary to provide knowledge about the management process for management.

It was identified in the study that government policies affect export markets as internal barriers. Accordingly, it was recognized that market behavior is influenced by tax policies and government agreements followed by the government.

The second component has the highest contributions are, Utilization of Knowledge of Export Market and Knowledge of the Export Market.

According to the study, external factors affecting the export market can be identified as the second component. It was identified in the study that existing knowledge regarding the export market as a variable that has a strong impact on it. Analyzing the information of the entrepreneurs in the questionnaire, it appears that the information is inefficiently channeled into the businessmen.

Another factor affecting external factors was found in the study to be the problem in practical use of the export market. The second extracted component, the impact of the external factors affecting the export market, score is 0.388.

Thus, it can be concluded that internal factors have a greater impact on the export market and it is important to pay attention to external factors to maintain the performance of the export market. It can be concluded on the basis of the component score that the variable of small and medium scale entrepreneur's use of knowledge about the export market has a higher impact than all other variables. It was recorded as 0.844. Accordingly, the knowledge of small and medium scale entrepreneurs about the export market can be identified in the study as the variable that has the greatest impact on the export market.

IV. CONCLUSION

The study identifies several critical internal and external factors that influence the participation of small and medium-scale agricultural

entrepreneurs in Sri Lanka's export market. Internal factors such as financial ability, management capability, and literacy play a significant role in determining the success of these enterprises in the export market. Specifically, financial challenges, such as inadequate working capital, lack of investment funds, and insufficient insurance for international trade, are major barriers to market entry. Additionally, gaps in management skills highlight the need for enhanced training and knowledge transfer to strengthen the operational capacity of these businesses.

External factors, particularly the entrepreneurs' existing knowledge of the export market and their ability to utilize this knowledge, were found to be crucial for successful market participation. The study revealed that inadequate information flow between export development agencies and entrepreneurs significantly hampers their ability to navigate the export process effectively. To address this, there is a need for robust organizational programs that ensure consistent and accessible information dissemination, leveraging digital platforms, social media, and traditional media outlets.

Moreover, the study underscores the importance of a sustainable and supportive government policy framework. Policies that facilitate access to financial resources, provide tax incentives, and promote effective foreign agreements are essential for creating a conducive environment for export market growth. The findings suggest that empowering young entrepreneurs, particularly those between the ages of 21 and 30, through targeted education and support programs, could further enhance their participation in the export market.

In conclusion, a comprehensive approach involving the enhancement of internal capacities, improvement of external information channels, and the establishment of supportive government policies is essential for encouraging small and medium-scale agricultural entrepreneurs in Sri Lanka to engage more actively in the export market. These measures are vital for achieving the broader economic development goals of the country.

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