

# SMEs REQUIRE MORE ATTENTION AND FOCUSED SERVICE OF THE GOVERNMENT

It is evident that Sri Lanka's economy has been strengthening by Small and Medium Enterprises (SMEs) over decades after independence. According to Ramanayake (2019) SMEs contribute to Gross Domestic Product of Sri Lanka by 52% and to gross domestic employment by 45%. In fact, they decrease the disparity of income distribution, incite innovations, mobilize resources and stimulate medium and large-scale organizations. SME sector is therefore considered as the spine of economies of both developing and developed countries. Hence, irrespective of whether they are developing or developed countries, policy makers of any country should prioritize SME sector when formulating and

implementing policies and regulations. For developing countries like Sri Lanka which suffer from lack of large and extra-large scale businesses due to deficiency of investors, it is vital to strengthen SME sector because they underpin the economy by creating employment opportunities and increasing per capita income. Many of the governments that ruled the country after independence have understood this fact and prioritized SME sector. But, when analyzing the present contribution of this sector in the national economy, it is clear that the sector has not achieved desired level of contribution when compared with other developed and developing countries in the region (Gamage, 2003).



Mrs. KLBG Dharmaratne  
Senior Lecturer  
Department of Business Management  
Faculty of Management Studies  
Sabaragamuwa University of Sri Lanka



# Why should stakeholders emphasize on SME sector



The SMEs sector is not being sufficiently treated not only by many authorities of the country but also by the consumers who believe and are interested in the products offered by large-scale businesses. Job seekers also go behind multinational conglomerates and do not think of serving and developing the SMEs sector of the country. In the year 2015, Sri Lanka's government introduced a national policy framework for SMEs' development. The Ministry of Industry and Commerce initiated this commendable work and the purpose of it was to upgrade small-scale enterprises up to medium scale enterprises, medium-scale enterprises up to large-scale enterprises and large-scale enterprises up to globally functioning businesses (Ministry of Industry and Commerce, 2015). Government identified the SMEs sector as the engine of economic growth of Sri Lanka because more than 75% of enterprises of the country represent SMEs, and 45% of the employment opportunities are

provided by those particular enterprises. Most importantly, their GDP contribution is around 52%.

Hence, the SMEs sector is vital to expand the Sri Lankan economy and further it is obvious that, major portion of the Sri Lankan economy is based on the SMEs sector. Therefore, it is required to develop and implement more actions and policies in order to promote this sector.

## What do SME owners think about supportive government bodies?

It is true that there are a large number of government bodies which have been established to support SMEs directly and indirectly. But, when SMEs face problems at their initiation or existence, the support given by such bodies to overcome the problem and survive in the business is lacking. According to the owners of SMEs, these officials have their own packages of services and

they try to cover their planned works and projects anyhow within each year without attending to the real problems and issues faced by SMEs having a focus on them. So, a huge gap has been created between the real problems of SMEs and the services offered by the relevant bodies. In fact, SMEs owners hold the opinion that such government bodies often do not have continuous follow-up after giving a certain service for a particular SMEs owner.

## Are SMEs benefited by government bodies optimally?

Another serious pitfall in this regard is the wrong identification of the recipients of the services rendered by the relevant bodies. This issue prevails specially in the areas of service such as law interest loans schemes through banks and other financial institutes, financial aids for business initiation, training programmes, distribution of technical equipment and other tangible resources free of charge and allocation of lands or spaces in commercial or industrial zones/sites. There are many situations explored by the media that the benefits of these services offered by government bodies go to normal people who do not really engage in SMEs or the ones who do not have at least an intention to engage in a business. Consequently, the allocations of the funds from the annual budget of the government become mere wastes because the recipients who are wrong or unqualified may utilize the money or the tangible resources they receive from these bodies on consumption or other purposes and may not get any use from the training programmes while the truly qualified people are continuously suffering from business related issues.

## Are SME owners sufficiently aware about supportive government bodies?

Further, the lack of awareness among the SMEs owners about the government bodies which have been established island wide to provide different services to SMEs owners has been another critical problem. The regrettable story behind this problem is, some SMEs in rural areas have never been to any government body even established in their own region to get any kind of service until they go bankrupt within the very first few years of their business operations. This is resulted due to the internal orientation of the SMEs owners in managing businesses. They usually pay their attention on internal operations while trying to overcome internal weaknesses and to advance existing business strengths. Majority of the SMEs owners have less focus on searching for external opportunities that they can consider for business enrichment. As far as the external orientation of SMEs is concerned, it is true that they have less focus or no focus on searching for government-based SMEs supporting services and bodies than searching for business expansion opportunities in the market. Therefore, it is exigent to enhance the awareness of SMEs owners about all the Sri Lankan government bodies available for them to contact and get the support and services at any time when they require.





# Problems from the perspective of supportive government bodies



From the perspective of the relevant authorities, there are some noticeable problems and barriers that they face when implementing these SMEs development programmes and projects. One main problem for them is lack of staff and other resources to allocate on a formal collection of information on the background of candidates who request the services and the real needs and service that they expect from government bodies. Further, as the awareness programmes for the general public require huge money, they have had to limit such programmes to a certain extent.

As a result of that, on one hand, some genuine SMEs owners miss the opportunity to get the services as they are unaware and, qualified candidates who are aware do not have sufficient evidence to prove their qualifications or sometimes, they do not properly provide their information due to communication barriers. On the other hand, unqualified candidates knowledgeable about such government bodies mislead the officials by purposefully providing the wrong information and bringing fraud evidence even from third parties

to prove them. Consequently, many financial supports, training and other types of services may be gone to people who do not engage in SMEs.

## Conclusion

Therefore, it is a timely requirement to initiate national level awareness programmes aimed at SMEs owners and potential business initiators who have real business intention to encourage them to contact government bodies for various services and supports in forming and managing their SMEs. Then, the government will be able to reach the expected aims and objectives of the SMEs development budget allocations and hence achieve the development goals as a country.

## References

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*Ramanayake, S.(2019), Empowering our SMEs, Advocata Institute, Sri Lanka.*

