

Impact of internal organizational factors on growth of SMEs in Sri Lanka

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Abstract

SMEs play a major role in the economic development of a country and their contribution to the Sri Lankan economy has been increased in the past few years. SMEs are very much important in achieving many economic goals such as economic growth, full employment etc. Although SMEs have been identified as a significant sector, their growth and development are constrained by various factors. This study examines the impact of internal organization factors on the growth of SMEs in Anuradhapura district. The study identified four internal factors such as characteristics of entrepreneur, management capacities, marketing skills and technological capacities and investigated their impact on the growth of SMEs. A sample of 75 SMEs was selected through convenient sampling from the Anuradhapura District. A questionnaire was used to collect data for the research and respondents were asked to indicate their response on a five point Likert scale. Data were analyzed using descriptive statistics and correlation and regression analysis. Statistical Package for Social Science was used in the analysis. The results reveal that characteristics of entrepreneur, management capacities, marketing skills and technological capacities are significant internal organizational factors in promoting SME growth. The result further indicates that management capacities have significant positive effect on SMEs growth. Thus, owner-managers of SMEs should develop their management capabilities, marketing skills and technological capabilities to ensure sustainable growth of their businesses.

Keywords: *characteristics of entrepreneur, marketing skills, management capacities, SME growth, technological capacities.*