The Financial Institutional Support Affecting the Business Performance of SMEs in the Southern Province of Sri Lanka

H.K.G.S. Ranasinghe[1*], R. T. T. Kumari[2]

[1] *Senior Lecturer, Department of Entrepreneurship, University of Sri Jayewardenepura, Sri Lanka,*
[2]*Department of Entrepreneurship, University of Sri Jayewardenepura, Sri Lanka,*

Abstract: This research was conducted to assess the impact of support provided by the financial institutions on business performance of SMEs in the Southern Province, Sri Lanka. The major problem of the study is whether Business performance is affected by the current support provided to the SMEs by the financial institutional in Sri Lanka, It has been observed that SMEs have been facing several problems and the financial institutions provide facilities such as credit, training, technological support, as well as monitoring & supervision services. The main objective of the study is to determine the influence of different support systems available by the financial institutions on the business performance of SMEs and how these could be improved. This research covers the Southern Province of Sri Lanka. Data were collected through a structured questionnaire from a sample of 122 SMEs. The sample was chosen using a convenient sampling technique. Analyzing the collected data was done by using the software of Statistical Package for Social Sciences through reliability test, validity test, Pearson correlation, and regression analysis. Thereby it was revealed that Financial Institutions have a positive effect on the business performance of SMEs in the Southern Province, Sri Lanka. Further research should be carried out on those aspects to improve the result.

Keywords: Business performance, Credit, Financial Institutions, SMEs, Training

I.   INTRODUCTION

The significance of business research in social sciences is establishing more than ever and many researchers have investigated the business performance of Small and Medium Enterprises (SME) in the developing or developed countries [8]. In these discussions, massive contribution of SMEs to socio-economic development is emphasized [5]. This involvement of the SMEs in the overall business performance of the economy constitutes a critical intention for researchers to examine the key success factors behind their business performance of the establishment [18].SMEs record and create a large part of Sri Lankan economy and it is contributing for approximately 80 percent of all establishments and around 86 percent of industrial establishments, 63 percent of trade sector establishments, and 68 percent of service sector establishments [5]. The SME sector has an important role in promoting wide-ranging growth, enhancing entrepreneurial skills, inspiring innovations, encouraging economic growth, creating prosperity, alleviating poverty, and promoting social cohesion. The SME sector largely exceeds the average economic growth of national economies in many countries and contributes significantly to employment opportunities [3]. Formal SMEs contribute up to 40 percent of national income in emerging economies and this number is significantly higher when informal SMEs are included [4].

Nevertheless, there is no agreement about the characteristics and determinants of SME business performance investigation in the contemporary Sri Lankan context. Thus it is of vital significance to recognize how the business performance of SMEs can be constantly enhanced. Accordingly, this research is focused on the business performance of SMEs which would in turn be taken as the dependent variable of the study.

Financial institutions play an important role in economic development in any country [3], Financial institutions cater to important needs of society such as taking care of credit facility at reasonable rates. Every day, working men and women have the option of putting their savings into several alternatives such as government small saving schemes, deposit into a saving account provided by their bank, recurring, deposits, time deposits, and also investing in mutual funds or stocks [3]. Finance is also known as capital, credit and commercial pursuit as blood is to the human body. Finance is important to the survival and growth of SMEs. On the other hand, there is limited evidence that confirms the role of financial institutions in the business performance of SMEs.

In talented markets, most formal jobs are created by SMEs, which generates seven (7) out of ten (10) jobs [4]. However, access to finance is a key constriction to SME growth; it is the second most cited obstacle facing SMEs to grow their businesses in emerging markets and developing countries all over the world. Promoting SMEs' right of entry to financial support and decisions taken for innovative solutions are available sources of investments. When SMEs can easily access finance, it will lead to achieving great opportunities for developing businesses and acquiring better technologies for the smooth functioning of the production process of

the businesses. Further, it tends to increase the level of productivity in the entire process and therefore, aiding their competitive power. However, it now poses a major bottleneck situation when it comes to scouting for expansion funds from conventional commercial banks and other financial institutions.

The influence of financial institutional support on the business performance of SMEs anywhere is very critical and important to the development of economies. SMEs provide the vast majority of employment in developing countries and keystones in the productive structures of emerging economies, such as; improvement of local technology, output diversification, development of indigenous entrepreneurship and forward integration with large-scale industries. In addition to providing substantial employment, financial institutions play very prominent roles in a firm's growth and industry productivity and economic growth. The literature highlighted that financial institutions provide different types of supports for SMEs such as credit facilities, technological supports, training, follow-up and supervision, and so on. Therefore, this research will significantly examine the financial institutional support for the business performance of SMEs in the Southern Province, Sri Lanka.

II.   Literature Review

Firstly, the fundamentals of SMEs will be explained using valuable theories, approaches, and models in the literature review??. Secondly, the theoretical views will be addressed in relation to SMEs and the business performance of SMEs as the dependent variable of this study. Thirdly, the relevant concepts of the independent variable will be discussed. Definitions and meaning, significance and dimensions of independent variables will be enumerated and the effect of these factors on the business performance of SMEs will be highlighted to give more strength to the present views.

2.1   The theoretical background of the study: The theoretical support adopted for the paper involved the Pecking-Order theory, Bank Capital Channel model, and Lumpkin and Dess model, and the Approach of Life Cycle adopted in this work attempts to explain small-firm financial structuring.

2.1.1   The Pecking Order Theory
This theory stipulated by Myer (1984), asserts that most firms met their financial needs in an order of hierarchy, firstly by the use of internally generated funds, secondly borrowing in form of debt, and thirdly by generating funds through equity. Commonly, this practice is predominant in Small Firms and implies the inverse link between profitability and borrowings.

2.1.2   Bank Capital Channel Model
The lending behaviors of bankers to entrepreneurs are greatly highlighted by this model as it concerns capital adequacy requirements. The model looks at interest rate volatility as a determining factor to their financial treatment, particularly when their credit offer is shrieked down by the strength of their capital-base. The implication is that, often, as interest rates increase, the funding cost of banks' external funding also increases, thereby reducing profit tendencies. When this happens the bankers are forced to reduce their credit issue, especially when there is a capital-base constraint.

2.1.3   Lumpkin and Dess Model
According to the Lumpkin and Gregory Dess model the relationship between EO (Entrepreneurship Orientation) and the Business performance of SMEs is shown. This is one of the basic models which helps to find the firm business performance.

2.1.4   The Lifecycle Approach
This approach according to Weston and Brigham (1981) was conceived around the platform of speedy growth and poor access to the capital market. SMEs are perceived to be started by exploring only the owners' resources. Whether or not the firms could make it subsequently, the threat of insufficient capital would later surface, and then the tendency to resort to other sources of funds would emerge. The dynamic small firm prefers to choose between curtailing its growth to keep in line with its minimally generated funds, get an expensive stock market quotation, or desires an almost impossible volume venture capital [28].

2,2   Significance of SMEs to the country
SMEs have a critical role in this development stage and very often majority of the big corporates depend on them as a supplier for production inputs. SMEs are described as essentials in accomplishing the sustainable goals by promoting sustainable economic growth, providing suitable work for all. Further these tend to promote sustainable industrialization while encouraging innovation, and reducing income inequalities. It is reported that SMEs in Uganda constitute over 90% of the private sector, contribute 75% of the country's GDP.

Furthermore it is evident that SMEs present 85% of the Kenyan workforce as much as they add value to the economy [5].

2.3 Dependent and Independent Variables of Factor Considerations
2.3.1 Credit Facility
The world is witnessing dynamic changes in the international business environment. The role played by SMEs in today's global economies is a highly interesting matter, as they are a primary driving force for job creation, decrease unemployment, income generation, and have a grand role in innovation and technological progress. SMEs and micro-enterprises comprise more than 95% of firms and represent 50% to 66% of non-farm employment and Gross Domestic Product worldwide [9]. Literature confirms that approximately 70% of all SMEs in developing markets lack access to finance that makes it difficult to survive or expand [9].

2.3.2 Technological Support
In the companies and countries that assimilate new technologies and innovations, rapid changes are expected. Different studies are analyzing technological supports, especially factors that impact ICT adoption. Analysis of ICT effects in the private sector is significant only after a thorough analysis of conditions that should be satisfied to successfully adopt ICT- expectations towards the positive impact of ICT and characteristics of an individual company (financial, technological, personal resources, the flexibility of structures, etc.) are closely linked. According to Abara et al., (2017) the adoption of the ICT is considered to be a means to enable businesses to compete on a global scale, with improved efficiency, and closer "customer and supplier relationship [1]. Therefore, the adoption of ICT is recognized as a crucial condition enabling SMEs to consider information and communication technology as an important implement in their business to take competitive advantage from the global markets [1].

2.3.3 Training Facility
Banks and MFIs provide training to small and medium enterprises that are crucial for the successful business performance of enterprises. Management competence encompasses functional knowledge, management skills, and managerial behavior. Thus, competencies such as marketing, financial control, training, and networking among others, are management functions, although in many studies, the success of the informal sector pivot on the managerial skills of the entrepreneurs who are attracted to the sector due to the relatively low investment and service costs required [8]. The training was found to be playing a vital role in small and medium enterprise for their growth, especially in assisting the businesses to repay their loans to get more credit in the future [4].

2.3.4 *Follow-up and Supervision*
Financial institutions performs this to ensure the SMEs use the loan based on the proposal [4]. However, this is not only conducted for loans, but this follow-up and supervision process is applied for other support taken from financial institutions too [9].

2.4 Dependent Variable
The dependent variable of this study is the constituent used to measure the business performance of small and medium enterprises, and it is measured by two components consisting of financial and non-financial [7].

2.4.1 Financial Measurements
Financial measurement is considered as one of the critical areas to evaluate the business performance of SME. Sales, Capital, Revenue, Profits, Return on Assets (ROA), and liquidity position of the businesses were considered to measure the financial strength [2].

2,4,2 Non-Financial Measurements
Presenting the need for knowledge of the Non-financial aspects of a business in determining the Business performance of SMEs, many studies explain that SMEs can be better defined by the qualitative attributes such as employee satisfaction, owners' satisfaction, and goodwill of the business. In accordance with this concept some studies designate that in the quantitative definitions the main features of SMEs are elapsed [2].

2.5   Empirical Views of Impact of MFIS on Business performance of SMEs

The literature highlighted that several researchers have evaluated the role of financial institutions in the development of SMEs in many countries [13]; [14]; [15]. Some studies presented significant evidence through the contribution of microfinance institutions to the sustainable growth of small and medium scale enterprises in Nigeria [13]. The findings exposed that MFIS does and could contribute to the sustainable growth of SMEs in any economy. The study also revealed that among others, MFIS services provided to SMEs in the developing countries around the world at present is at a poor level [15].

Ojo et al (2009) examined the impact of microfinance on entrepreneurial development in Nigeria. The researcher concludes that microfinance institutions world over and especially in Nigeria are identified to be one of the key players in the financial industry that have greatly impacted individuals, business organizations, other financial institutions, the government, and the economy of the nation at large, through the services they offer and the functions they perform in the economy.

Oni, and Daniya, (2016) tried to investigate the development of Small and Medium Scale enterprises and the role played by the Government and other Financial Institutions, to find that financial institutions provide the necessary financial lubricant that facilitates the growth and development of Small and Medium Scale Enterprises. They stressed that a lot still ought to be done by the government in terms of policy formulation to complement and aid the efforts of financial institutions [12].

As the backbone of any economy, SMEs need financial institutional support to perform in the economy [14]; [15]. This research seeks to find out the impact of financial institutions' support on the business performance of SMEs and how it could be improved.

III.   Methodology

3.1   Conceptual Framework

The research study seeks to understand the impact of financial institutional support on the business performance of SMEs in Southern Province, Sri Lanka. Under the literature review, the following factors have been recognized as the most influential elements of the concept of Financial Institution Supports; Credit Facility, Technology, Training and Monitoring & Supervision [12]; [13]; [14]. Business performance of SME serves as the dependent variable of this study. Fig 1 presents the conceptual framework as below.
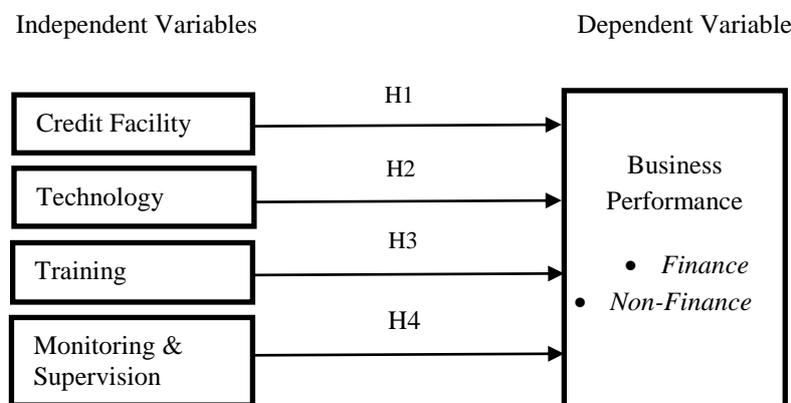

Fig 1: Conceptual framework of the study

The conceptual framework illustrated above depicts the impact of the four constructs. The previous section on conceptual framework explains the shreds of evidence from the literature that substantiates the impact of the study constructs adapted in the conceptual framework. The impact of the variables was developed into hypotheses that address the research questions. Below are the hypotheses that were developed for thestudy.

H1: There is an effect of Credit facilities on the Business performance of SMEs in the Southern Province, Sri Lanka.

H2: There is an influence of Technological Support on Business performance of SMEs in the Southern Province, Sri Lanka.

H3: There is an influence of Training Facility on Business performance of SMEs in the Southern Province, Sri Lanka.

H4: There is an influence of Follow up procedure on the Business performance of SMEs in the Southern Province, Sri Lanka.

3,2   Research Design
This process consists of design in research philosophy and research approach, research paradigm, research design method, justification, and type of data. Research design is a framework drawn by the researcher explaining the way of collecting and analyzing data so that the research questions can be properly answered [17]. Figure 02 presents Onion Model for the research design as follows.
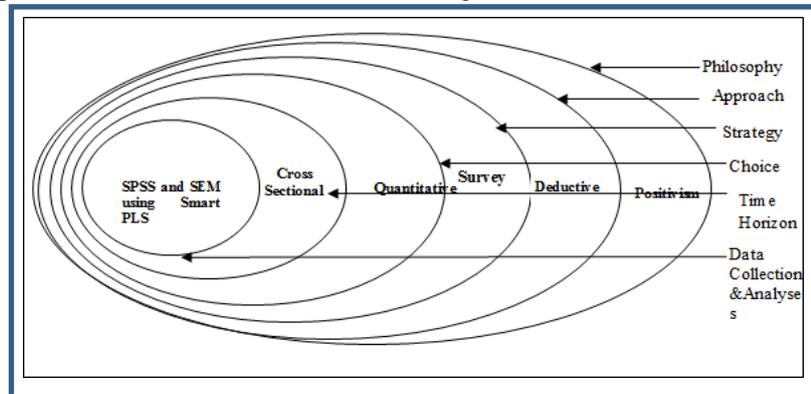

Fig 02: Onion Model for the research design – Saunders, Lewis & Thornhill (2016)

3.2.1   Population and Sampling Design
Population - The target population of this research study is SMEs in the Southern province, Sri Lanka. The population consists of 123,609 SMEs who have registered their businesses at the Department of Censes & Statistics.

Sample size - Based on the population of 123,609, the sample size should be 384 to be under 5% margin of error and 95% confidence interval to represent the entire population of SMEs in Southern province, Sri Lanka. Due to the Covid-19 situation of the country, only 122 respondents were selected for the study as it's difficult to work with the exact sample .

Sample unit of analysis - Individual SME in the Southern province Sri Lanka can be identified as a unit of analysis.

Sampling technique - The researcher used a convenient sampling method which is based on the ability to collect data from members of the population who are readily available to participate in the study.

3.2.2   Data collection approach - A questionnaire was the tool that was used to collect primary data
The self-administrated questionnaire with close-ended questions in both Sinhala and English languages was administered to collect data under three sections as Section A; Demographic information, Section B; Independent variable, and Section C; Dependent variable. The answers were arranged to mark in a five-point Likert scale where '5-strongly agree, 4- agree, 3- neutral, 2 - disagree, and 1- strongly disagree.'
The researcher used previous research reports, statistical data analysis published by the Department of Census and Statistics as well as previous reports and web articles as the secondary sources of data collection.

IV.   DATA ANALYSIS
Collected data were analyzed and evaluated, using the statistical software package for Social Science (SPSS) based on Univariate, bivariate and multivariate analysis methods.

4.1   Specification of Empirical Research Model
To estimate the impact of financial institutions such as banks and MFIs on the growth of SMEs, the following general empirical research model was developed [13]:
$Y = \beta o + \beta k X + \epsilon$

Y represents the mean value of a dependent variable Business Performance, βo is the intercept, βk represents the coefficients of the X variable and X represents the explanatory variables (simplicity of criteria, borrowing cost, size of the loan, duration of loan, training, savings account and follow up supervision) while ϵ is the error term

4.2   Results and Discussion

This section presents respectively the survey results obtained from sample SMEs and in-depth interview results gathered from selected financial institutions and the results of a regression model based on the available information accumulated from SMEs records [15]. By screening data, the missing values and outliers of the data set were found which might disturb the results of the study. Boxplot can be used to identifying outliers of the data set.

4.3   Respondents Profile

Based on the sample, frequency analysis of the respondents were summarized by their demographic information. Out of the total, 94 respondents were males and 28 were female SMEs which indicates that most of the respondents were males. According to the age of the respondents, 12 were below 25 years, 06 belong to the category between 26-35 years, 51 occupied the 36-45 years, and the remaining 53 were above 45. This concludes that the majority of respondents were above 45. In relation to the type of the firm, 26 SMEs were involved in manufacturing, 40 belonged to service, 42 traded and 14 were others. Therefore a majority of the respondents had manufacturing firms and others were a minority. Considering the ownership of the business, 78 SMEs were sole-proprietorships, 16 existed as partnerships, 19 belonged to the category of companies and 9 remain as others. Hence it can be observed that most of the respondents were sole-proprietorship.

When considering the duration of the business operation, 65 were less than 1 year, 19 have run the business between 1-5 years, 24 belonged to the category of 6-10 years and 14 were involved in the business for more than 10 years. Hence it shows that most of the businesses have been in existence for less than one year while a minority occupied the category of more than 10 years of business operations. The details of the Education level of the respondents illustrates that 42 were below GCE (OL), 59 have passed the level of GCE (OL), 16 have reached the level of GCE (AL), and 05 possessed qualifications above GCE (AL). This demonstrates that a majority of the respondents had studied up to GCE (OL) and a minority had qualifications higher than the GCE (AL).

The type of financial institutions they dealt with shows that 74 got their loans from formal banks, 14 obtained from formal non-banking financial institutions, 16 preferred leasing companies, 5-gained microfinance, and 13 fulfilled their finance requirement through the informal lenders. Hence it is clear that most of the respondents reached formal banks for financial support while a minority chose microfinance. The majority of them agreed that credit facility was the main source of finance, considered minimum qualifications, helped them to carryout successful business, and they were satisfied with the loan amount. Thus they did not agree that lending terms were favorable while most of them remained neutral. Training facility was tested with 5 questions, and they agreed that different types of training facilities provided by financial institutions have helped them to conduct their work effectively, improved their knowledge after participating in training, facilitated by financial institutions. However, they were not in agreement with the fact that they have improved the quality of goods and services after participating in training provided by Financial Institutions.

Technological Supports also included 5 questions. Equal number of respondents disagreed, showed neutral response, and agreed with the statement that advanced technology assisted them to change the way of dealing. new technology saved their time and cost while they received real-time alerts when a transaction is due. Monitoring & Supervision also consisted of 5 questions.

4.4   Reliability and Validity Test

The reliability of research ensures the consistency of the data set where validity refers to the accuracy of a measure. It states whether the results represent what they are supposed to measure. By using Cronbach's alpha value consistency of the data set can be measured for the study. However, the general rule of Cronbach's alpha is if the value is above 0.7, it can be considered as reliable data [20]. Therefore,it is better to have values closer to 1 to have higher internal consistency. Table 1 represented the reliability results of this research study.

TABLE 1: Reliability Test with Cronbach's Alpha Value

Variables	No of items	Cronbach's Alpha values
Credit Facility	5	.898
Training Facility	5	.848
Technology Facility	5	.898
Monitoring & Supervision	5	.891

Business performance-Financial	6	.917
Business performance-Non-Financial	7	.912

Based on Table 1 Dependent variable, business performance have 0.917, 0.912 Cronbach's Alpha values and the independent variables CF, TF, TEF, MS have 0.898, 0.848, 0.898, 0.891 respectively. Since the required Cronbach's Alpha level was satisfied, it can be stated that the data are reliable [20].

Factor Analysis

Factor analysis attempts to bring correlated variables together under more general, underlying variables. The purpose of factor analysis is to reduce many individual items into fewer dimensions. Factor analyses offer not only the possibility of gaining a clear understanding of the gathered data, but also the possibility of using the output in subsequent analyses [22]; [23]; [24]; [27].

Table 2 shows the KMO values of each variable to measure the sampling adequacy. KMO values should be greater than 0.5 to consider as valid data. So all the variables were satisfying the required level of adequacy. Table 2 represents the KMO and Bartlett's values as follows.

TABLE 2: KMO and Bartlett's Test Value

Variables	KMO measure of Sampling Adequacy	Bartlett's Test of Sphericity		
		Approx. Chi-Square	df	Sig.
Credit Facility	.852	417.623	10	0.000
Training Facility	.685	376.248	10	0.000
Technology Facility	.849	440.286	10	0.000
Monitoring & Supervision	.842	412.007	10	0.000
Business performance-Financial Business performance- Non-Financial	.828 .871	602.938 1045.343	15 21	0.000 0.000

Based on this information it can be concluded that all the indicators and dimensions that are used to develop the construct are soundly valid.

4.5 Correlation Analysis

To determine the relationship between the dependent and independent variables correlation analysis can be done by using bivariate analysis. The correlation coefficient describes the strength of the relationship in terms of numbers as well as the direction of the relationship whether positive or negative [10]. Based on the results of the normality test, since the data are normally distributed as skewness and kurtosis values were in the required range, the Pearson correlation-two-tailed test can be used to measure the relationship [21].

A value of exactly 1.0 means there is a perfect positive relationship between the two variables, where a value of -1.0 means there is a perfect negative relationship between the two variables. When the value is between 0-0.2 relationship is weak or none, if it has a value within 0.2- 0.4 indicates weak link, value in the range of 0.4- 0.6 suggests a moderate connection, 0.6-0.8 values show strong association while the coefficient values between 0.8- 1.0 denotes a strong and very strong relationship between variables [11].

According to this research, we can see a strong and very strong relationship between variables. Table 03 represents the correlation values as follows.

TABLE 03: Correlation values of the study

Correlations		TCF	TTF	TTEF	TMS	TFM	TNFM
TCF	Pearson Correlation	1	.852[**]	.817[**]	.742[**]	.856[**]	.669[**]
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	122	122	122	122	122	122
TTF	Pearson Correlation	.852[**]	1	.885[**]	.712[**]	.874[**]	.690[**]
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	122	122	122	122	122	122
TTEF	Pearson Correlation	.817[**]	.885[**]	1	.869[**]	.917[**]	.809[**]
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	122	122	122	122	122	122
TMS	Pearson Correlation	.742[**]	.712[**]	.869[**]	1	.827[**]	.819[**]
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	122	122	122	122	122	122
TFM	Pearson Correlation	.856[**]	.874[**]	.917[**]	.827[**]	1	.810[**]
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	122	122	122	122	122	122
TNFM	Pearson Correlation	.669[**]	.690[**]	.809[**]	.819[**]	.810[**]	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	122	122	122	122	122	122
**. Correlation is significant at the 0.01 level (2-tailed).							

4.6 Multi-collinearity

Multicollinearity is the occurrence of high inter-correlation among two or more independent variables in a multiple regression model. Multicollinearity can be measured using Variance Inflation Factor (VIF) values. If the values of the VIF are more than 3 it indicates the high correlation among variables [20].

This research study specifies VIF values under 10 and more than 3 indicating there is a high correlation among variables. The individual VIF values of the variables are shown below.

TABLE 04: VIF values of the study

Variable	VIF Value
TCF	4.233
TTF	6.792
TEF	9.815
TMS	4.674

4.7 Regression Analysis

Regression analysis can be identified as the reliable method that is used to measure or estimate the impact among variables. The process of performing a regression allows determining which factor matters most, which factors can be ignored and how these factors influence each other.

4.7.1 R-square and Adjusted R-square

R is the correlation between the predicted values and the observed values of Y. R square is the measure that represents the proportion of the variance for a dependent variable that is explained by the dependent variable. The model summary is presented in table 05 as follows,

TABLE 05: Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.934[a]	.871	.868	.62382
a. Predictors: (Constant), TMS, TTF, TCF, TTEF				
b. Dependent Variable: TDV				

The value for R is 0.934 while the value for R-square is 0.871 which indicates the data are closely fitted to the regression line.

4.7.2   ANOVA

Analysis of Variance (ANOVA) consists of calculations that provide information about levels of variability within a regression model and form of basic regression line concept. ANOVA presented in table 06 as follows,

TABLE 06: ANOVA

ANOVA[b]		Sum of Squares	Df	Mean Square	F	Sig.
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	350.867	4	87.717	225.407	.000[a]
	Residual	51.757	133	.389		
	Total	402.623	137			
a. Predictors: (Constant), TMS, TTF, TCF, TTEF						
b. Dependent Variable: TDV						

4.7.3   Coefficient

B values are very important to identify the rejected and accepted variables. The coefficient result of this research study is represented in table 07 as follows,

TABLE 07: Coefficient

Coefficients		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
Model		B	Std. Error	Beta			Tolerance	VIF
	(Constant)	-.338	.259		-1.307	.193		
	TCF	.116	.025	.085	1.334	.017	.236	4.233
	TTF	.012	.033	.124	1.524	.130	.147	6.792
	TTEF	.183	.041	.434	4.458	.000	.102	9.815
	TMS	.148	.029	.347	5.161	.000	.214	4.674
a. Dependent Variable: TDV								

Based on the coefficients the model can be formulated as;

BP = -0.338+0.116TCF+ 0.183TEF + 0.148MS + e1

According to the coefficient values below table 08 represents the rejected and accepted variables.

TABLE 08: Hypothesis Testing

No.	Hypothesis	Comment
H1	There is an effect of CF on BP	Accepted
H2	There is an effect of TF on BP	Rejected
H3	There is an effect of TTEF on BP	Accepted
H4	There is an effect of MS on BP	Accepted

V.   CONCLUSION AND RECOMMENDATIONS

5.1   Conclusions

This study investigates the impact of financial institutional support on the business performance of SMEs by taking evidence from SMEs, in Southern province, Sri Lanka. Based on the results of descriptive statistics, correlation, and regression analysis, the following outcomes can be stated

The primary contribution to the existing literature by this study is an indication of a relationship between the financial institutions, particularly, banks and MFIs in terms of credit facility, technology facility, training facility and follow up and supervision. Not much research has been done to examine the impact of financial institutions on the business performance of SMEs in Sri Lanka [6]; [18]. In that sense, the result best serves as an input for discussion on financial institutions' products and services accessible for policymakers and FIs themselves. The study findings indicate that there was a positive relationship between a credit facility and the business performance of SMEs. The influence is relatively significant. Similarly, the technology facility, follow up and supervision provided by financial institutions to SME also have a positive effect on the business performance of SMEs even if the influence is significant. Training also has the same relationship but the influence is insignificant. These results were founding in the same type research in the literature too [27]; [28]; [29]; [30].

5.2   Recommendations

Another main objective of the research was to provide a recommendation on what necessary actions could be taken to improve the support provided by the financial institutions to enhance business performance of SMEs influenced by credit facility, training facility, technology facility & monitoring, and supervision. Mainly in order to improve the business performance of SMEs, the need to support financial institutions properly is highlighted to improve Credit Facility, Training Facility, Technology Facility and Monitoring & Supervision of the SMEs.

5.3   Further Research

This research only focused on Southern Province, Sri Lanka where much of the booming business activities are fueled by nearby manufacturing and service activities. The conditions and socio-cultural mix of entrepreneurs in this area are not the same as in other parts of Sri Lanka. Therefore, there is a need to conduct a more extensive surveys in other rural districts in Sri Lanka before generalizing the findings to the entire country.

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