

# **Managerial Deficiencies in the Small and Medium Enterprises (SMEs) in Sri Lanka: An Empirical Evidence of SMEs in the Ratnapura District**

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## **Abstract**

This paper discusses the basic managerial deficiencies of Small and Medium Enterprises (SMEs) in Sri Lanka with special reference to the SMEs in Ratnapura District. The study is mainly based on primary data gathered from 57 of SMEs, which were selected from 287 SMEs using stratified random sampling method. Data was gathered using a structured questionnaire and interviewing labourers, officers of various SME supportive organizations and observing SMEs. The study was supplemented with the data collected from secondary sources as well. Data was analyzed using qualitative and quantitative techniques.

The study found that even basic management functions like planning, organizing, staffing, directing and controlling are not properly practiced in most of the SMEs. Most SMEs do not have clear plans for future development, production process, marketing, financial activities etc. Owners (entrepreneurs) of most of SMEs act as managers handling all the responsibilities, which are not delegated to others. Therefore, most of the SMEs do not function efficiently due to the delay of decision-making process, poor organization, poor staffing, weak controlling and directing. Financial management of most of the SMEs is found to be very weak. Most SMEs do not calculate total expenses, total revenue, profit etc, for they do not keep any account systematically. Most SMEs do not provide any welfare facilities and retirement benefits like EPF and ETF to encourage labourers. Poor production planning and production process, weak practices of marketing and poor quality of the products are the other deficiencies of SMEs. Performance of many SMEs is very poor due to the deficiencies in management. Poor knowledge in management of entrepreneurs causes the managerial deficiencies. Therefore, SMEs cannot judge problems and barriers coming from internal and external industrial environment. The paper concludes that the growth of SMEs can be accelerated by developing managerial knowledge of entrepreneurs of the SMEs.

## **Introduction**

All developed and developing countries have recognized the importance of the development of Small and Medium Enterprises (SMEs), because, they play a significant role in economic development. SMEs perform as a useful vehicle for economic growth of countries because they have the capacity to achieve rapid economic growth, while generating a considerable extent of employment opportunities (Reddy, 1991:2). Promotion of SMEs results in the increase in industrial output of a country and thereby increases the share of the industrial output in GDP and finally it may enable to maintain a significant economic growth together with rapid industrialization. The role played by the SMEs in developed industrial countries like Japan, Germany, United States of America, United Kingdom, Taiwan, South Korea and Hong Kong is significant. The development of Japan in the early half of the 19<sup>th</sup> century was initially based on SMEs. They comprise a significant portion of the Japanese economy and play an important role in the industrial sector and have formulated policies to assist in its development. SMEs in Japan still supply a large amount of component and

intermediate products for the large industries and 65 percent of SMEs in Japan perform as sub contractors. In addition, it is also significant that they contribute 40 percent of industrial export (United Nations, 1985:72); it shared 87.2 percent of total industrial employment and 80 percent of industrial output (Reddy, 1991:1-3).

The importance of SMEs is significant not only for the developed countries but also for the developing countries. In India, for instance, there are 1.7 million units of SMEs functioning all over the country and they comprise half of the total industrial establishment (Rao and Nagaiya, 1991:12). In 1990, a half of the industrial employment has been contributed by SMEs (Jalal, 1991:80), and they contribute 22.6 percent of total export earnings (Rao, & Nagaiya, 1991:13). The function of SMEs in most of the developing countries is very important in generating employment and increasing national product, thereby increasing the industrial output. Table 1 shows that the percentages of total industrial employment and the total industrial establishments contributed by SMEs is very high in the selected group of countries.

**Table 1 : Contribution of SMEs to the Total Industrial Employment and Industrial Establishments in Selected Counties**

<b>Countries Industrial</b>	<b>Percentage of Industrial Employment</b>	<b>Percentage of Establishment</b>
Indonesia	98.0	99.4
Malaysia	98.0	99.0
Hong Kong	94.0	92.0
England	81.4	76.7
United State	76.3	81.7
Philippine	51.0	90.0
Thailand	49.8	88.4
South Korea	49.3	96.0

Source: United Nations, 1985:49 – 55 in Jalal, 1991: 80 – 81.

Development of SMEs is significant in the developing countries like Sri Lanka, which suffered from problems of unemployment, lack of investment, balance of payment, poverty etc. because, growth of SMEs provides a solution for the complex economic problems of a country. According to Reddy (1991:2) 'SMEs have the capacity to achieve economic growth faster in view of their high employment potential, small gestation period and relatively limited financial requirements.' They help to solve unemployment problem to a considerable extent and also create more employment opportunities than that of large industries, since they are labor-intensive industries (UN Information Agency, 1994:3). Resources dispersed all over the country can be utilized efficiently and economically in developing SMEs and they help to develop the rural sector as well. Problem of income inequality, balance of payment, lack of capital, technology etc can be solved by promoting SMEs, and they help to increase countries' national income, thereby enhance the living standard of the people. So

the development of SMEs in developing countries like Sri Lanka is very significant.

In the political and economic history of Sri Lanka after the independence, all the successive governments have recognized the importance of developing SMEs. After 1991, successive governments highly supported developing SMEs through 'Janasaviya' and 'Samurdhi' programs. In addition, a large number of government institutions (more than 15 institutions) and various non-governmental institutions usually pay attention towards the promotion of SMEs providing financial, technical, marketing, training and some other assistance. Furthermore, financial institutions in Sri Lanka have provided Rs. 18,213.00 million as credit for 1,650,966 of SMEs at the end of the year 2000 (Charitononka, 2002:12). Though government, non-government and financial organizations provide assistance for the promotion of the SMEs in Sri Lanka, they contribute a very small portion to the GDP and manufacturing output. Furthermore, share of manufacturing industrial production in GDP has increased from 14.7 percent in 1992 to 16.3 percent in 2004 while that of SMEs has decreased from 1.45 percent in 1992 to 1.17 percent in 2004. Annual average growth rate of SMEs during the past decade was very low i.e. 3.6 percent. Lifetime of most SMEs is very short and growth of most industries was very slow (Central Bank, 1996: 151). It is evidenced that growth of most industries depends on efficient management. Effective management can satisfactorily face any challenges, obstacles and problems coming from external and internal economic environment. Entrepreneurs can achieve their goals if there is efficient management. (Cyril, 1984: 13). If management process of the industry is efficient, production of SMEs increases due to the decrease of cost of production. Decrease of the cost of production due to management efficiency directly causes to shift the industrial supply curve to the right showing the increase of production (Howard, 1991: 31). Managerial inefficiency or poor managerial ability affects the poor growth of an industry. So this study attempts to study management deficiencies of SMEs, which avert the rapid growth of SMEs in Sri Lanka.

### **Methodology**

This study is mostly based on primary data collected from SMEs selected representing all divisional secretariat areas in the Ratnapura district. In this study, SMEs are defined as those employing 5-24 workers and classified using two digits International Standard of Industrial Classification (ISIC). According to the data of Chamber of Commerce and Industry in Ratnapura, there are 285 such small establishments dispersed through out the district. A 20 per cent of the small industries i.e. 57 of establishments have been selected using stratified sampling method for the survey. A 29 percent of the sample is the industries that fall into the category of food, beverages and tobacco. The industrial categories of textile, wearing, apparel and leather products, wood and wood products and chemical petroleum and coal and rubber products take similar importance in the sample. While the other industrial categories take the less division-wise dispersion of the sample, Ratnapura, Balangoda and Kuruwita contribute a considerable number of establishments.

Data was mainly collected through a structured questionnaire; in addition, by interviewing entrepreneurs and observing industries. Answers for the questionnaire have been taken only from the entrepreneurs or general managers. Weaknesses of management process in relation to planning,

organizing, staffing, directing, controlling and other basic management deficiencies were studied. Furthermore, books, articles, magazine in relation to basic management functions, small business management and SMEs in Sri Lanka have been used for collecting secondary data. In order to analyze the weaknesses of management in SMEs qualitative and quantitative analyzing method has been used.

## Results and Discussions

Managerial deficiencies in SMEs that fall under the management functions such as planning organizing, staffing, directing and controlling and basic management weaknesses of production, marketing and finance with the reasons behind them are also discussed under the following headings.

### Deficiencies of Planning

Planning of the future development of industries is very important because it shows a distinct and correct path for achieving goals of a SME. Entrepreneurs can reach their goals step by step if they have proper and systematic plans. Hence, planning directly promotes the growth of any business. Unfortunately there is no proper and systematic planning of SMEs in the Ratnapura district. Although 54.4 percent of the SMEs have planned future development these plans have not been systematically prepared. Table 2 shows that 45.6 percent of the SMEs have not prepared any plan. These are firms that have prepared no clear and systematic future development plans. All the plans were kept in the entrepreneur's mind. Most of them have planned only the expected cost and most did not consider the expected production, profit, growth opportunities, and obstacles and how to overcome these obstacles etc.

**Table 2 : Weaknesses of Planning**

Category	Total	Percentage
Presumed cost	30	96.7
Presumed product	10	32.3
Presumed profits	14	45.6
Presumed growth opportunities	13	41.9
Decided expected problems	12	38.7
Decided how to overcome such problems	11	35.5

Most entrepreneurs have planned the expected cost for future development but they have not planned the expected production. Some 45.6 percent of the entrepreneurs who have prepared a plan have decided the expected profit, but 71 percent of them did not decide on the finishing date by which the goals will be achieved. Nearly 60 percent of the entrepreneurs, who prepared plans, have not considered problems and obstacles ahead. These are the main planning deficiencies of the SMEs.

There are some reasons for weaknesses in the planning of SMEs. The major reason is the lack of managerial knowledge in small entrepreneurs. Most small entrepreneurs do not have sufficient education, business experience and also managerial experience. Consequently, most small entrepreneurs are unable to

manage their industry properly. On the other hand, employees who have managerial knowledge and qualification were not recruited to these firms. Some entrepreneurs manage a number of industries simultaneously. Therefore, they cannot devote sufficient time for one industry. As a result, they do not plan the future development of the firm. Most of them do not prepare plans due to the increase of cost, decrease of the profitability and various other problems. Some entrepreneurs are satisfied in the present condition of their business. Therefore, they are not willing to make future development plans because they have a distinct market, and they are satisfied by only dealing with that narrow market. According to some entrepreneurs, they do not plan future development fearing marketing problems due to production increases. Some entrepreneurs established their firm in rented places in junctions or towns. They cannot expand their firm beyond these restrictions due to lack of space.

Most of the SMEs (59.4 percent) failed to achieve their target due to deficiency of planning. The main aim of the 67 percent of SMEs is just to earn an income. Some 24.6 percent of SMEs are earning additional income, continuing and protecting inherited firm, doing a job that is classified under the other category in the table. In addition, 8.7 percent of entrepreneurs are doing a small industry in order to gain a higher social status and satisfaction.

There are several reasons for entrepreneurs not achieving their goals. The major reason is that they face a lot of financial difficulties. Major problem faced by 50 percent of entrepreneurs is the lack of financial assets due to deficiency in financial planning and financial management. There are some other minor reasons such as labor, marketing etc. A clever management is supposed to face such problems while the industry is in progress, and it would enable the easy achievement of goals by overcoming obstacles. Most of the SMEs have become a failure due to the lack of management skills required for the proper run of such industries. The lack of managerial skills and dedication are two major obstacles common in the examined sector. The entrepreneurs have not been able to achieve the goals as a result of poor understanding of both internal and external challenges and the other practical problems.

### **Weaknesses in the Organizational Structure**

The organizational structure could be considered as another major component in the process of management. This means classification of duty, the devolution of power and the proper management of the business for the achievement of business goals. The entrepreneurs with an accepted organizational structure achieve goals systematically. On the contrary, most of the SMEs lack such systematic structures. Though 9 out of 57 industries or 20 percent of the total investigated had systematic structures, the majority, which consisted 80 percent of the total was found to be with improper organizational structure. The entrepreneur was the chief executive of 87.7 percent of the industries studied. Table 3 shows that the owner handles all the duties and responsibilities of the enterprise.

**Table 3 : Nature of Dividing Major Responsibilities**

Category	Owner	Family	Managers	Relatives/ Friends	Employees
<b>Production Process</b>	40	08	05	02	02
<b>Percentage</b>	<b>70.2</b>	<b>14.1</b>	<b>8.7</b>	<b>3.5</b>	<b>3.5</b>
<b>Marketing Process</b>	34	10	06	05	02
<b>Percentage</b>	<b>59.6</b>	<b>17.5</b>	<b>10.5</b>	<b>8.7</b>	<b>3.5</b>
<b>Financial Activities</b>	42	08	05	01	01
<b>Percentage</b>	<b>73.8</b>	<b>14.1</b>	<b>8.7</b>	<b>1.8</b>	<b>1.8</b>
<b>Personnel Management</b>	43	7	4	2	1
<b>Percentage</b>	<b>75.4</b>	<b>12.3</b>	<b>7.0</b>	<b>3.5</b>	<b>1.8</b>

The owners themselves manage the production process, supply of raw material, and maintenance of the equipment and quality control of most of the SMEs (84.3 percent). The members of the family perform marketing, financial transactions and management of the staff. The handling of such activities by a single person results in the inefficiency of the enterprise. This is mostly found in both timber and food production sectors. Some 22.8 percent of entrepreneurs of SMEs have delegated no responsibility to any other person.

Most entrepreneurs have vested duties and responsibilities in family members, mostly in the wife or a child. They like to do so due to the factors of trust, willingness and careful attention and since it gives training for the members even to handle the industry in entrepreneur's absence. The lack of employees is another problem encountered. A very limited number of entrepreneurs have vested responsibility in friends and colleagues (15.9 percent). There are only a few industries in which the responsibilities are vested in managers and other employees; of them only a limited group had a proper system of organizational structure. Most other industries had a very unsystematic structure of organization, which has resulted in the entrepreneurs facing a multiplicity of problems.

### **The Weaknesses in Staffing**

The above factor deals with the recruitment and hiring employees with correct qualifications for achieving goals of the enterprise. One major weakness in the SMEs is the lack of systematic method of recruitment and selection of employees. A systematic selection process involves calling application, background investigation, and medical test. On the contrary, most of the SMEs follow an informal process for recruitment and selection. Some 70.2 percent of employees were recruited and selected on personal-biased favoritism. The most common method of recruitment is seeking the assistance of a friend, relative or an employee to look for suitable personnel for vacancies. In such situations, those who lack required qualifications had been recruited. Some 29.8 percent of the SMEs readily recruited those who came seeking employment. The excess of labor found in the economic system makes the entrepreneur's task of selecting of recruits easy, so that they do not follow a proper method of recruitment. In selection, 43.8 percent of entrepreneurs look only for the capacity of working. The qualifications for selection may vary from industry to industry in keeping with the capacity of the enterprise. The job experience is mostly considered in selecting employees to the industries such as textiles & garments, timber & timber products and food and beverages. But, most industries consider only the

working capacity. Hiring of an employee with capacity for work and giving training on the job was found common in most of the enterprises. Table 4 shows the industries that recruit and select employees with less qualification but with more capacity to work. Only a very limited number of industries consider the educational qualifications in recruitment and selection. Only 6 of the 57 industries have considered the education qualification with apprenticeship training for the recruitment and selection for the posts of bookkeepers and managers.

**Table 4: Qualifications for the Recruitment of Employees of SMEs**

Category	Academic	Apprenticeship	Both academic and Apprenticeship	Other	Total
<b>Total</b>	-	24	06	25	57
<b>Percentage (%)</b>	-	42.1	10.5	43.9	100

Some SMEs have hired no employees and those who work in these SMEs are the family members. The employees of most industries are on the casual basis. There are only an insignificant number of permanent employees working in these firms. The weaknesses in management have caused situations of absenteeism for work without notice, poor attendance and resigning, since the employees are not considered for absorption into permanent service, which has become one major problem faced by the SMEs.

#### **Weaknesses of Directing**

The direction means the proper use of physical and human resources for the achievement of the goals of an industry. Two important features of proper management are the provision of the leadership and the motivation of employees for profit maximization. The motivation of employees is one of the key factors that affect the progress of an industry. In SMEs studied this lack of employees' motivation was found to be another management deficiency. As Table 5 reveals, most of the industries have not taken any necessary step for providing proper training for employees. Lack of programs for staff training in 50 percent of SMEs is one major management weakness. The misconceptions by the entrepreneurs, of the ability of an employee performing a given task could be the major factor causing the above situation. The entrepreneurs point out that only one or two *trained* employees are needed and the other workforce does not need any training for the task. Especially, the enterprises like bakery, timber mills, sheet rubber mills, and metal industry do not require any such training, but providing such training would definitely boost efficiency of the industries. The entrepreneurs are not interested in providing training for all the employees. In addition, they are reluctant to impart the knowledge of such industries to employees, since there is a tendency of commencing new enterprises by renegade employees. In most cases, the technology is shared and kept only among the family members. This has resulted in the lack of proper knowledge and training among the lay employees.

Awarding talents, skills and dedication for service of the employees is the responsibility of the management. But, only 28 percent of enterprises do practice the above. Some entrepreneurs are not educated enough to practice rewarding

while in some there are no proper posts to be offered to those who do show talents and dedication. The staff welfare is another major factor of employee motivation. No staff welfare was found in 73.7 percent of SMEs studied. Even in the ones where welfare existed it was found at a very low level. There were instances where assistance was provided in cases of emergency. Supplying refreshment was also observed in these industries. Only very limited number of enterprises do provide staff welfare service to a satisfactory level. Most entrepreneurs neglect employees satisfaction in the work and do not pay for work that does not fall immediately within the job. There are only a limited number of entrepreneurs who motivate the employees by making promotions in his /her career.

**Table 5 : Motivation practiced by SMEs**

Category		Total	Percentage
<b>Provide Training</b>	<b>Yes</b>	24	42
	<b>No</b>	33	58
<b>Provide Welfare facilities</b>	<b>Yes</b>	16	28
	<b>No</b>	41	72
<b>Implement a promotion scheme</b>	<b>Yes</b>	12	21
	<b>No</b>	45	79
<b>Provide job security</b>	<b>Yes</b>	13	23
	<b>No</b>	44	77

#### **Weaknesses of Controlling**

The process of management means the total responsibility of comparing goals with actual results to direct the enterprise in the correct track for better results. This is needed for the proper function of an enterprise and the total progress also depends on management. A proper system of planning is essentially needed for the purpose of management. Management and planning are defined as two sides of the same coin. Management means the smooth run of a business according to the plan with necessary amendments for better results. But, in most SMEs, planning was found to be at a very unsatisfactory level. Hence, the entrepreneurs are not aware as to how to correct weaknesses in their industry. Most of the entrepreneurs questioned in the study were not able to provide answers to the questions with regard to planning while some provided wrong answers. There was another group who avoided providing answers. This reveals that only a handful of entrepreneurs had some knowledge of management. The majority was very weak in the managerial knowledge.

#### **Deficiencies in Production Management**

The major goal of most of the industries is the production of goods for the market to obtain profits. Hence, the industries always try to maximize the level of production. Thus, the proper management of production process enhances the progress of an industry. On the contrary, the deficiencies in production management have made obstacles for the progress of most of the SMEs. The major deficiency of production management of the industries studied is the lack of proper plans for future production. Although 26.3 percent of SMEs had made plans for future productions, the majority of the sector in question (73.7 percent)



had no such plans (see Table 6). Even, some had no systematic plans. Mostly, the amount of production growth, the technology used and the phases of growth were not systematically realized. In addition, in some cases they had planned the production but not the total cost, approaching market and the sources of finance.

The nature of the production process varies according to the nature of the industry. In some industries it is a very simple process while in others it is very complex. In the industries of timber and timber production, it was found to be in disarray. For example, in the timber industry, from fixing equipment to the production of goods, the process of production runs in a very improper way. The various stages of production take place at the same site of industry in an unmethodical system of production. This situation is mostly found in the industry of iron productions. It makes obstacles to the production process. The major factors for improper planning of production are found to be the lack of space, the expansion of the industry at different periods compelling the machinery to be placed at various places.

**Table 6 : Deficiency in key management areas**

Category		Total	Percentage
<b>Production process</b>	Planned	15	26.3
	Unplanned	42	73.7
<b>Marketing activities</b>	Planned	22	38.6
	Unplanned	35	61.4
<b>Financial activities</b>	Planned	09	15.8
	Unplanned	48	84.2

In addition, production stocks of the SMEs were found to be very unsatisfactory. Some industries of timber and timber production, metal, cement bricks and iron products were found to have unnecessary stocks. This results in financial crises of such industries. The congestion of raw material and production stocks makes a block in the flow of finance. Some industries have found it difficult to run the day-to-day business owing to this factor. They find it unable to make transactions of large amount, payments of employee salaries and other payments as a result of the unnecessary stocks of production.

Another deficiency found in production management is not recruiting qualified employees for various stages of the production process. In most industries the family members perform the production management. One common feature found in SMEs is ceasing production due to non-attendance of employees and the owner or family members being helpless. Other deficiency in the production management is that the quality controlling techniques were not practiced. Some 22 percent of the entrepreneurs examine all the products while 34 percent check only a randomly selected product. But 44 percent of entrepreneurs investigated did not check the quality of their products at all.

#### **Weaknesses of Marketing Management**

There are a number of marketing related deficiencies in SMEs. Most SMEs do not plan the growth of marketing and the process of marketing. Table 6 shows that 61.4 percent of SMEs have not planned marketing. A limited number of entrepreneurs have plans of improving quality of the goods, introducing goods of

a variety of shapes, identifying new markets and advertising. Those entrepreneurs who have planned the growth of marketing without a proper study of the market have encountered a number of problems in selling their products. Some 56 percent of SMEs had not studied the market. Most of them do not possess knowledge to do so. The other contributory factors for this situation are the non-availability of time to study the market, resulting in their market being very limited and in selling of some products directly to the wholesale traders.

Advertising is an important factor in the expansion of the market. Some 88.2 percent of SMEs in the study do not believe in advertising. Many entrepreneurs try to expand the market by the increase of quality. The market of SMEs is very limited except in the case of a handful of enterprises that have established certain goodwill by providing quality goods to people. They are not aware as to how to protect and expand their market. In addition, some entrepreneurs are not capable of allocating high expenditure on advertising. But, some do advertise through mass media while some others are engaged in it by using posters and sponsorship in different competitions. The factors that affect the entrepreneurs in not being engaged in advertising are their lack of knowledge in the subject.

### **Weaknesses of Financial Management**

Financial management is a must for any type of enterprise. Lack of proper financial management may create problems of various types in business. One major weakness with regard to financial management in SMEs is not planning the future finance. They achieve targets without any monthly or annual estimation of expenditure, income and the expected profits. The future plans of finance are almost invisible in SMEs. As Table 6 reveals one major weakness of 84.2 percent of SME is not having plans for future financial management. The lack of financial management creates problems related to the management of the enterprises. Since the major source of income for many entrepreneurs is the enterprise, they spend money out of the business on their private matters. Many enterprises have faced crises due to the use of money without proper calculation of profits. Further, most of the SMEs in the study area do not maintain systematic book keeping procedures. Those who maintained books are also very unsystematic. Some 47.4 percent of the total of SMEs does not maintain accounts. Some 86% of entrepreneurs do not calculate loss or profit. The entrepreneurs have encountered different problems due to not having accounts and having careless maintenance of accounts. They mainly do not know the exact amounts of loss and profits. Many SMEs have faced financial constraints due to the non-availability of proper financial management systems.

There are a number of factors for non-availability of financial management in SMEs, such as the lack of knowledge of systematic book keeping, not having trained employees for book keeping, not knowing the benefits of maintaining accounts, ability of keeping mental records due to a few numbers of customers turning up, and not having a time schedule for business.

## **Weaknesses of Personnel Management**

Personnel management is one of the major and important components of the management and also it is the major determinant factor of the production in the industry. Staffing right employees and motivating them directly causes the increase of production in the business. But, it was found that personnel management was not properly practiced in the SMEs. Some 77.2 percent of the small entrepreneurs did not evaluate performance of the employees because they did not like to increase the salary of employees. On the other hand, 58 percent of the entrepreneurs did not provide any systematic training for employees because most employees were on a temporary basis and they were doing the hardest part of work. In addition, 72 percent of entrepreneurs did not provide any kinds of welfare and health facilities for the employees. A major reason for not practicing personnel management is the fact that the entrepreneurs did not have sufficient knowledge of personnel management and most entrepreneurs did not like to provide facilities for employees like training, health and welfare due to the increase of cost of production.

## **Conclusion**

A number of management deficiencies contributed for the poor growth of SMEs. Management deficiencies have relatively lessened in SMEs that have a high number of employees. It has come to light that the rate of employment increases together with the growth of SMEs and the management process of an industry becomes systematic with the growth of the industry. Lack of better planning in small industrial sector is another important deficiency. Most entrepreneurs did not have any kind of plan. They did not decide the expected production, profit, sources of finance, finishing date, expected problems and how to overcome the problems etc. Therefore, most of the SMEs fail to achieve expected objectives. Entrepreneurs usually face problems, obstacles and get the advantages from external and internal environment of the firms. Most small entrepreneurs did not clearly judge such obstacles, problems and also advantages. They were not ready to take advantages. Furthermore, most entrepreneurs faced various problems related to marketing and finance since industry was started without examining any external and internal benefits.

Owners of most industries perform as General Manager. Sometimes they do a lot of duties in the firms. They handled all the responsibilities that were not vest in others. Authorized responsibilities are not allocated to various sections and they have been mostly delegated to family members. Activities of most of the industries have been divided into a few sections. Therefore, most of SMEs did not function efficiently due to the delay of decision-making process and at the same time poor controlling and directing can be observed due to the busy schedule of owners. Most SMEs fail to maintain quality of the products, produce sufficient commodities on time, purchase raw materials and deliver products for the market on time.

There is no proper procedure for providing employment in most of the industries. New employees are recruited and selected according to personal influence of the owners. There is insufficient motivation of employees in most industries. Most SMEs do not provide welfare facilities, promotions, and retirement benefits like EPF, ETF etc. Therefore, labor dissatisfaction averts the growth of the SMEs.

Production management of SMEs is very weak, because production process of most industries is not systematically and formally organized. Results are the increase of cost of the production, and also spending a long period to produce commodities. Furthermore, most entrepreneurs do not use better quality controlling procedure, planned production process and new techniques. There is no better marketing management in SMEs. No proper planning of marketing, no change of the quality and nature of the products, no better advertising system are the major deficiencies in marketing management in most SMEs. Most small entrepreneurs do not plan future financial transaction, profits and source of finance. Some maintain only cashbooks thus; financial management is neglected in SMEs. Most SMEs have been established in inappropriate places. This may have increased the problems of management in SMEs. Performance of many of the SMEs is very poor due to the deficiencies of management. Poor management knowledge of entrepreneurs causes managerial deficiencies. Therefore, they cannot judge the problems and barriers coming from internal and external industrial environment. Developing managerial knowledge of entrepreneurs of SMEs can accelerate the growth of SMEs.

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