

## **Institutional support, readiness and relative perceptions in addressing sustainability challenge of agro-based SMEs in the competition: Evidence from Sri Lanka**

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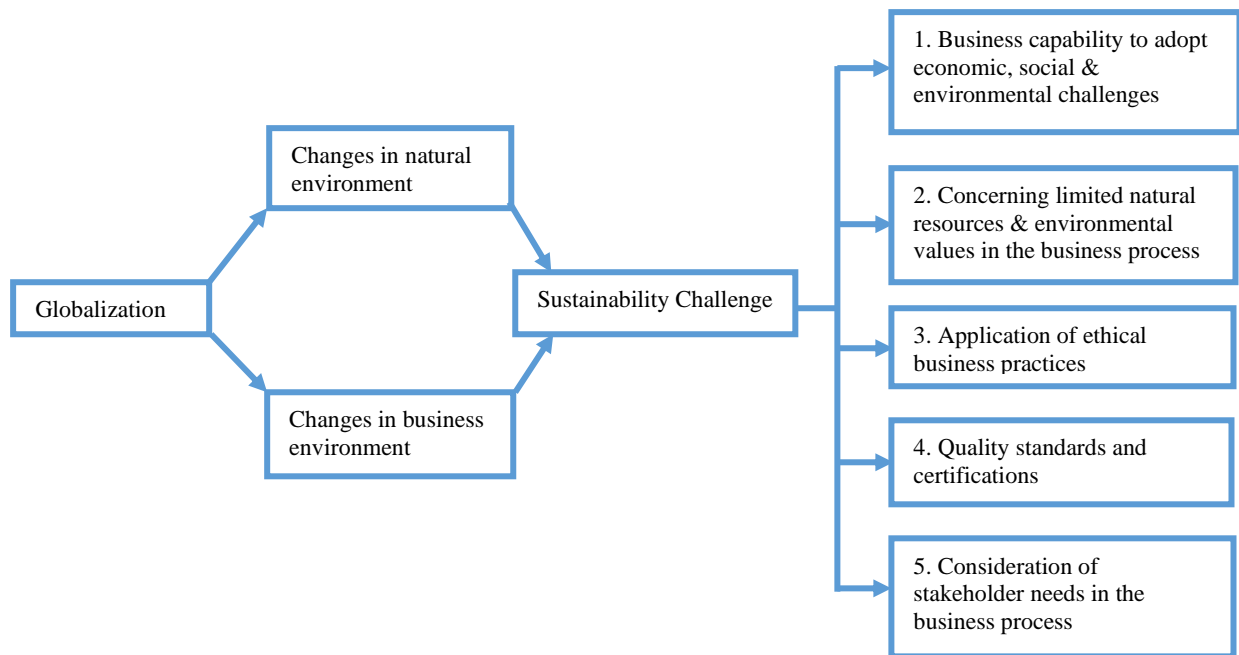
### **1. Introduction**

Small and Medium Enterprises (SMEs) can be entitled as the pioneer force of attaining a sustainable development in any economy under the globalized economic conditions (Prasanna et al., 2019). Therefore, it is equitable to designate them as the backbones of both developed and developing countries. Similar to those countries, the SME sector in Sri Lanka has been named as the key driver for acquiring a strong economy, regional development, reducing unemployment and poverty. But, due to the feckless ability to face the three competitive challenges - sustainability challenge, global challenge and technological challenge (Auwal et al., 2020), compete, survive and succeed in the intensified competition have become infeasible for SMEs. Specially, the increased failing rate of a large number of firms within a few years of their commencement is identified as a distinctive issue (Shihadeh, et al. 2019). Among the above-mentioned competitive challenges, many scholars proposed sustainability challenge as one of the key hurdles of the SME sector, which becomes the main focus of this study. The changes in the global business and natural environments challenge the sustainability of SMEs. Hence, the institutional support and readiness is recognized as a key element for SMEs to be sustained in the intensified and globalized economic conditions. Involvement of SMEs in agriculture secures the country's food security. Therefore, the main objective of this study to investigate the support and readiness of local institutions, and their officers' relative perception on institutional support towards SMEs in facing sustainability challenges, and to address the noticeable lack of research work by taking agro-based SMEs in Sri Lanka as a case.

### **2. Materials and Methods**

A qualitative, case study-based methodology was used for the study by concerning the special nature of the cases to be investigated. Specially, to enable the researchers to investigate and identify new areas and scopes, possibly dropped by previous studies. All the primary data were collected via conducting in-depth interviews. As conducting interviews are renowned as one of the most effective data collection procedures in case study-based research methodology, a series of key informant interviews were conducted to gather data by using a pre-tested interview guide, mainly consisted open-ended questions. Data were gathered from thirteen respondents representing thirteen local institutions related to the Sri Lankan agri-business sector. The purposive sampling method was used in selecting the sample respondents to permit that respective officer have at least more than a year of experience in working with agro-based SMEs in the field. Therefore, it could be assumed that they have considerable amount of experiences and knowledge to express and comment on their perspective on the SMEs confronting sustainability challenge and nature of institutional support. The interviews lasted for about fifty minutes on average and the respondents were contacted via face-to-face meetings or over the phone. All the interviews were recorded with the consent of the respondents. An in-depth thematic area analysis was adapted to analyze the data collected from the interviews and identified five key sustainability challenges faced by SMEs.

### 3. Results and Discussion



**Figure 1. Relationship of SMEs’ sustainability challenges**

First, the study recognized the importance of having the potentiality of firms to identify and adopt socio-economic and environmental changes. Therefore, the study proposed the importance of both policy level and institutional level discussions over probable modifications in above mentioned changes and thereby legislature mediation to permit the financial security, environmental security and social security to reach a sustained SME growth across the country *“Entrepreneurs do not go to many government banks because the systems of those banks are not favorable for them”*. It also shows the importance of nourishing the entrepreneurship mindset, attitudes and values in the curriculum of state educational institutions comprising technical and vocational programs to bring forth job creators rather than employment seekers.

With regard to environment values and limited natural resources in the business process, the research highly peels the importance of establishing and improving recycling systems and focus SMEs’ attention on material flow analysis and strengthen their responsibility arrangements regarding the laws and regulations *“Most of them don't even know about the Environmental Protection License (EPL). We conduct training sessions for those entrepreneurs with the participation of the Central Environmental Authority to aware them about those environment-related matters”*. Therefore, institutions need to perform a significant role to develop easily acquirable and simple solutions, which allow the SMEs to achieve their business targets in a more environmentally friendly perspective, by acquiring consumer demand and attraction for sustainably and environmentally friendly produced products.”

In-depth discussions with respondents revealed that the policy reforms initiated by many successive governments undoubtedly show their dedication towards forming an ethically competitive economy, combined with sustainability. But some cases reveal the unawareness of SMEs on practicing environmentally friendly production technologies and green growth opportunities. Some cases show the areas which required the government interventions in terms of enforcing the human resource of such institutions. As study reveals, government intervention is an essential strategy to the areas where, are influencing by policy, financial discipline, human

capital, technology, quality, education training and price control. “*With less human resources in the Department it's difficult to promote such things*”.

The study emphasized the importance of simplification of applying procedures to certifications and quality standards, making appropriate and timely technology decisions, providing financial support, initiating national awards for quality services and products, and linking SMEs with large scale and multinational companies in achieving the sustainability challenge of producing quality products and services. The availability of condensing and skilled officers is economical when guiding SMEs towards certifications and quality standards and organizing knowledge sharing sessions with large firms and multinational companies generate opportunities to proliferate quality assuring practices among SMEs.

The study reveals the attempts of institutions is relatively successful in consideration of stakeholder needs of SMEs in the business process. Thus, initiating strong networks, platforms and links between stakeholders and SMEs such as exhibitions would guide the SMEs to a success. Moreover, the study emphasizes the importance of creating closer connections and linkages between research institutions and SMEs. This approach would promote industry relevant applied researches and it would ease off SMEs to anticipate market competition changes and implement appropriate shifts. Also, the study recognized the importance providing financial strength to institutions when developing SMEs’ leadership, shared vision and strategy is necessary.

#### **4. Conclusions**

The essence of the study has highlighted the importance of establishing a single coordinating institutional body with the participation of both government and private sector, with enough, strong human resource to coordinate and answer SME related matters. Government should provide incentives for SMEs and continuously invest on the industry. The services provided by institutions should be enhanced with SMEs’ willingness to get support and it should avouch efficacious solutions to their problems. The issues and constraints identified throughout the study are mostly unique to SMEs. Therefore, future researchers should explore these identified issues deeply which could use to familiarize with the institutional support services and sustainable development of SMEs.

## 5. References

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