

**Report on a Survey of Enterprises in the Central
Province, Sri Lanka
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1. INTRODUCTION

The above sample survey was undertaken to ascertain the level of contribution from Micro, Small Medium and Large-scale Enterprises (MSMLEs) to economic development in the Central Province, with particular emphasis paid to provision of employment. Another goal of the survey was to gather information about the development processes and constraints faced by MSMLEs over an approximate period of time. The period under study was the last 10 years (1990-2000), during which time a number of political and socio-cultural changes took place in the country.

In fact the socio-economic environment of the country faced radical changes in the year 1977 with the introduction of new outward looking economic policies. Later, in 1994 the political environment of the country changed and, economic growth slowed down to a certain extent due to a number of reasons. One of the main objectives of the survey is to measure the impact of such political and economic changes on MSMLEs operating in rural and urban areas.

2. METHODOLOGY

Although an analysis of the contributions by scale of enterprise would have been more desirable, a cross section by sector was selected due to a number of reasons. The main reason was the non-availability of data to provide a sampling frame, specifying the number of units operating under different scales (Micro, Small, Medium and Large) in different Divisional Secretariat Divisions (DSDs) selected for the survey. Thus, 90% of the units of the total sample were selected from manufacturing and service sectors (as opposed to the trade sector), as their contribution to the economy, particularly in relation to provision of employment opportunities, is considered to be significant.

In selecting DSDs for the sample survey, the geographical distribution was taken into consideration, as it was the intention of the survey to explore the level of operations of the MSMLEs in both rural and urban areas. The townships to be surveyed were identified in consultation with the Poverty Impact Monitoring Unit (PIMU), and the DSDs. Thus, rural DSDs such as Doluwa, Kotmale and Na-Ula were selected and included in the sample to represent rural areas while Gangawatakorale (Kandy), Nuwara Eliya and Dambulla were selected as urban centres. Out of the sample of DSDs, Na-Ula recorded the lowest (760 units) enterprise population while the highest (6199 units) was in Gangawatakorale (RIS Database).

In addition to the geographical distribution, the concentration of entrepreneurial activities were considered an important factor as such concentrations facilitated the selection of a cross section covering all the types of enterprises identified for the survey. Details of the sample selected are given in Table 1.

Table 1: MSMLE Type and Sample Size

DS Division	MSMLE Type			Total
	Manufacturing	Services	Trade	
Kandy District				
Doluwa (rural)	4	2	2	8
Udunuwara (rural)	6	0	0	6
Gangawatakorale (urban)	5	5	2	12
Kundasale (urban)	4	1	1	6
Minipe (rural)	3	5	0	8
<i>District total</i>	22	13	5	40
District %	55%	32.5%	12.5%	100%
Matale District				
Dambulla (urban)	6	0	1	7
Rattota (rural)	4	1	0	5
Na-Ula (rural)	2	2	0	4
<i>District total</i>	12	3	1	16
District %	75%	18.8%	6.3%	100%
Nuwara Eliya District				
Walapane (rural)	1	2	1	4
Nuwara Eliya (urban)	6	4	0	10
<i>District total</i>	7	6	1	14
District %	50%	42.9%	7.1%	100%
Total	41	22	7	70
%	58.6	31.4	10.0	100

For sampling purposes and for easy analysis the number of units was classified under three major categories: 1) manufacturing, 2) services and 3) trade. These three major classifications were further categorised into 13 sub-categories, and very effort was made to cover an equal number of enterprises from each sub-category. However, due to non-availability of certain identified units from a particular category in DSDs selected for the survey, the survey team was compelled to include other units. However, such units were also selected according to the 13 sub-categories identified. The 13 sub-categories are:

1. Food and beverages
2. Agricultural products and processing
3. Textiles and garments
4. Leather and related products
5. Transport, vehicles and machinery repair
6. Construction
7. Wood and paper products
8. Mineral and metal based
9. Chemicals/plastics
10. Communication and information
11. Personal services, tailoring, hair dressing
12. General trading
13. Others

In this connection, it is necessary to mention that some of the selected categories such as construction, chemical and plastic industries etc. were not found in some of the selected areas.

Details of such selections are given in Table 2, below.

Table 2: Geographical Distribution of MSMLE by Category

DS Division	SME Category													Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	
Kandy District														
Doluwa	1	0	2	0	1	0	1	1	0	0	0	0	2	8
Udunuwara	0	1	0	0	0	1	2	1	0	0	0	0	1	6
Gangawatakorale	1	0	1	1	0	0	1	0	0	1	2	1	4	12
Kundasale	2	0	0	0	0	0	1	0	0	0	1	1	1	6
Matale District														
Minipe	0	2	0	1	1	0	0	0	0	0	3	1	0	8
Dambulla	0	2	0	1	0	0	0	1	0	0	0	1	2	7
Rattota	0	1	0	0	3	0	0	0	0	0	1	0	0	5
Na-Ula	1	0	0	0	0	0	2	0	0	0	1	0	0	4
Nuwara Eliya District														
Walapane	0	0	0	0	1	0	0	1	0	0	0	1	1	4
N'Eliya	2	4	0	0	2	0	0	0	1	0	1	0	0	10
Total	7	10	3	3	8	1	7	4	1	1	9	5	11	70
%	10.0	14.3	4.3	4.3	11.4	1.4	10.0	5.7	1.4	1.4	12.8	7.1	15.7	100

As stated earlier, the selection of the DSDs were based on the total population, type of enterprise, level of operations and concentration of different enterprise units. DSDs from both urban and rural areas were selected, as it was a goal of the survey was to compare the performance of MSMLEs operating in urban areas with those operating in rural areas. After finalising the selections, information pertaining to the location of the units surveyed were collected from sources such as DSDs, Kachcheries, Grama Niladharis (GNs), Palath Sabahas and Pradeshiya Sabahas, Business Chambers, Business extension service organisations and other relevant authorities. Following such identification of the units, one-on-one meetings were held with every interviewee at their own business locations, and the questionnaires were completed.

3. CONSTRAINTS

The field investigators were somewhat constrained as the survey took place during the time of the general election. Small and medium scale entrepreneurs, as well as the executive staff of large-scale enterprises, were reluctant to answer the questionnaires assuming that the information was being collected for political purposes. In addition, particularly the small and medium scale sector entrepreneurs, were reluctant to cooperate with field investigators stating that although many surveys had been conducted in the past with many promises made, nothing had materialised to their benefit. They also made complaints about promises not being fulfilled by state and Non-Governmental Organisations. As a result, the team had to make many efforts to get appointments and visit the units surveyed several times in order to obtain required information.

4. SURVEY FINDINGS

4.1 Business Registration/Type of Ownership.

One important aspect that has been neglected in the development of MSMLEs is the aspect of registration of the organisation. Although this problem was not prevalent in medium and large-scale companies, small-scale entrepreneurs totally ignored the question of registration due to a number of reasons.

Survey findings reveal that the situation pertaining to registration today is relatively better than it was 10 years ago. Out of the sample, 47% when they commenced their businesses operated informally without any registration. This number has come down to 12.9% at the end of year 2000. While there is a slight drop in the case of registered partnerships from 7.1% ten years back to 2.8% today, there is an increase from 11.5% in 1990 to 14.3% in the year 2000 in the case of limited liability companies. In the case of local authority registrations, the increase has been noteworthy, from 28.6% to 68.6% during the same time period.

Thus, the overall conclusion is that almost all entrepreneurs in all categories have realised the value of the legal status of their business and taken necessary steps to formally register their business with some organisation. Almost 90% of enterprises have some form of registration today. Table 3, provides more details.

Table 3: Registration Status and Type of Ownership

Type of Ownership	1990/Time of commencement	%	YEAR 2000	%
Non-Registered	51.4		12.9	
Individual owner managed	33	47.1	8	11.5
Family owned and managed	3	4.3	1	1.4
Registered	48.6		87.1	
Registered Partnership	5	7.1	2	2.8
Limited Liability Company	8	11.5	10	14.3
Local authority registered	20	28.6	48	68.6
Others	1	1.4	1	1.4
Total	70	100	70	100

4.2 Categorisation by Number of Employees

Although some categorisation has been done according to the main sectors (manufacturing, services and trading), further categorisation according to number of employees was made to divide them into large, medium and small groups.

Thus, the total number of 70 units surveyed consists of: 30 units (42.8%) where the employment is less than 5 persons, 15 (21.4%) in the category of 5-24 employees, 18 (25.7%) in the category of 25-49, and 7 (10.0%) with 50 or more employees. Table 4, provides more information.

Table 4: Categorisation By Number Of Employees

DS Division	Micro (less than 5)	Small (5-24)	Medium (25-49)	Large (50 or more)	Total
Doluwa	4	3	0	1	8
Udunuwara	3	0	3	0	6
Gangawatakorale	3	2	4	3	12
Kundasale	2	1	3	0	6
Minipe	5	2	1	0	8
Dambulla	2	1	4	0	7
Rattota	5	0	0	0	5
Na-Ula	2	1	0	1	4
Walapane	4	0	0	0	4
Nuwara Eliya	0	5	3	2	10
Total	30	15	18	7	70
%	42.8	21.4	25.7	10.0	100

4.3 Particulars of Employees

Some years back, the employment of family members was one of the prominent features in the small and medium scale enterprise sector. In fact many management experts have identified this as one of the reasons that led to management problems and failures of SMEs. However, with the introduction of market oriented economic policies in 1977, the situation gradually changed. SME entrepreneurs realised that it is necessary to employ skilled and experienced personnel in order to face competition and cater to the needs of a changing economic environment. As a result of this situation, particularly the formal sector recruited professionals, in some instances with the assistance of expert recruitment consultants.

The replacement of family members by outside employees who possess different skills and management experience, is a prominent feature and development that took place after the introduction of liberalised policies in 1977. This gradual change is reflected in the results of the survey.

As indicated in Table 5, ten years back or at the time of commencement of business there had been 8.9% family members in employment and this percentage has reduced to 3.1% by the year 2000. On the other hand, there is an increase in the percentage of non-family employees. At the time of commencement or 10 years back, the number employed was 90.8% and at the end of ten years the number has increased to 96.8%.

Table 5: Details Of Employees

Type of Employee	1990/time of Commencement	%	Year 2000	%
Family Members Engaged				
Paid males	15	1.8	16	0.8
Unpaid males	42	5.1	30	1.5
Paid females	06	0.7	06	0.3
Unpaid females	11	1.3	09	0.5
Total	74	8.9	61	3.1
Outsiders employed				
Permanent male employees	297	36.4	946	48.4
Casual male employees	337	41.3	536	27.4
Permanent female employees	100	12.2	386	19.8
Casual female employees	08	0.9	24	1.2
Total	816	90.8	1953	96.8

4.4 Financing of the Units

In the case of MSMLE development, particularly in the case of the development of small and micro level enterprises, entrepreneurs constantly complain of non-availability of finances at concessionary rates of interest to facilitate their investment propositions. However, informal interviews with bankers revealed that these categories of entrepreneurs were unable to secure finances from lending institutions due to the high-risk nature of their projects. However, finding the required amount of finance has been a major problem to these small and micro level entrepreneurs throughout the period. The survey has focussed attention to the question of finance and, the investment patterns of the units have been analysed.

4.4.i Sources of Finance

In finding finances, the usual practice among entrepreneurs is to find their own finances, as it is extremely difficult for new comers to seek finances from other sources. Accordingly, a considerable number of entrepreneurs 64 (91.42%) have used their own finances as the initial capital and there have not been drastic changes to this situation. The percentage increase after 10 years is only 2.86%.

In the case of finances obtained from family members, the percentage is relatively low. In the case of moneylenders too, the same situation applies as only 2 units had sought finances from moneylenders in 1990 and the number had decreased to 1 unit after 10 years. Next to self-finance, the largest contributor is the banking sector. In the case of banks, a larger number of loans had been granted to relatively large enterprises. In the case of the units where investment was less than Rs250,000 the number of loans granted was 3, while 21 large investors had been provided with loan facilities. On the other hand there is a known tendency among small and medium scale enterprises, to manage with their own funds without seeking assistance from others. This aspect or behaviour is quite visible in the results of the survey. In the case of the units where the investment is below Rs500,000 the units that managed with their own finance were 18, while only 9 in that category had sought bank assistance at the commencement of their businesses. But, by year 2000 the situation had changed as it indicates a sharp increase (44 units) in the number of small and medium size units that have sought bank finance. See Table 6.

Table 6: Sources of Finance

Sources of finance	Enterprise Category	1990/Time of Commencement	%	Year 2000	%
Own Finance	0-25	6	8.5	5	7.1
	25-49	12	17.1	12	17.1
	50-74	5	7.1	14	20.0
	75-100	41	58.5	35	50.0
	<i>Total *</i>	<i>64</i>	<i>91.4</i>	<i>66</i>	<i>94.2</i>
Family members	0-25	1	1.4	3	4.2
	25-49	3	4.2	1	1.4
	50-74	2	2.8	1	1.4
	75-100	2	2.8	0	0
	<i>Total*</i>	<i>8</i>	<i>11.4</i>	<i>5</i>	<i>7.1</i>
Money Lenders	0-25	1	1.4	1	1.4
	25-49	0	0	0	0
	50-74	1	1.4	0	0
	75-100	0	0	0	0
	<i>Total*</i>	<i>2</i>	<i>2.8</i>	<i>1</i>	<i>1.4</i>
Banks	0-25	3	4.2	13	18.5
	25-49	6	8.5	11	15.7
	50-74	6	8.5	9	12.8
	75-100	6	8.5	3	4.2
	<i>Total*</i>	<i>21</i>	<i>30.0</i>	<i>36</i>	<i>51.4</i>

* In certain instances MSMLEs have taken assistance from more than one source.

4.4.ii Investment Pattern and Details

In the case of investments the most interesting revelation is the investment pattern with regard to different categories of enterprises.

- Prior to 1970, investments have been rather low.
- After 1970 a sharp increase is visible.
- The highest investments have been in the two decades of 1980-1990 and 1990-2000.
- The highest investments in relation to the number of units throughout the period have been in the category of Rs250,000 and below.
- Increase in investments in the category below Rs250,000 might be due to entrepreneurship training and other development programmes implemented by the state sector, private sector and NGOs and the special concessionary credit schemes launched, including different youth development and poverty alleviation programmes commenced after 1977.
- In the case of investments, it is obvious that the investment above Rupees one million has taken place after 1970 and, it is evident that the open economic policy of the government has encouraged large-scale investments. Thus, a total of 92.68% of investment in the case of this particular sample has come after 1970s. See Table 7.

Table 7: Investment Pattern and Details

	RS. '00,000	Year Commenced					1990- 2000	Total
		Before 1950	1950-60	1960-70	1970-80	1980-90		
Investments of Rs100,000 and above	1-5	1	3	4	3	12	34	57
	%	1.4	4.2	5.7	4.2	17.1	48.5	81.2
	5-10	0	0	0	0	0	8	8
	%	0.0	0.0	0.0	0.0	0.0	11.4	11.4
	10-15	0	0	0	0	1	1	2
	%	0.0	0.0	0.0	0.0	1.4	1.4	4.2
	15-20	0	0	0	0	0	0	0
	%	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	20-25	0	0	0	0	0	1	1
	%	0.0	0.0	0.0	0.0	0.0	1.4	1.4
	> 25	0	0	0	2	0	0	2
	%	0.0	0.0	0.0	2.8	0.0	0.0	2.8
	Total	1	3	4	5	13	45	70
	%	1.4	4.2	5.7	7.0	18.5	67.2	96.8

4.4.iii Bank Finances and Repayments.

According to survey findings, a relatively large number, 43 units (61.4%) out of the total number of units surveyed have obtained bank facilities in the form of loans, overdrafts, bridging finance and such. With regard to repayments out of those who have taken out loans (61.4% only), 10 units (14.3%) have paid the loans completely and the balance 33 units (47.1%) are in the process of repaying the loans. Of all those who have taken out loans (i.e. the 43 units), the majority (53.5%) have repaid or are repaying their loans with difficulty. Around 15 (34.9%) have repaid or are repaying their loans with the greatest difficulty. It is disappointing to note that only 5 units (11.6%) have stated that they could repay the loans easily. This is not a very healthy picture, as non-repayment of loans would lead to many problems and finally to the collapse of the unit. However, the downward trend that prevailed in the global economy and also the economy of the country during the recent past, may have substantially contributed to this situation. More details are given in Table 8 and Table 8.1.

Table 8: Loan Repayment Data
If bank finances were obtained within the last 2 years

	Number of Answers	%
Yes (Loan was repaid)	10	14.3
No	27	38.6
Ongoing	33	47.1
Total	70	100

Table 8.1: Repayment by Enterprises with Past and Current Loans

How did you pay back the loan?	Number of Answers	%
Easily	5	11.6
With difficulty	23	53.5
With greatest difficulty	15	34.9
Total	44	100

4.5 Production and Production Details

During the last decade, many changes have taken place in MSMLEs, as there were a number of constraints to the continuation of smooth production. Although there have been some developments in infrastructure and other facilities during the first half of the decade, the second half has not been very conducive to the development of the manufacturing sector. Due to political and ethnic problems and, the financial constraints that the country faced during the second half of the decade 1990-2000, the government was compelled to curtail most of its development activities and the maintenance of infrastructure and other facilities. In addition to the global economic recession, there were domestic constraints such as power cuts and labour problems, which adversely affected the production and productivity of the entire business sector.

4.5.i Analysis of Production During the Last Ten Years

According to the sample surveyed, there had been a general increase in the volume of production between 1990-1995 in all the three sectors, with a considerable increase in the manufacturing sector. However, the increase in production between 1995-2000 has been slight, with the manufacturing sector actually recording a decline. Refer Table 9 for more details.

Table 9: Details of Production and the Increase/Decrease Comparison of Production Figures

Sector	Indicator	Manufacturing	Services	Trading
Details of Production - 1990	Units	476621	34760	0
	Metric tonnes	486000	0	0
	Others	3505	0	1680
Details of Production - 1995	Units	1608589	39245	0
	Metric tonnes	1124000	0	0
	Others	4200	0	3350
1990-1995 (%)	Units	237.5	12.9	0
	Metric tonnes	131.3	0.0	0
	Others	19.8	0.0	99.4
Details of Production - 2000	Units	1647675	46140	0
	Metric tonnes	1020700	0	0
	Others	6560	0	3360
1995-2000 (%)	Units	2.4	17.6	0.0
	Metric tonnes	-(9.2)	0.0	0.0
	Others	56.2	0.0	0.3

In analysing the cost of production and services, (refer Table 9.1), it appears that there was a considerable increase in the cost of production in the manufacturing sector between 1990-1995, while the increase was lower between 1995-2000. In contrast, there appears to have been a marginal decrease in the cost of production in the services and the trading sectors during 1990-1995 and an increase in the 1995-2000 period.

According to the findings of the survey, the cost of production has escalated due to a number of reasons. The main causes as identified by the business community were the increased cost of fuel, electricity and raw materials and other inputs due to devaluation of the rupee against the dollar. Please refer to Table 9.1 for more details.

Table 9.1: Analysis of Cost of Production and Services

Sector	Cost of Production/ Services 1990 (Rs)	Cost of production/ services 1995 (Rs)	1990-1995 (% Δ)	Cost of production/ Services 2000 (Rs)	1995-2000 (% Δ)
Manufacturing	48503050	101539440	109.3	159413930	57.0
Services	37779000	35534340	-(5.9)	48992110	37.9
Trading	32157800	29314000	-(8.8)	40203100	37.1

4.6 Details and Information about Sales During the Last Ten Years

In general there have been complaints about a drop in sales during the period between 1995-2000 particularly in the small and medium scale sectors. This has been attributed to downward trends in the world economy. However, a decline in the volume of sales between 1995-2000 was evident to some extent only in the manufacturing sector. In the services and trading sectors, there have been marginal increases in sales during this period. However, there were considerably high increases in the volume of sales in both the manufacturing and trading sectors during the 1990-1995 period. Thus, the perceived drop in sales might be due to the relatively high increase in the first half of the decade, in comparison to the later half. More details are given in Table 10.

Table 10: Details of Sales and Percentages of Increase/Decrease

Sector	Indicator	Manufacturing	Services	Trading
Details of Sales - 1990	Units	473782	44560	0
	Metric tonnes	380400	0	0
	Others	2280	0	1680
Details of Sales - 1995	Units	1666892	47750	0
	Metric tonnes	871000	0	0
	Others	2930	0	3350
1990-1995 (%)	Units	251.8	7.2	0
	Metric tonnes	129	0	0
	Others	28.5	0	99.4
Details of Sales 2000	Units	1786685	49340	0
	Metric tonnes	848000	0	0
	Others	4510	0	3360
1995-2000 (%)	Units	7.2	3.3	0
	Metric tonnes	-(2.6)	0	0
	Others	53.9	0	0.3

4.6.i An Analysis of the Value of Sales during the Given Period

In looking at the value of sales within this decade, there are increases in the manufacturing sector during both the periods 1990-1995, and 1995-2000. However, the increase is relatively higher in the former period. This pattern is also evident in the services sector. In the trading sector, in contrast, there is a drastic change between the two periods, with the value of sales recording a negative trend of 55.8% between 1995-2000. See Table 10.1.

Table 10.1: Analysis of Value of Sales

	Value of total Sales 1990 (Rs)	Value of total Sales 1995 (Rs)	1990-1995	Value of total Sales 2000 (Rs)	1995-2000
Manufacturing	52695750	113391135	115.2	177189400	56.3
Services	30710920	45652675	48.7	58927960	29.1
Trading	65014600	94148000	44.8	41585000	-(55.8)

4.7 Employment Details

In terms of employment, the manufacturing and services sectors in the country have been identified as increasingly providing more employment opportunities within the last decade. Although the agricultural sector also provides a large number of employment opportunities, particularly in the rural sector, in many instances such employment opportunities are part-time or family centred. However, in the manufacturing sector, particularly in the case of large scale-manufacturing units, a large number of employment opportunities still exist due to the low level of automation. Nevertheless, the trends in the present market oriented economy would soon compel employers to shift to complete automation to bring down the cost of production in order to be competitive in international markets. In response to such a situation, some alternative plans for provision of employment to those who would be retrenched from the manufacturing sector would have to be developed.

In this connection, it has been observed that the micro, small and medium scale manufacturing sectors in the country, which are yet labour intensive, could be developed further in order to absorb excess labour from the large scale enterprise sector, as well as agriculture. Thus, the state has identified SMEs, as priority sectors for development. In such a context it is important to study and analyse the reasons for employee turnover and appropriate preventive measures to be taken.

4.7.i Employee Turnover and Reasons for such Turnover

High employee turnover and labour unrest have been identified as the two main constraints faced by the business community, particularly in the manufacturing and services sectors in the literature on enterprise development. These factors have led to loss of orders and reputation in international markets, and employers have been encouraged to seek automation. In addition to the above, other reasons, which are sometimes beyond the control of the employers, have been identified:

¹ Department of Census and Statistics, 1992, 1997, *District Profile of Labour Force in Sri Lanka*

- A shortage of skilled and experienced personnel resulting in there being a competitive demand for such workers.
- High wages paid to skilled and experienced personnel in foreign countries, particularly in Middle Eastern countries.
- Lack of facilities for proper skills development and management training in state and private sector organisations.
- Lack of facilities for enhancement of present skills of the workforce due to the availability of obsolete machinery and equipment and, also due to unhealthy work environment.
- Unhealthy employer-employee relationships and labour unrest, due to many reasons including political instigations.
- Inability of the workers to travel long distances to work due to poor transportation facilities and dilapidated condition of the road network.

However, while survey findings confirm some of the above observations in the literature, almost all entrepreneurs in all three sectors identified additional reasons as constraints to development of the business.

According to survey findings, the main reason for employee turnover (25 considered this as the major reason) has been the relative drop in sales. This was perceived as a major factor in all the sectors - the percentages are 20.0%, 21.8%, 19.0%, and 18.8% in micro, small, medium and large-scale sectors respectively. When sales drop employers are compelled to withdraw some of the facilities earlier extended to employees and this causes unrest, resulting in employees leaving the workplace. Further, an unsatisfactory work environment combined with poor salaries, incentives and other facilities have been major reasons. Commencement of own business too, has been a significant reason for employee turnover. Commencement of own business could have increased due to programmes undertaken by NGOs and state sector to promote self-employment projects and micro enterprises during 1990-2000. Some have also considered personal reasons such as deaths and marriages as reasons for high employee turnover. More details are given in Table 11.

Table 11. Reasons for Employee Turnover (Nos)

Reasons For Leaving	Different Sectors								Total
	Micro	% of total	Small	% of total	Medium	% of total	Large	% of total	
Drop in sales	7	20.0	7	21.8	8	19.0	3	18.8	25
Management problems of the institution	1	2.8	0	0.0	0	0.0	1	6.3	2
Unsatisfactory work environment	2	5.7	2	6.3	4	9.5	1	6.3	9
Poor salaries, incentives, other facilities	8	22.8	6	18.7	5	11.9	0	0.0	19
Poor prospects-promotional/career dev.	2	5.7	3	9.3	5	11.9	1	6.3	11
Securing of employment elsewhere	4	11.4	5	15.6	7	16.6	1	6.3	17
Commencing own business	6	17.1	5	15.6	5	11.9	3	18.8	19
Other reasons (marriages, deaths, etc.)	5	14.2	4	12.5	8	19.0	6	37.5	23
Total	35	100	32	100	42	100	16	100	125*

- Some have given multiple answers

4.8 Assistance and Extension Programmes

In the development of enterprises, particularly in small and medium scale sectors, the need for effective and efficient extension services have been emphasised. Particularly in developing countries the service providers are sometimes unable to fulfil the needs of the entrepreneurs, and enterprises at all levels suffer as a result. Hence, during the recent years, the state prompted the private sector as well as the NGO sector to organise training and extension programmes to assist the business community. According to the survey findings, 55 units (78.6%) of the total sample have received some assistance during the last two decades while 15 units (21.4%) have not received any assistance.

In this connection, the views of the interviewees were sought to find out why they have not obtained such services as yet. The following were revealed in response to an open-ended question:

- Operational level of the unit, which is either too small or too big, fails to attract the attention of the service organisations, which are operating only at certain levels.
- Tendency of the officials to support only organisations they are familiar with, and neglect others.
- Nature of the services provided and also the service provider which fails to attract the attention of the entrepreneur.
- Unsuitable timing of services provided (e.g. training programmes conducted during harvesting seasons in agricultural areas).
- Restrictive durations of the service programmes provided (e.g. inability of entrepreneurs to attend programmes that run for long durations).
- Unbearable cost of the service and the service provider, particularly in the case of private sector, and non-availability of subsidy schemes to enable needy entrepreneurs to obtain such services.
- Quality and inappropriate nature of the services provided, particularly in the case of the state sector service organisations.
- Tailor made nature of the services, development programmes and extension programmes, which are not always suited to the needs of the clients.
- In the case of skills development, non-availability of modern equipments, machinery and other training facilities in state sponsored organisations.
- Lack of experienced trainers and instructors who could contribute to the career development of the trainees.
- Theoretical nature of a majority of the programmes conducted by both state and some NGO sponsored organisations, which are not recognised by the private sector as suitable qualifications for employment.

Table 12, provides the details of the services provided by the service organisations while, Table 12.1 provides details about the number and the percentages of the recipients.

Table 12: Details of the Services and Assistance Received by the MSMLE Community According to DSDs (Numbers)

Did your enterprise receive any form of assistance from any institution in the Government/Private/NGO sectors to develop your enterprise? - -		
DS Division	Yes	No
Doluwa	8	0
Udunuwara	5	1
Gangawatakorale	6	6
Kundasale	6	0
Minipe	7	1
Dambulla	6	1
Rattota	5	0
Na-Ula	3	1
Walapane	4	0
Nuwara Eliya	5	5
Total	55	15
% of Total	78.6	21.4

As indicated in Table 12.1, it is obvious that the majority of the recipients of different services are from micro, small and medium scale sectors, except in the case of business information and credit where assistance have been obtained by the large scale sector. Overall, the service that has been provided most to enterprises has been credit.

In the case of credit, all the sectors have benefited and micro and small-scale sectors have obtained the highest proportion of credit services. However, sub-contracting services have not been delivered to any of the units.

Table 12.1: Sector Wise Analysis of Services Received (Numbers and Percentages)

Services Received	Sector			
	Micro	Small	Medium	Large
Entrepreneurship training	1	3	2	0
%	1.4	4.2	2.7	0
Other skills development	7	0	0	1
%	9.7	0	0	1.4
Technical assistance, business Information	3	0	2	5
%	4.2	0	2.7	6.9
Sub-contracting services	0	0	0	0
%	0	0	0	0
Assistance in marketing	0	1	1	0
%	0	1.4	1.4	0
Credit facilities	20	13	8	4
%	27.8	18.1	11.1	5.6
Other	1	0	0	0
%	1.4	0	0	0

4.8.i Level and Usefulness of the Services Provided

Although there are many organisations that provide various types of services and assistance to MSMEs in the country, one of the complaints of the business community is the inappropriate and inadequate nature of such services provided. In this connection an effort was made to obtain the ideas of the business community. Table 12.2 provides more details.

Table 12.2: Services Provided and Level of Satisfaction

	Category				Total
	Micro	Small	Medium	Large	
Sector					
Manufacturing	17	6	13	5	41
Services	10	8	3	2	23
Trade	2	1	2	1	6
Level of Satisfaction					
Not satisfied	0	0	0	0	0
%	0.0	0.0	0.0	0.0	0.0
Somewhat satisfied	5	3	2	0	10
%	7.0	4.2	2.8	0.0	14.0
Satisfied	14	7	8	3	32
%	19.7	9.8	11.2	4.2	45.1
Very satisfied	13	6	6	4	29
%	18.3	8.4	8.4	5.6	40.9

According to survey findings, while 32 units (45.1%) of the total have stated that they are satisfied with the services, another 29 units (40.9%) have stated that the services and programmes are very satisfactory. Thus, a total of 61 units (86%) have stated that the services are appropriate and they are happy about such services. Table 12.3 provides more details.

Table 12.3: Level and Overall Usefulness of Services Provided

Type of Services Provided or Obtained	Number of enterprises using the service	Level Of Usefulness							
		Not Useful	%	Some-what Useful	%	Useful	%	Very Useful	%
Credit facilities	49	0	0	6	8	25	33.3	18	24
Technical assistance/ business information	11	0	0	0	0	4	5.3	7	9.3
Entrepreneurship training	6	0	0	2	2.7	1	1.3	3	4
Other skill development services	7	0	0	1	1.3	4	5.3	2	2.7
Assistance in marketing	1	0	0	1	1.3	0	0	0	0
Sub-contracting facilities	0	0	0	0	0	0	0	0	0
Others	1	0	0	0	0	1	1.4	0	0

4.8.ii *The Delivery Process and Level of Satisfaction*

In this regard the business community was requested to respond to this question paying particular attention to their needs and the type of services that they have received with a view to ascertain the effectiveness as well as the appropriateness of such services. In many instances the business community has complained about ineffective services provided by service providers, particularly from the state sector organisations.

The views of the entrepreneurs vary drastically on delivery processes of the services and the service provider organisations. One major area, in which the entrepreneurs disagree with the officials, is the cumbersome procedures they have to face when seeking finance. As stated earlier, the bankers reject most of the applications for finance due to the high-risk nature of the projects, while the entrepreneurs are of the view that the bankers are not helpful and not development oriented. In this regard, bankers expect other extension service organisations to educate entrepreneurs and encourage them to go for credit worthy projects, and also to help the entrepreneurs in preparing their feasibility reports and other documentation.

However, with the changes in the economy and, due to severe competition the MSMEs had to face under new economic policies, the entrepreneurs are compelled to be more systematic. They have to search for competitive and feasible business propositions, which are acceptable to the banks and other organisations. Therefore, the entrepreneurs, particularly the entrepreneurs operating at medium and large-scale levels, expect professional services from service providers.

Under these circumstances, the service providers were compelled to provide entrepreneurs with professional services. A considerable improvement in the services provided was observed during the last couple of years.

Accordingly, during the recent past the finances were made available to the entrepreneurs under different schemes launched jointly by banks and other service organisations. The entrepreneurs expressed their satisfaction about the delivery process.

The survey results justify and confirm this situation as 62 units have accepted the service delivery system, as above satisfactory level (Satisfactory-15), (Good-33) and (Excellent-25). Thus, only 2 units (2%) have stated that the services were unsatisfactory while 82.1% were happy with the service delivery system. The remaining 15.7 % did not receive services and thus did not respond to the question. Table 13 provides more details.

Table 13: Delivery Process - Credit/Other Facilities

Type of Facility	Type of Organisation	Level of Satisfaction					
		Extremely Cumbersome	Unsatisfied	Satisfied	Good	Excellent	Not Applicable
Credit/Loans	Private (individuals/Institutions)	0	0	3	3	2	14
	NGO	0	0	0	0	0	0
	State sector organisations	0	2	5	7	3	0
	State Bank	0	0	2	8	6	0
	Private Bank	0	0	1	5	3	0
<i>Total</i>		0	2	11	23	14	0
Entrepreneurship	Private (individuals/institutions)	0	0	0	1	1	0
	NGO	0	0	2	0	0	0
	State sector organisations	0	0	0	0	0	0
	State Bank	0	0	0	0	0	0
	Private Bank	0	0	0	0	0	0
<i>Total</i>		0	0	2	1	1	0
Technical Assistance	Private (individuals/institutions)	0	0	0	1	1	0
	NGO	0	0	0	1	2	0
	State sector organisations	0	0	0	0	2	0
	State Bank	0	0	0	0	0	0
	Private Bank	0	0	0	0	0	0
<i>Total</i>		0	0	0	2	5	0
Skill Development/ Training	Private (individuals/institutions)	0	0	0	1	1	0
	NGO	0	0	0	0	0	0
	State sector organisations	0	0	2	5	1	0
	State Bank	0	0	0	0	0	0
	Private Bank	0	0	0	0	0	0
<i>Total</i>		0	0	2	6	2	0
Consultancy	Private (individuals/institutions)	0	0	0	0	1	0
	NGO	0	0	0	0	0	0
	State sector organisations	0	0	0	0	1	0
	State Bank	0	0	0	0	0	0
	Private Bank	0	0	0	0	0	0
<i>Total</i>		0	0	0	0	2	0
Business Information	Private (individuals/institutions)	0	0	0	1	0	0
	NGO	0	0	0	0	0	0
	State sector organisations	0	0	0	0	1	0
	State Bank	0	0	0	0	0	0
	Private Bank	0	0	0	0	0	0
<i>Total*</i>		0	0	0	1	1	14
Grand Total		0	2	15	33	25	14
% Out of 89		0	2.2	16.9	37.1	28.1	15.7

*Some respondents have given multiple answers

4.8.iii Willingness to Pay for Services

About two decades back it was observed that a majority of small and medium scale entrepreneurs were reluctant to pay for the services they received from extension service organisations. The services included general extension services, training, marketing assistance, sub-contracting facilities and so on. These entrepreneurs expected such services to be provided free of charge. As a result, most of the extension service organisations that were capable of providing professional business development services avoided these two sectors, particularly the small-scale sector. They provided services to the large-scale sector and to some of the medium scale sector. This constrained the growth process of micro and small-scale sectors, particularly in rural areas. The Industrial Development Board (IDB), Export Development Board (EDB), and Integrated Rural Development Projects (IRDPs) have made many efforts, to create awareness among micro and small level enterprises, and the situation has changed considerably.

In order to obtain the views of the business community, the employers were asked whether they were in a position to bear part of the cost of the services including training for themselves and their employees if, such services were provided in a professional manner to their satisfaction.

51% of entrepreneurs responded positively to the question of payment for services while 27.1% responded negatively. The response varied according to the size and the level of operations of the units. Small-scale units consented to pay a lower percentage of the total cost, while the large and medium scale units consented to pay a higher percentage. It was also observed that the units located in more urban areas, such as Nuwara Eliya, Kandy (Gangawatakorale), and Kundasale (where a BOI zone and IDB Industrial Estate are located) were more positive to the question of payment than those located in rural areas. Table 14 provides more details.

Table 14: Willingness to Pay for Enterprise Development Services and the Percentage of the Total Cost a Unit will bear

DS Division	Yes	No	If "Yes"- Percentage					
			0-10	10-20	20-30	30-40	40-50	
Doluwa	5	3	4	0	0	0	0	
Udunuwara	2	4	2	0	0	0	0	
Gangawatakorale	8	4	8	0	0	0	0	
Kundasale	6	0	5	0	0	0	1	
Minipe	5	3	4	1	0	0	0	
Dambulla	6	1	6	0	0	0	0	
Rattota	5	0	5	0	0	0	0	
Na-Ula	2	2	2	0	0	0	0	
Walapane	3	1	1	0	0	1	1	
Nuwara Eliya	9	1	2	1	3	0	3	
Total	51	19	39	2	3	1	5	
% Out of 70	72.9	27.1	% Out of 51	78.0	4.0	6.0	2.0	10.0

4.9 Major Changes, (Crisis/Breakthrough) that Affected the Units Negatively or Positively

According to the findings of the survey, majority of the units have indicated that they have not faced any major crisis or breakthrough during the period under study. Other identified incidents such as death, floods and/or droughts, commencing of a similar business in near by location have affected the units negatively. Nevertheless, it was also observed that such crisis situations have not bothered the majority of entrepreneurs as they considered these to be natural events. More details are given in Table 15.

Table 15: What are the Major Changes (Crisis/Breakthrough)?

Sector	No major changes	Commencement of a similar business close by	Personal problems	Natural disasters	Total	%
Micro Scale	28	0	1	1	30	42.8
Small Scale	14	0	1	0	15	21.4
Medium Scale	18	0	0	0	18	25.7
Large Scale	6	1	0	0	7	10.1
Total	66	1	2	1	70	100.0

4.9.i Impact Of Such Changes/Breakthrough on the MSMLE Unit

As stated above, the impact of these breakthrough/crisis has been negligible as a majority 58 units (82%), have not faced any such situation during the last ten years. However, where such crisis/breakthrough have had a negative or positive impact, this has been in the area of profit and sales. While 19 units have faced an increase in profits/sales, 31 have faced a decrease.

Table 16: Impact Of Changes/Crisis/Breakthrough

	Increase	%	Decrease	%	Not applicable	%
Production	4	3.7	7	6.5	58	82
Sales	6	5.6	8	7.6	0	0
Profits	5	4.7	9	8.4	0	0
Employment	4	3.7	7	6.5	0	0
Total*	19	27.0	31	29.0	58	53.3

* Some entrepreneurs gave multiple answers, so the totals do not add up.

4.10 Conditions for Doing Business During the Period Under Review

The general observation is that the development of businesses has slowed down during the second half of 1990-2000 due to many reasons as stated earlier. Basically, the drought, global economic recession, and labour unrest appear to have had some negative impact on the business environment. The survey findings confirm that the conducive and favourable conditions that prevailed have changed during the period under review.

The number of units for which conditions were satisfactory, good or excellent (58 units - 88%) in 1990 has come down to 44 units (64%) by the year 2000. The number of units

that stated that the conditions were bad has gone up drastically from 5 units in 1990 to 19 units by the year 2000. More details are given in Table 17.

Table 17: The Conditions for Doing Business During the Period Under Review

Level of satisfaction	Conditions in 1990	%*	Conditions in 2000	%*
Excellent	11	16.6	5	7.2
Good	15	22.7	26	37.7
Satisfactory	32	48.4	13	18.8
Unsatisfactory	5	7.5	19	27.5
Very difficult	3	4.5	6	8.8
Total	66	100	69	100
No response	4		1	

* Percentages were calculated from the total numbers who provided responses.

4.11 Problem Areas Identified by Entrepreneurs

In the case of MSMLE development, it is important to have an efficient system in place for provision of services required by the business community. However, provision of all such services and facilities in a uniform manner is also a difficult task due to the disorganised nature of the MSMLE sector, particularly at micro, small and medium scale levels.

Also due to lack of awareness and exposure, these entrepreneurs tend to believe that it is mandatory on the part of the state to provide all the facilities and assistance needed by them to do their business. Such expectations have prevented the business community, particularly the small and a part of the medium scale sectors, from paying for professional services and general extension services.

Many entrepreneurs identify financing and assistance in marketing as problems, and wait for the state and other organisations such as NGOs to assist them in solving such problems. As a result, whenever a study or a survey is conducted, the SME entrepreneurs come up with similar issues, and financing and marketing emerge as their major problem areas. The survey results also confirm that a majority of entrepreneurs have identified lack of finance as the major constraint to development of the sector, although the majority of entrepreneurs had obtained credit and was generally satisfied with the service delivery. Table 18 provides more details.

Table 18: Priority Level of Impact of Problems Encountered During the Period Under Review

Problem Areas	Priority Number as Identified by nits														
	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15
01. Finding required finances	28	17	7	3	3	3	0	0	0	0	0	0	0	0	0
02. Procuring machinery/equipment.	11	10	10	4	4	4	2	1	0	1	0	0	0	1	0
03. Getting technology/processes	4	8	10	9	2	2	3	3	2	3	0	0	0	0	0
04. Obtain marketing assistance.	4	12	7	7	2	4	1	5	1	0	3	1	0	1	0
05. Obtain skilled/ trained personnel	1	1	2	6	9	2	4	3	1	2	0	2	0	2	0
06. Labour/trade union problems	0	1	0	2	2	2	0	2	1	3	4	2	1	1	0
07. Indifferent attitude of work force	0	0	0	2	1	4	9	3	6	2	3	2	1	0	0
08. Dumping of low quality goods.	8	5	4	4	4	1	1	1	0	2	0	1	0	0	0
09. Non supportive tax structure	1	7	6	2	2	0	2	2	2	4	3	3	2	1	0
10. Non supportive labour regulations	0	0	2	0	2	2	3	7	10	1	4	0	0	0	0
11. State bureaucracy/poor services	3	6	5	5	4	2	5	2	0	8	3	1	0	0	0
12. Procuring raw materials, etc.	3	2	4	3	3	4	4	2	1	5	3	3	5	2	0
13. Lack of training facilities	1	1	5	5	5	8	1	2	3	0	2	2	4	0	0
14. Cost of fuel, gas, electricity	5	0	4	6	6	3	3	1	3	0	3	6	4	0	0
15. Others	1	1	0	1	0	0	1	0	0	0	1	2	2	1	0

In analysing the findings of the survey, an effort was made to study in detail the four most significant problems identified by the entrepreneurs. Table 18.1 provides more details.

Table 18.1: Percentages of the Four Most Significant Problems

Priority number as identified by units	01	%	02	%	03	%	04	%
01. Finding required finances	28	40.0	17	24.2	7	10.0	3	4.2
02. Procuring machinery/equipment.	11	15.7	10	14.2	10	14.2	4	5.7
03. Getting technology/processes	4	5.7	8	11.4	10	14.2	9	12.8
04. Obtain marketing assistance.	4	5.7	12	17.1	7	10.0	7	10.0
05. Obtain skilled/ trained personnel	1	1.4	1	1.4	2	2.8	6	8.5
06. Labour/trade union problems	0	0.0	1	1.4	0	0.0	2	2.8
07. Indifferent attitude of work force	0	0.0	0	0.0	0	0.0	2	2.8
08. Dumping of low quality goods.	8	11.4	5	7.1	4	5.7	4	5.7
09. Non supportive tax structure	1	1.4	7	10.0	6	8.5	2	2.8
10. Non supportive labour regulations	0	0.0	0	0.0	2	2.8	0	0.0
11. State bureaucracy/poor services	3	4.2	6	8.5	5	7.1	5	7.1
12. Procuring raw materials, etc.	3	4.2	2	2.8	4	5.7	3	4.2
13. Lack of training facilities	1	1.4	1	1.4	5	7.1	5	7.1
14. Cost of fuel, gas, electricity	5	7.1	0	0.0	4	5.7	6	8.5
15. Others	1	1.4	1	1.4	0	0.0	1	1.4

According to above Table 18.1, 40% of entrepreneurs have identified finding required finances as the most pressing and prominent problem. Around 24.2% have identified it as the second most important problem. Thus, altogether, 78.4% have identified finding finances as a problem.

Another major problem identified was the import and dumping of low quality goods with which local entrepreneurs found difficult to compete. Particularly, micro scale entrepreneurs who are making items such as joss sticks, *papadams* and so on, as well as

the large-scale sector involved in manufacture of household hardware items including sanitary ware, steel, hinges and locks found it difficult to compete with items imported, particularly from India and China.

4.12 Level of Success of the Businesses

Another goal of the survey was to obtain the views of the entrepreneurs about the rate of success of their businesses. According to the findings of the survey, only 7 units (10%) out of 70 have stated that their enterprises are "very successful". Around 24 units (34.3%) have stated that their enterprises are "successful." Overall, a total of 31 units (44.3%) have indicated that their units are successful and this is a relatively reasonable and an encouraging percentage, as the success rate of the SME sector is generally low.

It is also customary for members of the SME community to state that their business units are unsuccessful, even if it is not the case. Some of them try to hide success due to cultural reasons while others try to hide this information thinking they would get harassed or penalised by authorities such as tax department, labour department, department of internal trade and the like. Therefore, the success rate indicated by the business community does not provide a clear and accurate picture of the situation. "Somewhat successful" is the readymade answer many give in a situation like this and the category, which indicated their businesses are somewhat successful, could also be added to the successful group.

What is useful here is in relative terms, small businesses tended most to report that they were unsuccessful, while medium enterprises tended least to say that they were unsuccessful, indicating that attention needs to be focussed on the size of the enterprise.

While Table 19 provides information pertaining to successes according to the size of the enterprise, Table 19.1 gives the success rate according to the DS Divisions.

Table 19: Sector wise Rating of Success by Business Community

MSMLE Category	Very Successful	%	Successful	%	Somewhat Successful	%	Un-Successful	%	Total
Micro	4	13.3	7	23.3	11	36.6	8	26.6	30
Small	0	0.0	5	33.3	5	33.3	5	33.3	15
Medium	2	11.1	9	50.0	4	22.2	3	16.6	18
Large	1	14.2	3	42.8	1	14.2	2	28.5	7
Total	7		24		21		18		70

In terms of geographical distribution, the majority of enterprises in Na-Ula, Walapane and Minipe reported that they were unsuccessful, while a considerable proportion of enterprises in Nuwara Eliya did as well.

Table 19.1 Business Community Rating of Success According to DS Divisions

DS Division	Very successful	%	Successful	%	Somewhat successful	%	Un- successful	%
Doluwa	3	37.5	3	37.5	2	25	0	0.0
Udunuwara	2	33.3	2	33.3	1	16.6	1	16.6
Gangawatakorale	1	8.3	5	41.6	4	33.3	2	16.6
Kundasale	0	0.0	2	33.3	3	50.0	1	16.6
Minipe	0	0.0	1	12.5	3	37.5	4	50.0
Dambulla	0	0.0	3	42.8	3	42.8	1	14.2
Rattota	0	0.0	4	80.0	1	20.0	0	0.0
Na-Ula	0	0.0	0	0.0	1	25.0	3	75.0
Walapane	0	0.0	1	25.0	1	25.0	2	50.0
Nuwara Eliya	1	10.0	3	30.0	2	20.0	4	40.0
Total	7		24		21		18	
Percentage	10%		34.3%		30%		25.7%	

4.12.i Reasons for Considering the Business Successful or Unsuccessful

Entrepreneurs at all levels were requested to make a judgement call pertaining to their success or failure and to identify reasons for such situations. In the case of such successes and failures, the entrepreneurs have given a number of reasons. Most of these reasons are quite common and well known. However, for the purpose of analysis, such reasons were summarised into eight (8) categories and percentages were calculated.

Factors such as adequate profits, good market conditions, increase in sales and foreign orders, and facilities for proper training were identified as contributing positively to success, and the entrepreneurs have developed their business ventures accordingly.

On the other hand, factors such as bad economic conditions, unhealthy tax laws, and labour regulations were perceived as having negative effects, and entrepreneurs identified these as reasons for their failure. Some have mentioned financial problems also as a reason.

Nevertheless, it is difficult to ascertain the real reasons for failures, as the problems mentioned by them are common to all MSMLEs. Despite such common problems, a relatively large number have survived. Thus, the failures may have occurred due to some other reasons, which the entrepreneurs are not willing to divulge, or have not been identified by them. More details about the reasons identified are given in Table 20.

Table 20: Reasons for Successes and Failures as Indicated by MSMLES.

Reasons as Indicated by MSMLES	Successful MSMLES				Total	%	Unsuccessful MSMLES				Total	%			
	Micro	Small	Medium	Large			Micro	Small	Medium	Large					
Good market conditions	6	3	4	0	13							18.6			
Increase in sales/foreign orders	0	0	1	0	1							1.4			
Obtaining good training/skill development/financial assistance	6	2	4	3	15							21.6			
Bad economic conditions										7	3	4	2	16	22.8
Unhealthy tax laws & regulations										2	1	0	0	3	4.2
Financial problems										0	1	0	0	1	1.4
No orders/less profits.										8	5	3	1	17	24.3
Total	13	5	11	4	33					17	10	7	3	37	

5. CONCLUSIONS

In general the findings of the survey reveal that an environment that was conducive and healthy for development of businesses activities in the first half of the decade has changed somewhat during the second half of 1990-2000. Overall economic growth in the enterprise sector has slowed down somewhat during the latter part of the decade.

Based on the findings of the survey, an important conclusion is that almost all entrepreneurs in all categories have realised the value of the legal status of their business and have taken necessary steps to formally register their business with some organisation.

The replacement of family members by outside employees who possess different skills and management experience is a continuing feature and a development that was accentuated by the introduction of liberalised policies in 1977. This gradual change is reflected in the results of the survey.

With regard to investments, it was observed that during the period prior to 1970, investments have been rather low in all categories and a sharp increase is visible after 1970 while the highest investments have been in the two decades of 1980-1990 and 1990-2000. The highest investments in relations to number of units throughout the period have been in the category of Rs250,000 or less. The increase in the investment category of Rs250,000 or less might be due to training and other development programmes implemented by the state sector, private sector and NGOs, special concessionary credit schemes, and youth development and poverty alleviation programmes which commenced after 1977.

In the case of micro and small-scale sector, the majority of initial investments have come from personal funds, as the banks have not been very helpful to start-ups. In the same manner, use of finances from relatives and moneylenders too has been considerably low. However, after commencement, the majority of enterprises have sought bank finance.

In the case of large investments, it is obvious that the investments above Rupees one million have taken place after 1970, and it is evident that the post 1977 open economic policies of the government particularly encouraged large-scale investments.

Due to political and ethnic problems and, financial constraints that the country faced during the second half of 1990-2000, the government was compelled to curtail most of its development activities and the maintenance of infrastructure and other facilities too were neglected. In addition to a global economic recession, there were domestic constraints such as power cuts and labour unrest, which considerably affected the production and productivity of the entire business sector.

In the case of employee turnover, the sample reveals that the turnover rate is relatively high when compared with other countries in the region and this situation could be attributed to number of reasons such as drop in sales, the commencement of own businesses by employees and so on.

In the case of services and assistance received, the major contribution has been in the field of finance as almost all units have obtained financial assistance while other types of assistance have been received mostly by micro and small sectors.

The services provided have satisfied a majority of the recipients. The most useful services have been in the field of credit, technical assistance and business information. One other important change in the thinking of the business community, particularly the micro and small-scale sectors is the willingness to pay for services provided to them. Although the percentage of total cost each unit is willing to bear differ in general, a majority expressed their willingness to pay for services. In the case of service delivery and the delivery processes too, the majority of the recipients have expressed their satisfaction.

The number of units that stated that conditions in the business environment in 1990 were satisfactory, good or excellent has come down as they feel that the conditions have changed by 2000. The number who stated that the conditions are bad and the environment is not healthy has risen considerably.

In the case of the success rate, the majority of entrepreneurs have stated that their units are successful, while most of the unsuccessful units have been in the small enterprise sector, and in more remote rural locations.

Finally, in the area of problems and constraints facing the enterprise sector, most entrepreneurs perceive finding finances as their major problem, despite the relatively high use of credit services. Other significant problems identified were procuring equipment and technology, marketing assistance and dumping of low quality goods.