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**GROWTH OF SMALL, MEDIUM AND LARGE-SCALE BUSINESS FIRMS: A CASE STUDY WITH REFERENCE TO MANUFACTURING ENTERPRISES IN SRI LANKA**

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Business firms are generally classified into four mega-categories such as micro, small, medium and large-scale enterprises based on the amount of capital invested and/or the number of persons employed by the firms. The growth process and the role of these individual business firms seem to have been explained on the basis of the four size categories referred to above. However, micro-scale enterprises were not being included in the present study due to the non-availability of capital data on a time series basis. Small-scale firms are claimed to be failing to maintain a dynamic process of growth as that of large-scale firms.

This study focuses on examining the growth potentials of small-scale enterprises in relation to medium and large-scale business firms in the manufacturing sector in Sri Lanka. The present study has three main objectives: viz., to examine whether there is a common proportionate growth rate for all firms of different size classes; to investigate whether there is any significant relationship between growth of manufacturing firms and their sizes; and to investigate the possible impact of liberalized economic policies on different size of firms. Two main hypotheses were formed for this purpose. First, there is no significant relationship between growth rates of business firms and their respective sizes. Second, all business firms of different sizes have a common proportionate growth rate. The capital data on a time series basis in the manufacturing firms in Sri Lanka were used for this purpose.

Small firms are claimed to be playing a significant role in the process of economic development in developing countries. Successfully operating small business firms can continuously be seen in developed countries too. Small industries seem to play a key role in the economies that are characterized by capital scarcity, low level of technology, low-skilled labor, and high unemployment etc. Economic rationale of small-scale firms is explored in this study. The growth of business firms is determined not only by internal factors but also by factors that are external to the firm. Potentiality of growth or failure in different size of firms depends mainly on profitability. Profitability of a business firm is determined by several factors: namely, quality of its management, specialized input use, political environment, government policies, and technological level etc. If these factors are sensitive to the size of the firm, there may be significant differences between the growth rates of different size classes. A review of growth potentials and constraints of business firms is included in the present study. However, the approach of the present study is not to analyze the effect of all these factors on the firm's growth but to explain the possible relationship between the growth and size of business firms.

From the results of this study, three conclusions have been drawn. First, there is no significant relationship between growth of firms and their sizes. Second, there is no significant difference between growth rates of the different size manufacturing enterprises. Third, small-scale enterprises also maintain a process of dynamic growth as that of large-scale firms.