



## Factors Influencing on Export Engagement of Small and Medium-Sized Enterprises in Sri Lanka: Resource Based View

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### *Authors' contributions*

*This work was carried out in collaboration between both authors. Author HM designed the study, performed the statistical analysis and wrote the protocol. Author VS managed the analyses of the study and wrote the first draft of the manuscript. Both authors read and approved the final manuscript.*

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### **ABSTRACT**

**Purpose:** Sri Lankan government has recognized small and medium enterprises (SMEs) as the backbone of the economy. Export is the most adapted internationalization mechanism by SMEs. Export activities of SMEs are caused to reduce trade balance deficit, increase capital inflow, increase employment, create balance of payment surplus and increase the production. In the most of the developing countries, considerable amount of total export activities is performed by SMEs. However, a few numbers of SMEs are exporting in Sri Lanka. The purpose of this study is to identify the factors that influence on export engagement of SMEs in Sri Lanka.

**Methods:** Explanatory research approach followed by quantitative method used in this study. Based on literature, financial capability, management capability, government policy and marketing information were selected as influencing factors on export engagement of SMEs. Scope of the study consisted with SMEs in the manufacturing sector, located in Western province. A structured questionnaire was used for the primary data collection.

**Findings:** The survey was conducted on 151 SMEs. The multiple regression analysis results revealed that 72.6% of the variation in export engagement can be explained by financial capability, management capabilities and government policies. However, marketing information was not a

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significant determinant of export engagement of SMEs. Among the factors, management capability recorded the highest beta value (beta = 0.487) followed by financial capabilities.

**Research Implications:** This study helps to enhance the development of the country through assisting the SMEs to enhance their exports by having a better understand about the factors influence for export engagement of SMEs. The SMEs which are not engaged with export, can get a knowledge about the most important factors of the export-engaged enterprises have.

**Further Study Suggestions:** Future studies might concern in depth analysis of problems face by SMEs when engaging with exports and remedies for those problems by using many sample size within a long period of time.

*Keywords: Export; small and medium enterprises; financial capability; management capability; government policy.*

## 1. INTRODUCTION

In a country, there are enterprises which are different in the level of size (small and medium enterprises, large enterprises). Most countries define small medium enterprises (SMEs) as their level of development. In Sri Lanka, policy framework defines the SMEs based on number of employees and annual turnover. In Sri Lankan context, the identification of SMEs are less than 300 employees and annual turnover is not exceeding 750 Mn [1]. Sri Lankan government has recognized SMEs as the backbone of the economy. In Sri Lanka, SMEs contribute to the economy more than 75% of total enterprises and provides 45% of employment and their contribution to the Gross Domestic Production (GDP) is 52%. In Sri Lanka, out of all SMEs 5% are engaging with exports [1].

International trade is a growth engine of a country. Internationalization have become an important and essential strategy for every business to expand and growth [2]. Export is the most adapted internationalization mechanism by SMEs. Export increase the wealth of the nation as well as individual firms' growth. Export is an attractive foreign market and an expansion mode of globalization. It is also utilizing the productive capacity and increase success. Internal factors of the firms make heterogeneity effect on export engagement [3]. And also, technological and non-technological innovation affect to the export behavior of SMEs [4].

Due to internationalization of SMEs, several changes of global economy also affect in SMEs export process [5]. In the most of the developing countries, considerable amount of total export activities is done by SMEs. Export activities of SMEs are cause to reduce trade balance deficit, increase capital inflow, increase employment, create balance of payment surplus and increase

the production [6]. To be competitive in the world economy, it is crucial for developing countries to improve their export success, however, promoting SMEs is a great strategy to achieve national development goals of a country [6]. Thus, the factors which set off SMEs exporting growth are still in need of research [7].

Prior studies highlighted that some countries are tended to develop internationalization related schemes such as export promoting programs to improve the productivity and quality of processors and competitiveness [8]. Management is the principal force of initiation, development, sustainability and success of SMEs' export effort since the direct responsibility and involvement to export decisions [6]. Strategic management is the main role of adapting and integrating the internal capabilities with external capabilities to fill the requirements of the changing environment [9]. Financial constraints might be a main determinant of a firms export behavior [3]. Further, non-technological innovations like marketing strategies or marketing innovations are still more prominent into the context of SMEs [4].

Though there are more benefits of exporting, a few numbers of SMEs (5%) are actively engaged with exporting in Sri Lanka [1]. In line with that, the study focuses on the factors influencing on export-oriented SMEs in Sri Lanka. The aim of the study is to identify the factors that influence on the export engagement of SMEs in Sri Lanka.

The study then helps to enhance the development of the country through assisting the SMEs to enhance their exports by having a better understand about the factors influence for export engagement of SMEs. They can increase the exports while increasing Gross Domestic Products and Gross national Products. It may affect the whole nation in a better way.

## **2. LITERATURE REVIEW**

The internationalization of small and medium sized enterprises has received an increasing attention in the literature [10]. Accordingly, there are numbers of factors which can influence on the export engagement of small and medium sized enterprises and those factors have been focused by numerous research studies [11,12].

According to the resource-based view (RBV) theory, the decisions of a firm's engagement with exporting depend on the quantity and the quality of internal resource capacity of the firm [13]. Lack of human and financial resources is pulling the SMEs to lower export contribution than large firms [14]. According to Melitz's [15] argument, Harris [16] has mentioned that the likelihood of exports directly related with the firm size.

When considering the financial funding, it is crucial for develop an internationalization strategy since the SMEs have to face a high sunk cost when entering into exports [3]. Some researches on this approach have mentioned that there is a clear correlation between financial health and export propensity based on firm-level trade. Chaney [17], indicated that only the firms which has sufficient liquidity are able to afford the entry costs and access to the foreign markets. Bellon [18] which conducted with French enterprises had shown that the firms which are in a better financial health are more likely to export and less forced firms are better to start exporting. Greenaway [19] has identified the causal relationship between exploring and financial constraints but report a reverse connectivity: Though the exporters have better financial health, that is not a determinant of their participation in exporting. Authors are argued that the firms which are in the export market for a longer period of time, have a tendency to make firms more liquid but less leveraged [3]. Clark [20] has argued that debts have an undesirable impact on firm's internationalization as there is a greater risk of bankruptcy.

Moreover, the literature has identified export oriented managerial resources, marketing capabilities, innovative capabilities, relational resources role of GPEP, export finance, export marketing, management capabilities, government policies and country specific advantages as some of the factors affecting to the export engagement of the small and medium enterprises in a country [21,22]. The owner/manager plays a major role in influencing

firms export behavior and there has been a great attention on managerial capabilities [23].

Similarly, the internal capabilities are also have been identified as an important determinant of the export behavior of small and medium enterprises. Leonidou [24] found that managers attitudinal characteristics (management customer orientation, export commitment, knowledge about export barriers and advantages, their perception towards competitiveness) and managers' skill-based characteristics (foreign language proficiency, managers' experience in export market, their educational background) are influencing to the export success of small and medium enterprises.

Marketing capabilities of a firm provide international competitive advantage through rare, non-substitutable, valuable and inimitable marketing mix and enhance the firm's internationalization [25]. Export pricing strategies of the firms are a major concern in entering in to export markets because it gives the opportunity to increase profit margins by foreign sales [26]. Similarly, the strong local market advertising is also a major determiner of entering in to exports because, it gains unsolicited foreign orders.

The government intervention is also a major factor which affect to the export engagement of the small and medium enterprises. Government provides advantages for the small and medium enterprises by funding, making policies, seminars, trade shows, engaging trade agreements with the other countries [27]. When concerning Sri Lankan context, the Small Enterprises Development Division in Sri Lanka address in improved product quality, packaging, branding and market information to enable the small and medium sized enterprises to access local and global markets. They provide trade affairs and exhibitions for Sri Lankan Small and medium enterprises. They provide overseas market information for small and medium enterprises to enter new foreign markets. They provide exporters with technical support by subsidization of their participation in the overseas exhibitions and trade affairs. Small Enterprises Development Division has introduced the SME website and E-commerce arrangements to increase the link between exporters and buyers to strengthen their marketing network.

To the best of knowledge, no studies to date specifically focused on the factors such as financial constraints, management skills and

marketing orientation influencing export engagement of manufacturing SMEs in Sri Lanka. Based on the findings of the previous studies in the literature, the present study attempts to fill this gap in the literature by concerning how the firm's financial capability, management capability, government policy and marketing strategies affect towards the export engagement of manufacturing SMEs in Sri Lanka.

### 3. RESEARCH DESIGN

#### 3.1 Conceptual Framework

The study examined the effects of financial capability, management capabilities, government policies, and marketing information to the export engagement of SMEs in Sri Lanka. Fig. 1 illustrates the conceptual framework of the study.

Financial capabilities are traditional performance techniques include firm's ability to obtain enough loans from commercial banks, firm's ability to finance its activities by retained profits, current amount of capital, firm's liquidity and the ability to buy capital requirements. Management capability involves with managers ability to interact with each other, their knowledge about international payments, management of exchange rate variations, their experience and the fluency of foreign languages. The government policies are set of specific measures that amount to the government tax breaks, trade affairs, websites provided by the government and the service of websites. Export marketing forces to the product to reach to its goals. In this study, contextualizes advertising in local market, marketing information provided by the SME development board,

marketing information and use of e-marketing for advertising and promotions. Engagement on exports of SMEs is measured investment on exports, status in export market and intension to expand the export market.

The study used deductive research approach followed by quantitative research design. All the measurement items shown in respective variable are measured based on five-point Likert scale. Table 1 shows the measurement items used in the study.

The research was conducted through SMEs who involved in the manufacturing sector and which are operating in Western province in Sri Lanka. The reason for this selection is because manufacturing sector is mostly engaged with exports and higher percentage of them in Western province. Based on Ministry of Industry and Commerce data base [1], there are 151 SMEs are involved in the manufacturing sector in Western province. Owner/manager of the selected SMEs was considered as the sample unit; while owner/manager has sufficient knowledge on the business. The data was collected by using a structured questionnaire which is prepared based on the prior studies (Table 1). Questionnaire was developed as a google form for the easiness to send the managers/owners of SMEs via emails. That was also helpful to receive the feedback quickly, complete and detect errors with the busy schedule of the managers/owners of SMEs. Since the study collected quantitative data, data analyzed through descriptive test (frequency, central tendency) and inferential tests (analysis of variance, correlation and regression).

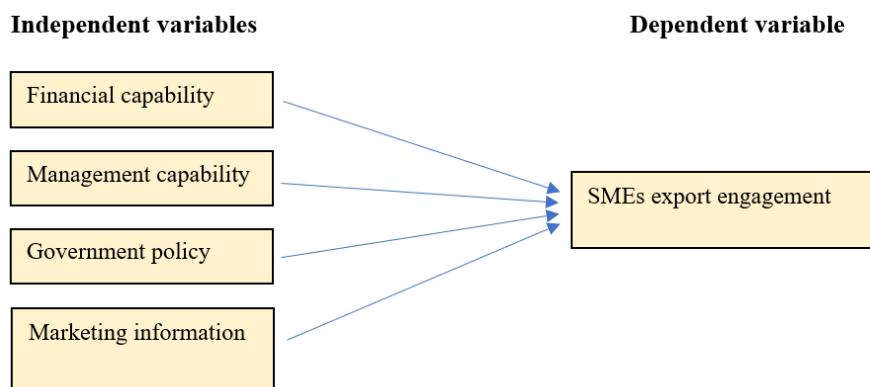


Fig. 1. Conceptual framework

**Table 1. Operationalization table**

Variable	Measurement Item	Source
Export engagement of SMEs	<ul style="list-style-type: none"> <li>The firm get enough return in respect to the investment of exports.</li> <li>The firm satisfy with the about the firm's situation/status in the export market.</li> <li>The firm expect to expand the export activities of the firm.</li> <li>The firm has strong buyers.</li> <li>The firm has strong market.</li> </ul>	[3]
Financial capability	<ul style="list-style-type: none"> <li>The firm is able to obtain enough loans from commercial banks</li> <li>The firm is able to finance its export activities from their retained profits.</li> <li>The firm can satisfy with the current amount of capital which provided by the owners.</li> <li>The firm has enough liquidity to fulfill the requirements of daily export activities</li> </ul>	[27]
Management capability	<ul style="list-style-type: none"> <li>There is a good interaction/coordination between every levels of managers in exporting activities.</li> <li>The managers of the firm have a better knowledge about the international payment methods relevant to goods transactions</li> <li>The managers take the advantages of the exchange rate variations</li> <li>Managers have a good experience in the field.</li> </ul>	[27]
Government policy	<ul style="list-style-type: none"> <li>The tax breaks provided by the government often leaves your firm with sufficient funds to effectively carry out its transactions.</li> <li>The exhibition programs conducted by the SME Development Board, affected favorably for the organization to increase the export activities of the firm.</li> <li>Trade affaires engaged by the government with other countries positively affected to the export activities of the firm.</li> <li>The service provided by the government websites are very helpful in firm's export activities.</li> </ul>	[27]
Marketing information	<ul style="list-style-type: none"> <li>The firm doing advertising in local market and it cause to gain unsolicited foreign sales to the firm.</li> <li>The firm use a better marketing information system in the organization.</li> <li>The marketing information system used by the organization is very helpful to identify new market opportunities of the foreign market.</li> <li>The firm use E-marketing for advertising, promotions and sales activities of the firm.</li> </ul>	[27]

#### 4. FINDINGS

From 151 SMEs, 60 were completed the questionnaire, indicating nearly 40 percent of the response rate. First part of the questionnaire was to gather information about organization's background. The characteristics of the respondents are described in terms of type of manufacturing, export engagement (Export only or export and local market), firm's experience in the industry, annual amount of exporting from the total amount of manufacturing and the countries they export. When considering the type of manufacturing, the sample consists twenty-one (35%) textile and wearing apparel, thirteen (21.7%) food and beverage, twelve (20%) spices

and allied products, twelve (20%) rubber and plastic and two (3.3%) other manufacturing small and medium enterprises.

From that enterprises, twelve (20%) enterprises were only engaged with exporting. Forty-eight (80%) of the enterprises were engaged with both exporting and local market. Organizational experience ranged from less than five (5) years to more than twenty-one (21) years. From the responded enterprises, only seven (11.7%) enterprises have more less than five year of experience in the export market. Twenty enterprises (33.3%) have five to ten year of experience, nineteen (31.7%) enterprises have eleven to fifteen years of experience, eight

(13.3%) enterprises have fifteen to twenty years of experience, only six (10%) enterprises have more than twenty years of experience in the export industry. In this research, the responded small and medium enterprises categorized by the annual exporting percentage from the total production varied from less than ten percent to more than ninety percent. Only five companies (8.3%) exported less than ten percent from the total annual production. Seven (11.7%) enterprises export eleven percent to twenty five percent from their annual production. Fifteen (25%) enterprises have export twenty six percent to fifty percent of the total annual production. Seventeen (28.3%) of enterprises export fifty one percent to seventy five percent from the total production. Five (8.3%) enterprises export seventy six percent to ninety percent from the total annual production. Eleven enterprises (18.3%) export more than ninety percent from the total annual production. Also, this research categorized the small and medium sized enterprises by the countries they export. Two (3.3%) enterprises export to South Asian countries, one (1.7%) enterprise export to

East Asian countries, ten (16.7%) enterprises export to Western Asian countries, fifteen (25%) enterprises export to Middle Asian countries, thirty (50%) enterprises export to European countries and only two (3.3%) enterprises export to the other countries (Table 2).

#### 4.1 Factor Analysis

Factor analysis was applied for the data reduction and purification of the items under each variable of the study. Kaiser-Meyer-Oklm (KMO) measure of sample adequacy was performed. The KMO value of 0.60 or above is required to be considered as a good factor analysis [6]. As shown in Table 3, the KMO value of all the measurement items were greater than 0.50. Further, the total variance explained of the measurement items were greater than 50%, showing that the appropriateness of the total variation in the items of respective factors. Finally, the measurement items were extracted into single component of respective variable. Thus, all the results are highlighted the appropriateness of the factors.

**Table 2. Sample profile**

Characteristics	Frequency	Percentage
<b>Manufacturing Type</b>		
Textile and wearing apparel	21	35.0
Food and beverage	13	21.7
Spices and allied products	12	20.0
Rubber and plastic	12	20.0
Other	2	3.3
<b>Market Type</b>		
Export only	12	20.0
Export and local market	48	80.0
<b>Experience</b>		
Less than 5 years	7	11.7
5-10 Years	20	33.3
11-15 Years	19	31.7
15-20 Years	8	13.3
More than 21 years	6	10.0
<b>Annual export percentage form total production</b>		
Less than 10% from the total production	5	8.3
11% - 25% from the total production	7	11.7
26% - 50% from the total production	15	25.0
51% - 75% from the total production	17	28.3
76% - 90% from the total production	5	8.3
More than 90% from the total production	11	18.3
<b>Export Countries</b>		
South Asian countries	2	3.3
East Asian countries	1	1.7
Western Asian countries	10	16.7
Middle Asian countries	15	25.0
European countries	30	50.0
Other countries	2	3.3

**Table 3. Factor analysis**

Variable	KMO Value	Bartlett's Test of Sphericity Chi- square	Total variance explained	Factor Loading
<b>Export engagement (EE)</b>	.726	76.899	51.065%	<b>Component matrix</b>
				<b>Component</b>
				<b>1</b>
				ee1 .782
				ee2 .803
				ee3 .477
<b>Financial capability (FC)</b>	.623	55.718	54.439%	<b>Component matrix</b>
				<b>Component</b>
				<b>1</b>
				fc1 .781
				fc2 .764
				fc3 .700
<b>Management capabilities (MC)</b>	.737	74.725	61.782%	<b>Component matrix</b>
				<b>Component</b>
				<b>1</b>
				mc1 .799
				mc2 .652
				mc3 .878
<b>Government Policies (GP)</b>	.698	68.264	58.609%	<b>Component matrix</b>
				<b>Component</b>
				<b>1</b>
				gp1 .618
				gp2 .855
				gp3 .855
<b>Marketing information (MI)</b>	.576	63.726	52.832%	<b>Component matrix</b>
				<b>Component</b>
				<b>1</b>
				mi1 .669
				mi2 .781
				mi3 .792
				mi4 .655

**Table 4. Reliability analysis**

Variable	Cronbach's alpha	Cronbach's alpha based on standardized items	No of items
Export engagement	.745	.751	5
Financial capability	.708	.720	4
Management capability	.792	.789	4
Government policies	.760	.758	4
Marketing information	.692	.699	4

**4.2 Reliability Analysis**

The study also assessed the reliability of variables by examining the internal consistency values through computing Cronbach's alpha values. Table 4 shows the reliability of each of the variables.

The Cronbach's alpha value should exceed the threshold of 0.70 [6]. Other than the marketing

information, other factors have the alpha values above the cut-off value and that shows the reliability. Marketing information was close to the cut-off.

**4.3 Correlation Analysis**

The correlation analysis was used to examine the strength of the relationship between independent variables. Table 5 shows the

correlation between the variables. The result shows statistically significant correlations between export engagement, financial capability, management capability, government policies and the marketing information. None of the correlation coefficient of corresponding inter-construct correlations was above 0.85, indicating the absence of multicollinearity issue in the model. Further, the mean and standard deviation values show that amongst determinants, management capability recorded in the highest mean value. All the factors have a mean value more than 4.0.

**4.4 Multiple Regression Analysis**

The primary objective of this study is to identify the factors which affect to the export engagement of the SMEs in Sri Lanka. The dependent variable is export engagement and the four independent variables are financial capability, management capability, government policies and the marketing information. The multiple regression analysis is used to determine whether the financial capability, management capability, government policies and the marketing information significantly influence to the export engagement of SMEs in Sri Lanka. The results of the regression analysis are presented in Table 6a, 6b and 6c.

The R<sup>2</sup> value in Table 6a was .726 (F = 36.458, p < 0.001), which implies that 72.6% of the variation in export engagement can be explained by financial capability, management capabilities, government policies and marketing information. The VIF values was less than 5, hence there is no problem of multicollinearity in the model [6].

As shown in Table 6c, the p-value of financial capability, management capabilities and the government policies were less than 0.05. Hence, these factors are significant determinants of export engagement of the selected SMEs. However, the p-value of marketing information was higher than 0.05. Hence, marketing information is not a significant determinant of export engagement of Sri Lankan SMEs. Among the factors, management capability recorded the highest beta value (beta = 0.487), financial capabilities recorded the second highest value (beta = 0.346) and the government policies got the third highest beta value (beta = .197). The marketing information recorded the least amount of beta value and that was a minus value (beta = -0.25). So, other than the marketing information, other factors effects on the export engagement of SMEs in Sri Lanka.

**Table 5. Correlation matrix**

	Mean	SD	EE	FC	MC	GP	MI
EE	4.2467	.49999	1				
FC	4.2042	.52175	.723**	1			
MC	4.3167	.49972	.757**	.560**	1		
GP	4.2167	.49246	.598**	.588**	.435**	1	
MI	4.1792	.43446	.402**	.439**	.349**	.533**	1

\*\* Correlation is significant at the 0.01 level (2-tailed)

**Table 6a. Model summary**

Model	R	R square	Adjusted R square	Std. error of the estimate
1	.852 <sup>a</sup>	.726	.706	.27100

a. Predictors: (Constant), Marketing Information, Management Capability, Government Policy, Financial Capability

**Table 6b. ANOVA<sup>a</sup>**

Model		Sum of squares	df	Mean Square	F	Sig
1	Regression	10.710	4	2.678	36.458	.000 <sup>b</sup>
	Residual	4.039	55	.073		
	Total	14.749	59			

a. Dependent variable: Export Engagement

b. Predictors: (Constant), Marketing Information, Management Capability, Government Policy, Financial Capability



**Table 6c. Coefficients<sup>a</sup>**

Model	Unstandardized Coefficient		Standardized Coefficient	t	Sig.	Collinearity Statistics	
	B	Std. error	Beta			Tolerance	VIF
(Constant)	.029	.405		.073	.942		
Financial capability	.331	.093	.346	3.568	.001	.531	1.884
Management capabilities	.487	.087	.487	5.618	.000	.664	1.506
Government policies	.200	.096	.197	2.073	.043	.553	1.808
Marketing information	-.028	.098	-.025	-.289	.773	.686	1.457

a. Dependent variable: Export Engagement

## 5. DISCUSSION

The study of factors of export engagement of SMEs is based on contingency model which focus on external influences on export engagement and the resource-based view theory which focus on internal influences of export engagement. Supported by the empirical evidence, this study found that the management capabilities have the most significant influence on export engagement of small and medium enterprises in Sri Lanka. The second important is the financial capabilities and the third important is the government policies which influences export engagement of small and medium sized enterprises in Sri Lanka. Marketing information do not have a positive or significant impact on export engagement of SMEs in Sri Lanka. It should be noted that findings of this study are based on data collected from small and medium sized enterprises in Sri Lanka.

The study of Haddad [22] revealed that among the factors management capabilities contribute most to the export engagement and last important is the marketing information. As the researcher mentioned management capabilities is the most important factor because; export stimulus is closely related to the management's knowledge, attitudes and motivation towards internationalization. Prior researchers have found that the managers knowledge and the experience are antecedents of export propensity. Export knowledge gives the decision maker more flexible and allows them to have a proper and quick understanding about export and the related problems. The experience of the managers encourages them to benefit from more strategic partners and quicker in obtaining foreign sales. The main findings of [22] are very similar to the main outcome of the study because management capabilities have the most significant influence of export engagement of small and medium sized enterprises in Sri Lanka. Confirming the same findings of [22], Siu [28] also found that the management capabilities have a strong impact on export engagement.

They have revealed that the management has an outward looking philosophy and has gained several years of exporting experience have a strong impact on export activities.

Financial measures are traditional performance measurement techniques such as profitability, return on investment and sales among others [22]. Prior researchers have found that the small firms which have lack of financial resources, are expected to have a lower export participation than larger firms due to economies of scale and large sunk costs. The firm's liquidity is cause to its export performance because it causes to handle day today activities of the firm efficiently. Also, financial capability is important because it helps in competing in the foreign markets [4].

Rua [29] has revealed that the government policies are also a significant factor of export engagement. Local government is a significant boost to small and medium sized enterprises to enter into the export market and to expand the export activities. Similarly, the findings of this study show the third significant relationship between government policies and the export engagement of SMEs in Sri Lanka. Government policies support the textile industry, in general, and the companies, in particular, for the adoption of strategies that lead to a higher performance through the system of tax benefits under negotiation for Portugal. Miravittles [3] revealed that policy makers aimed to enhance the development of a country through export promotion, appraise the structure of national industrial fabric and tailor the policies in accordance. Also, the government programs encourage the alliances between companies to share the perceived risk associated with export engagement. In addition, regardless the firm's size, policies always directed at making loan programs for the firms to fund export activities and conduct exhibitions to capture the foreign markets.

According to the findings of the research, marketing information do not have a significant influence on export engagement of small and

medium enterprises in Sri Lanka. Njinyah [27] has revealed that there is a positive and significant relationship between marketing information and the export engagement of the firms. In contrast to the findings of [27], the study revealed that there is no significant effect of marketing information on engagement in exports of SMEs in Sri Lanka. Different conclusion may occur due to economic, cultural, political and the differentiation of the time period the research conducted. However, success-oriented exporters need to have an established firm-level knowledge base for gathering market information about the export markets, customers, competitors, channels and other players in the target markets and even more so an efficient knowledge-sharing mechanism within the firm [11]. It seems that SMEs do not perceive the importance of market intelligence as investable assets.

## **6. IMPLICATIONS AND CONCLUSION**

According to the results of the study, and the actual developing situation of Sri Lanka, the following suggestions are made to enhance the export engagement of SMEs in Sri Lanka. Those suggestions will help to improve identified factors and ultimately, they will assist to enhance the export engagement of small and medium sized enterprises in Sri Lanka.

Management capabilities are the highest influencing factor on export engagement of small and medium sized enterprises in Sri Lanka. When management team of the firm are the experienced persons, it is more effective for the firm. Most of the small and medium sized enterprises manage their activities by their own. It will be more successful when they use experienced knowledgeable persons to manage the business and it will help the firm to come up with the benefits of exchange rates and handle the international transactions and the international payments. Also, the firms have to give opportunities to the management to gather and understand each other and that will cause to increase the interaction/coordination between every level of managers. That will cause to overcome most of the problems of the firm because the management (human/labour) is the most important factor, and the other factors are controlled by that.

Secondly, the firm's financial capability is the important factor after the management capabilities. Main thing is to manage the finance correctly, there should be knowledgeable person.

If there should be a proper and quick process to finance the funds to the firms, they do not want to be waiting for months to fund. The government can provide more specified low rated loans for export oriented small and medium sized enterprises. It is better if the commercial banks also provide quick loan facilities to the small and medium firms with a fair rate.

Government policies also a significant factor which influence to the export engagement of small and medium sized enterprises in Sri Lanka. Government can reduce local tax barriers for exporters, and they can engage in more trade affairs which affect to the export engagement. Also, government should maintain the exchange rate stability, simplify export policies and procedures and tariff structure of the country.

To inculcate the importance of market information gathering, training programmes need to be organized to develop foreign market intelligence skills.

The limitations of the study should be noted. This study was attempted to identify the factors affecting to the export engagement of small and medium enterprises in Sri Lanka based on four factors. There may be more internal and external factors which affect to the export engagement of small and medium sized enterprises in Sri Lanka. Also, there may be interaction among these factors which affect to the export engagement. Then it is more worth to identify the effect of the other factors to the export engagement and the interaction among the factors.

The factors which affect the export engagement could be different from one industry to another. The differences appeared in results of various industrial studies offer an idea to conduct the comparative study of determinants of export engagement of small and medium enterprises in Sri Lanka. Then it will be helpful to identify the different factors which affect to the export engagement in various industries.

In Sri Lanka, there are more small and medium sized enterprises but small amount of them is actively engaged in exports. As a country, Sri Lanka must make more concentrated efforts to promote its export sector through increasing exporter earnings. They should strengthen the export capacity of SMEs because there are large number of SMEs in Sri Lanka and Sri Lanka can gain more from the exports with the quality products and services provided by them. That may help to improve the firms and that may

cause to increase the employment opportunities to large number of people and may cause to increase gross domestic product of the country. Therefore, there is a vital need to identify why the export engagement of small and medium sized enterprises are low. To identify the question of why, it is required to identify the factors affecting on export engagement of small and medium sized enterprises in Sri Lanka. The main purpose of the study is to identify the factors affecting to export engagement of small and medium sized enterprises in Sri Lanka. According to the prior research studies related to the export engagement of SMEs, this study concentrated on four factors. Primary data were collected through e-mail survey. Supported by the empirical evidence, this study found out that management capabilities have the most significant influence on export engagement of small and medium sized enterprises, the second important is financial capabilities and the third important is the government policies. The marketing information do not have any significant or positive influence on export engagement of small and medium enterprises in Sri Lanka. Then the results suggested that management capabilities, financial capabilities and the government policies help in export activities of small and medium sized enterprises in Sri Lanka. By creating favorable conditions, Sri Lanka can uplift the exports of the country. It is hoped that future researchers may reflect positively on this work, despite its apparent limitations. Further development offered here will help to make advance understanding in the important area of export engagement and how it is useful.

### CONSENT

As per international standard or university standard, respondents' written consent has been collected and preserved by the authors.

### COMPETING INTERESTS

Authors have declared that no competing interests exist.

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