

# ENTREPRENEURIAL CHARACTERISTICS AND BUSINESS GROWTH OF SMES: SPECIAL REFERENCE TO NORTH CENTRAL PROVINCE

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## ABSTRACT

*The small and medium enterprises (SMEs) sector is considered to be the backbone of the modern economy, especially in developing countries where it plays a significant role in economic growth. Hence, it is crucial to monitor the growth of SMEs in these countries. Entrepreneur characteristics play a significant role in the development of both entrepreneurs and SMEs. This study aims to identify the influence of entrepreneur characteristics on the business growth of SMEs. To measure these characteristics, eight traits were selected, including risk-taking, self-motivation, adaptability, resilience, strong work ethic, networking skills, financial management skills, and strategic thinking. A stratified random sampling technique was used to select 120 participants from SMEs in the Anuradhapura and Polonnaruwa districts and asked them to complete a self-administrated questionnaire. The study's findings revealed that entrepreneurs' characteristics play a significant role in the growth of SMEs. The finding suggests that risk-taking, self-motivation, and adaptability are inevitable characteristics that must be developed by Sri Lankan Entrepreneurs. According to the study's findings, entrepreneurs possess vital characteristics that significantly impact the success of SMEs. Among these characteristics, networking skills stand out as particularly important. Additionally, the study recommends that entrepreneurs exhibit a willingness to take risks in order to lead their firms to even greater levels of success. These findings not only contribute to the existing literature on entrepreneurship and SMEs but also have implications for policymakers who may wish to consider including these characteristics in their policy decisions.*

**Key words:** Entrepreneurial Characteristics, Business Growth, SMEs

## 1. Introduction

Small and medium-sized enterprises (SMEs) are recognized as crucial drivers of economic growth and development worldwide (Kira & He, 2012). In many countries, SMEs account for a significant portion of employment, output, and innovation, and play a vital role in poverty reduction and social inclusion. However, the growth and sustainability of SMEs are often hindered by various challenges, such as limited access to finance, technology, and markets, as well as institutional and regulatory constraints (Kelegama, et al., 2002).

Entrepreneurial characteristics are believed to play a crucial role in the growth and success of SMEs. Entrepreneurial characteristics refer to the personal and social attributes, skills, and behaviors of entrepreneurs that enable them to identify and exploit business opportunities, innovate, and create value (Shane & Venkataraman, 2000). Studies have found that entrepreneurial characteristics such as risk-taking, creativity, perseverance, and adaptability are positively associated with SME performance and growth (Wang & Wong, 2014). Historically, it is proven that with each economic downturn in both developed and developing countries, it is the entrepreneurial drive and persistence that brings us back (Kuratko, 2006). This study on "Entrepreneurial Characteristics and Business Growth of SMEs: Special Reference to North Central Province" makes a distinctive contribution by honing in on the unique regional context of the North Central Province, offering a nuanced understanding of how entrepreneurial traits impact SME growth in this specific geographic area. Employing a comprehensive research methodology that goes beyond traditional surveys, the study incorporates in-depth interviews, case studies, and a blend of quantitative and qualitative approaches to gather rich and multifaceted data. Furthermore, it stands out by focusing on specific industries within the SME landscape prevalent in the North Central Province, providing targeted insights into the dynamics of business growth. The temporal analysis adds another layer of depth, allowing the research to capture evolving trends and changes over time. Notably, the study delves into the policy implications of its findings, offering actionable insights that can inform region-specific interventions and strategies. Lastly, the integration of multidisciplinary perspectives, drawing from economics, sociology, and psychology, contributes to a holistic understanding of entrepreneurial characteristics and business growth, setting this study apart from more narrowly focused previous research in the field.

### *1.1 Research Gaps and Problem Statement*

The relationship between entrepreneurial characteristics and SME growth is complex and context-specific. The business environment, market structure, and institutional factors can shape the way entrepreneurs perceive and respond to opportunities and challenges, and influence their ability to grow and sustain their businesses (Kantis et al., 2015). Moreover, there is a lack of empirical research on entrepreneurial characteristics and business growth of SMEs in developing countries, particularly in rural areas (Ismail & Ibrahim, 2019). Though there is a dearth of research, previous studies that have focused on studying the entrepreneurial characteristics and their impact on the business growth of SMEs found to have contradictions in their finding. Some researchers found that there are significant associations between entrepreneurial characteristics and small business growth, while others have found insignificant associations. Different approaches have been taken in these studies, including examining the entrepreneur's attitude, personality, education, family context, capacity, and unique position and ambitions for development. Furthermore, various aspects of entrepreneurial characteristics have been studied, such as age, gender, motivation, experience, educational background, risk-taking propensity, and preference for innovation. Recently, researchers have also explored the emerging personality traits of techno entrepreneurs and investigated the skills of entrepreneurs for small business sustainability. (Morris & Sexton, 1996; Zahra & Garvis, 2000; Ireland et al., 2001;

Wijewardena et al., 2008; Huang, & Tsai, 2009; Sidika, 2012; Lackéus, 2015; Bouazza et al., 2015; Pillai, 2018; Wijesinghe et al., 2020).

Sri Lanka has a vibrant small and medium-sized enterprise (SME) sector, which contributes significantly to the country's economy, employment, and innovation. According to the (Central Bank of Sri Lanka [CBSL], 2019), there were over one million registered SMEs in Sri Lanka, accounting for around 45% of the country's total employment and 52% of the total output in 2018. However, SMEs in Sri Lanka face numerous challenges that can hinder their growth and sustainability. Limited access to finance, technology, and markets, as well as inadequate infrastructure, bureaucratic barriers, and regulatory constraints, are among the major challenges faced by SMEs in Sri Lanka (World Bank, 2019). Despite the challenges, SMEs in Sri Lanka have demonstrated resilience and innovation in adapting to changing market conditions and emerging opportunities. The government of Sri Lanka has also implemented various policies and initiatives to support SME development, including access to finance, technology, and training, as well as streamlining regulatory procedures and improving infrastructure (CBSL, 2019).

The entrepreneurial characteristics of SME owners and managers in Sri Lanka are varied and complex. Studies have identified several key entrepreneurial characteristics that are important for SME growth and success in Sri Lanka, including risk-taking, innovation, adaptability, perseverance, and networking skills (Jaelani & Gani, 2020). However, the level of entrepreneurial characteristics varies across different regions and sectors of the economy, with some SMEs lacking the necessary skills and resources to overcome the challenges they face (Jayasinghe & Ekanayake, 2019). Research on the entrepreneurial characteristics and business growth of SMEs in Sri Lanka is still limited, particularly in rural areas and less developed regions of the country. However, studies suggest that improving the entrepreneurial characteristics of SME owners and managers, and addressing the institutional and market constraints that limit SME growth and sustainability, are crucial for promoting SME development and contributing to inclusive economic growth in Sri Lanka (Jaelani & Gani, 2020). Overall, the SME sector in Sri Lanka is a vital engine of growth and innovation, but further research and policy interventions are needed to foster and support the entrepreneurial characteristics and business growth of SMEs in the country.

This research paper aims to address this gap by examining the entrepreneurial characteristics and business growth of SMEs in the North Central Province of Sri Lanka. The North Central Province is one of the less developed regions of the country, with a high concentration of SMEs in sectors such as agriculture, handicrafts, and tourism (CBSL, 2019). Consequently the study will explore the following research questions:

1. What are the key entrepreneurial characteristics of SME owners and managers in the North Central Province?
2. How do these entrepreneurial characteristics influence the business growth of SMEs in the region?

3. What are the institutional factors that shape the relationship between entrepreneurial characteristics and business growth of SMEs in the North Central Province?

## 2. Literature Review

An Entrepreneur is stated to an individual that recognizes, develops and brings a new vision to life in order to generate wealth. Perry (2002) assumed that an entrepreneur is generated by the environment in which he or she operates. He is the founder of a venture that delivers products and services to fulfill the demands of individuals, with the intention of achieving profitability (Ayoade et al., 2018). According to Herrera (2014) entrepreneurship has been acknowledged as a means of job creation, providing boundless prospects for individuals, cultivating a group of skilled and unskilled laborers, and enabling them to earn a livelihood. Resources-based view (RBV) theory, also known as firm states theory that every organization has a limited number of resources. A few of the resources are unique, uncommon, valuable, and inimitable, making them hard to be copied by competitors. In this case, these resources enable the firms to gain a competitive advantage (Barney, 1991). In addition, most researchers investigated the characteristics of entrepreneurs by using the upper echelon theory (UET). This theory represents that a firm is regarded as its owner's reflection and an extension or impact of demographic characteristics on the strategic choices and firm's performance (Smith, 1996). The UET can be identified as RBV's special case that enhances the process of resource allocation and the formulation of strategies. Seymour and Ketchen (2006) cited and argued on the direct relationship between a firm's resources and performance which has limited subjectivity. This is because entrepreneurs or managers are required to deploy the firm's resources in the most effective way in order to take maximum advantage.

This literature review focuses on eight key entrepreneurial characteristics that have been identified as important for the growth of SMEs: risk-taking, self-motivation, adaptability, resilience, strong work ethic, networking skills, financial management skills, and strategic thinking. Risk-taking is an essential characteristic of entrepreneurs as they are willing to take calculated risks to achieve their goals (Lumpkin & Dess, 1996). Studies have shown that entrepreneurs with a high propensity for risk-taking have a positive impact on SME growth (Li et al., 2009). It was a past key characteristic associated with entrepreneurship and it originally referred to the risks personally take by working for themselves rather than working for others. Entrepreneurs are people who get decisions under uncertainty and therefore are like to bear risks but successful entrepreneurs will always follow to take on those risks that they can control (Adekanmbi & Ajani, 2016).

*H<sub>1</sub>*: Risk taking has a significant impact on business growth in SMEs

Self-motivation is the driving force behind entrepreneurs as they have a high level of self-motivation and the ability to remain focused on their goals (Kuratko et al., 2005). Self-motivation helps entrepreneurs to overcome challenges and persist in the face of adversity, which is critical for the growth of SMEs.

*H<sub>2</sub>: Self-motivation has a significant impact on business growth in SMEs*

Adaptability is another important characteristic of entrepreneurs as they must be able to adapt to changing market conditions and new opportunities (Wijewardena et al., 2008). Adaptability allows entrepreneurs to take advantage of new opportunities and adjust their strategies to meet changing customer needs. Entrepreneurs must have high levels of resilience to deal with the ups and downs of running a business (Hmieleski & Baron, 2009).

*H<sub>3</sub>: Adaptability has a significant impact on business growth in SMEs*

Resilience helps entrepreneurs to stay focused on their goals and persevere through challenging times. A Strong work ethic is another important characteristic of entrepreneurs as they must be willing to work hard to achieve their goals (Barringer & Ireland, 2010). Entrepreneurs who have a strong work ethic are more likely to succeed in their businesses as they are willing to put in the time and effort required to achieve their objectives. Networking skills are important for entrepreneurs as they must be able to build relationships with customers, suppliers, and other stakeholders (Wijewardena et al., 2008).

*H<sub>4</sub>: Resilience has a significant impact on business growth in SMEs*

*H<sub>5</sub>: Strong Work Ethic has a significant impact on business growth in SMEs*

Networking skills allow entrepreneurs to access new markets, build partnerships, and collaborate with other businesses, which can contribute to the growth of SMEs. This is equivalent to the entrepreneurial role of drive to see the end results of the organization (Wickramaratne et al., 2014). Entrepreneurs must have the ability to manage their finances effectively, including budgeting, cash flow management, and financial planning (Barringer & Ireland, 2010).

Financial management skills help entrepreneurs to make sound financial decisions and ensure the long-term success of their businesses. Finally, strategic thinking is important for entrepreneurs as they must be able to develop and execute strategies that will lead to the growth of their businesses (Hitt et al., 2001).

*H<sub>6</sub>: Networking skills has a significant impact on business growth in SMEs*

*H<sub>7</sub>: Financial Management Skills has a significant impact on business growth in SMEs*

Kelegama, et al., (2002) observed that despite the presence of numerous institutions, departments, and government bodies responsible for regulating, promoting, and managing the SME sector in Sri Lanka, there are several obstacles that these businesses encounter. These include inadequate technology, marketing expertise, and managerial abilities, as well as high production expenses resulting from elevated electricity tariffs and taxes, financing difficulties due to collateral shortages and limited knowledge of banking procedures, insufficient familiarity with complex government procurement procedures, and a dearth of entrepreneurship (Wijewardana, 2018). Moreover, numerous studies have

highlighted the strategic importance of institutional resources such as access to financial services (McMahon, 2001; MohamadRadzi et al., 2017) and technical training (Carter et al., 2002; Kitching & Blackburn, 2002) in improving the performance of small and medium-sized enterprises (SMEs) by financial institutions. Access to financial services, such as bank payments and investment services, including credit and savings, have been shown to positively influence technological adoption, which is a critical factor for successful firm development. In a survey targeting entrepreneurs in the small and medium-sized enterprise (SME) sector, it was revealed that the support provided by financial institutions for starting and growing their businesses was insufficient. Both male and female respondents from five districts (Moneragala, Batticaloa, Anuradhapura, Kurunegala, and Matale) strongly disagreed with the statement that "supports received from financial institutions were good," with nearly 60 percent of them expressing disagreement (Banking on SME Growth, Working Paper Series No: 20, 2015).

*H<sub>8</sub>*: Strategic Thinking has a significant impact on business growth in SMEs

To conclude, the reviewed literature suggests that the entrepreneurial characteristics of risk-taking, self-motivation, adaptability, resilience, strong work ethic, networking skills, financial management skills, and strategic thinking are positively associated with the business growth of SMEs. Additionally, it is noted that institutional factors can be used to control for other variables that may influence the relationship between institutional factors, entrepreneurial characteristics, and SME growth (Hair et al., 2019). Therefore, it is essential to consider these characteristics when developing policies and programs aimed at supporting small business growth.

### 3. Methodology

This study investigated the influence of entrepreneurial characteristics of risk-taking (*RI*), self-motivation (*MO*), adaptability (*AD*), resilience (*RE*), strong work ethic (*SE*), networking skills (*NE*), financial management skills (*FM*), and strategic thinking (*ST*) on business growth of SMEs (*GRO*) in North Central Province in Sri Lanka. Thus, the present investigation employs a quantitative methodology and an explanatory research design to clarify the incidence of phenomena, expand on existing notions, and provide a comprehensive understanding of the subject matter.

#### 3.1 Conceptual Framework

There are ample studies that have examined the direct effect of entrepreneurial characteristics on the growth of SMEs (Ahamed et al., 2021; Kerr et al., 2018). Conversely, with the importance of SMEs in developing countries, the effect of personal characteristics was much more concern by scholars. Thus, it motivates and justifies examining the controlling effect of institutional factors namely government policies and regulations (*GOV*) and financial institutions (*FIN*) with entrepreneurial characteristics and SME growth. Figure 1 shows the link between independent and dependent variables of this study with control variable.

### 3.2 Population and Sample

Since there is no updated official list of SMEs created and registered in the North Central Province, the population of this study cannot be exactly defined. However, according to Wijewardena (2018), there are approximately 2,000 registered SMEs in the North Central Province which can be identified as the target population of this study. The sample space includes 120 SMEs operating in two districts which belong to the North Central Province, namely Anuradhapura and Polonnaruwa, selected based on the stratified random sampling technique. The primary data for this study were predominantly gathered through self-administered questionnaires and interviews with selected participants from the North Central Province.

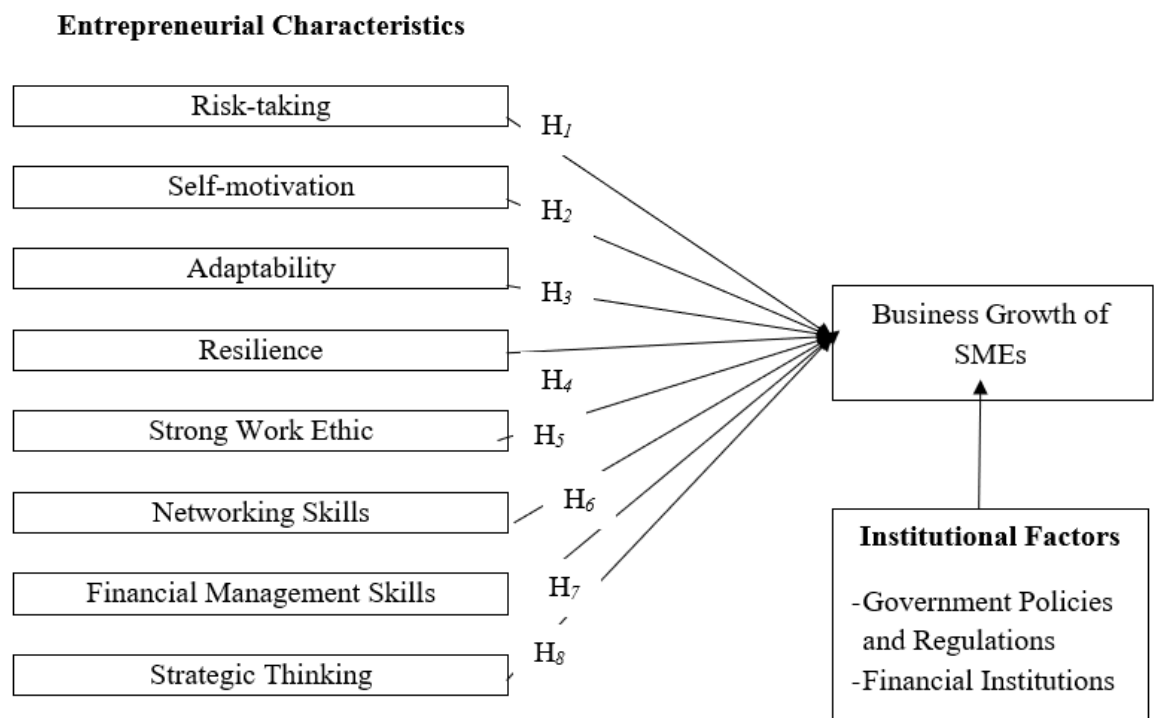


Figure1: Conceptual framework

### 3.2 Research Model

To examine the influence of entrepreneurial characteristics on business growth of SMEs in the region in the North Central Province along with institutional factors, the applicable models are as follows.

#### Model I

$$GRO = \beta_0 + \beta_1 RI + \beta_2 MO + \beta_3 AD + \beta_4 RE + \beta_5 SE + \beta_6 NE + \beta_7 FM + \beta_8 ST + \varepsilon \quad (1)$$

#### Model II

$$GRO = \beta_0 + \beta_1 RI + \beta_2 MO + \beta_3 AD + \beta_4 RE + \beta_5 SE + \beta_6 NE + \beta_7 FM + \beta_8 ST + \beta_9 GOV + \beta_{10} FIN + \varepsilon \quad (2)$$

#### 4. Findings and Discussion

This section refers to the results generated from various tests on collected data to reveal whether the developed hypotheses which have been used to answer the research questions can be accepted or not. Discussion on sample space and its variations related to different aspects is also provided.

Table 1: Result of Reliability Analysis

Construct	No. of items	Cronbach's alpha
RI	03	0.836
MO	03	0.657
AD	03	0.752
RE	03	0.692
SE	03	0.704
NE	03	0.727
FM	03	0.763
ST	03	0.760
GOV	04	0.713
FIN	04	0.752
GRO	08	0.880

Source: *Survey Data (2023)*

Table 1 shows that the Cronbach's alpha values for all variables indicate that the construct being measured (i.e., the independent, dependent and control) is reliable for the current study, except for the variables MO and RE. Generally, a Cronbach's alpha value between 0.6-0.7 is considered acceptable. Therefore, the values of  $\alpha=0.657$  for self-motivation and  $\alpha=0.692$  for resilience can be considered acceptable for this study, as they indicate an acceptable level of internal consistency for the questionnaires used.

Table 2 – Results of Descriptive Statistics

Variable	Mean	Std. Deviation	Skewness	Kurtosis
<i>RI</i>	4.0389	.52781	.217	-.547
<i>MO</i>	4.0417	.52848	.293	-.491
<i>AD</i>	4.1722	.58135	-.154	-1.102
<i>RE</i>	4.0167	.55146	.112	-.461
<i>SE</i>	4.1889	.54957	-.068	-.753
<i>NE</i>	4.1583	.54484	-.037	-.902
<i>FM</i>	4.0833	.60999	-.746	1.802
<i>ST</i>	3.9833	.58912	.337	-.814
<i>GOV</i>	4.2875	.54102	-.181	-1.191
<i>FIN</i>	4.3021	.51132	.091	-1.369
<i>GRO</i>	4.2688	.51159	-.103	-.920

Source: *Survey Data (2023)*



Mean values ( $\bar{x}$ ) for all items have reported approximately 4 in Table 2, indicating that majority of responses are scattered around the moderate level in each scale. The standard deviation ( $\sigma$ ) shows how much variation or dispersion exists from the average (mean). Accordingly, The investigation displayed a substantial standard deviation, implying that the data points were distributed across a broad spectrum of values relative to the dataset's mean, and thus, equally dependable (for instance, within the range of 0.5 to 0.6 where the gap between the two numbers is significantly extensive). When referring to the values of skewness, since all are in between -0.5 and 0.5; it can be stated that the data are fairly symmetrical. Since the data are symmetric, they have the same shape on either side of the middle where the mean and median are closed together. Moreover, since the kurtosis values are less than 3 indicate a flatter, light tails distribution which is called as platykurtic distribution resulting in fewer extreme positive or negative events.

Table 3 - Result of Correlation Analysis

	<i>RI</i>	<i>MO</i>	<i>AD</i>	<i>RE</i>	<i>SE</i>	<i>NE</i>	<i>FM</i>	<i>ST</i>	<i>GOV</i>	<i>FIN</i>	<i>GRO</i>
<i>RI</i>	1										
<i>MO</i>	.917**	1									
<i>AD</i>	.553**	.630**	1								
<i>RE</i>	.806**	.898**	.815**	1							
<i>SE</i>	.461**	.484**	.514**	.563**	1						
<i>NE</i>	.405**	.492**	.523**	.563**	.779**	1					
<i>FM</i>	.401**	.409**	.438**	.482**	.585**	.730**	1				
<i>ST</i>	.397**	.470**	.483**	.521**	.618**	.654**	.640**	1			
<i>GOV</i>	.414**	.514**	.569**	.557**	.645**	.740**	.642**	.690**	1		
<i>FIN</i>	.391**	.435**	.523**	.461**	.428**	.533**	.572**	.512**	.749**	1	
<i>GRO</i>	.439**	.576**	.645**	.665**	.676**	.748**	.571**	.734**	.799**	.651**	1

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

Source: *Survey Data(2023)*

In this study, all correlation coefficient ( $r$ ) values demonstrated a positive correlation, indicating that when one variable moves in a positive direction, so does the other. When examining the results of each significance test, all values have a p-value of less than 0.01, which is the acceptable significance level. It implies that all variables in the consideration have positive and statistically significant relationship with each other.

Table 4 - Result of KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.852
Bartlett's Test of Sphericity	Approx. Chi-Square	1318.227
	Df	55
	Sig.	.000

Source: *Survey Data(2023)*

The KMO test is used to measure the adequacy of the sample size for factor analysis. Hence the KMO value (.852) is between 0.8 and 0.9; it indicates that the data are highly suitable for factor analysis and determined that the correlations among the variables are sufficient to proceed with factor analysis. Consequently, the reported p-value is less than

the significance level (usually 0.05), it indicates that the correlation matrix is significantly different from the identity matrix, and factor analysis can be performed. Therefore the significance level of the test indicates that the correlation matrix is suitable for factor analysis.

Table 5 - Result of Communalities Table

Variable	Initial	Extraction
<i>RI</i>	1.000	.863
<i>MO</i>	1.000	.928
<i>AD</i>	1.000	.659
<i>RE</i>	1.000	.928
<i>SE</i>	1.000	.646
<i>NE</i>	1.000	.787
<i>FM</i>	1.000	.657
<i>ST</i>	1.000	.682
<i>GRO</i>	1.000	.794
<i>GOV</i>	1.000	.809
<i>FIN</i>	1.000	.566

Source: *Survey Data (2023)*

The next item from the output is a table of commonalities which shows how much of the variance (i.e. the communality value which should be more than 0.5 to be considered for further analysis. For instance over 90% of the variance in “Self-motivation” and “Resilience” accounted for, while 86.3% of the variance in “Risk-taking” is accounted for (Table 5). Since those variables with high communalities are well explained by the underlying factors, and therefore, may be considered as key entrepreneurial characteristics of SME owners and managers in the North Central Province.

Table 6 - Result of Regression Analysis–Model I

Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.649	.239		2.721	.008
<i>RI</i>	-.345	.124	-.355	-2.777	.006
<i>MO</i>	.345	.171	.357	2.019	.046
<i>AD</i>	.156	.080	.178	1.958	.053
<i>RE</i>	.102	.150	.110	.683	.496
<i>SE</i>	.095	.076	.103	1.249	.214
<i>NE</i>	.286	.090	.305	3.170	.002
<i>FM</i>	-.056	.064	-.067	-.881	.380
<i>ST</i>	.299	.061	.345	4.917	.000
R-square	0.749				
Adj. R-square	0.731				
Durbin-Watson	1.666				
F Value	41.455				
Sig.	0.000				
VIF	2.277				
a. Dependent Variable: GRO					

Source: *Survey Data (2023)*

Table 6 provides the *R-square* ( $R^2$ ) and Adjusted R-square values. In this study, 74.9% (0.749) of business growth of SMEs can be explained by all the entrepreneurial characteristics, which is at a good level of explanation. Moreover, the rest 25.1% would be explained by other variables which have not been considered when designing the study. The Durbin-Watson statistic shows 1.666 which is positive autocorrelation as well as relatively normal in empirical studies consideration. When referring to the extracts of ANOVA presented in Table 6, it highlights that the regression model predicts the dependent variable significantly well (Sig. = 0.000). In this model, with a VIF of 2.277, the multicollinearity for the specific predictor variable is generally considered moderate. This suggests that there may be some correlation between this variable and the other variables in the regression model, but it's not excessively high.

#### 4.1 Discussion of the Results

By analyzing the unstandardized beta (B) values and their corresponding sig. values, the second research question regarding the impact of entrepreneurial characteristics on the growth of small and medium-sized enterprises (SMEs) in the region can be answered. Accordingly self-motivation (*MO*), networking skills (*NE*) and strategic thinking (*ST*) reported a positive and statistically significant influence on business growth of SMEs (*GRO*). This was confirmed by ample of previous empirical studies by Hitt et al., (2001), Kuratko et al., (2005), Cohen & Winn (2007), Darrat & Darrat (2013) and Lee & Park (2018). In contrast, risk-taking (*RI*) showed a negative but statistically significant influence on business growth of SMEs (Li et al., 2009). Research by Wijekumara (2019) in a comparable regional setting revealed that SMEs participating in targeted government initiatives experienced notable growth in terms of revenue and employment, emphasizing the importance of supportive policy environments. A study by Cassar & Friedman (2009) found that overconfident entrepreneurs who take excessive risks can harm the growth of their SMEs. The study surveyed 208 Australian SME owners and found that those who were overconfident and took high levels of risk had lower levels of growth in terms of sales and employment. To further elaborate on the findings, the study revealed that Adaptability (*AD*), resilience (*RE*) and a strong work ethic (*SE*) had a positive influence on the growth of SMEs, but the impact was statistically insignificant. On the other hand, financial management skills (*FM*) were found to have a negative influence on SME growth, but the effect was also statistically insignificant (Omar & Atif, 2015; Al-Tit & Al-Shobaki, 2020). According to table 6, the regression model can be depicted as equation 3.

$$GRO = 0.649 - 0.345RI + 0.345MO + 0.156AD + 0.102RE + 0.095SE + 0.286NE - 0.056FM + 0.299ST + \varepsilon \quad (3)$$

With the introduction of institutional factors to the existing model (in Table 7), explanatory power has been increased to 78.3% (0.783) while the value of Durbin-Watson statistic was value of 2 which was considered good because it suggests that the model's residuals are independent and do not exhibit any significant correlation with each other. The relationships of all independent variables in model II are same as model I. The two institutional factors, namely government policies and regulations (*GOV*) and financial institutions (*FIN*) both have positive and statistically significant influence on business

growth of SMEs in North Central Province in Sri Lanka. The findings of this study were also supported by Kumar & Sengupta (2017) as well as Murithi & Mukulu (2016) who found that government policies and financial institutions have a positive and significant influence on the growth of SMEs.

Table 7 - Result of Regression Analysis–Model II

Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.338	.227		1.491	.139
<i>RI</i>	-.288	.113	-.297	-2.538	.013
<i>MO</i>	.161	.158	.167	1.021	.310
<i>AD</i>	.024	.076	.027	.311	.756
<i>RE</i>	.268	.138	.289	1.936	.055
<i>SE</i>	.088	.070	.094	1.261	.210
<i>NE</i>	.204	.084	.217	2.433	.017
<i>FM</i>	-.134	.060	-.160	-2.241	.027
<i>ST</i>	.231	.057	.266	4.044	.000
<i>GOV</i>	.213	.084	.225	2.539	.013
<i>FIN</i>	.178	.069	.178	2.559	.012
R-square	0.801				
Adj. R-square	0.783				
Durbin-Watson	2.001				
F Value	43.850				
Sig.	0.000				
VIF	2.790				
a. Dependent Variable: GRO					

Source: Survey Data (2023)

According to table 7, the regression model can be depicted as equation 4.

$$GRO = 0.338 - 0.288RI + 0.161MO + 0.024AD + 0.268RE + 0.088SE + 0.204NE - 0.134FM + 0.231ST + 0.213GOV + 0.178FIN + \varepsilon \quad (4)$$

## 5. Conclusion

This study focused on examining the impact of Entrepreneurial Characteristics and Business Growth of SMEs: Special Reference to North Central Province. In conclusion, the findings of this study provide valuable insights into the relationship between entrepreneurial characteristics and business growth of SMEs in the North Central Province of Sri Lanka. The results demonstrated that risk-taking, self-motivation, networking skills, financial management skills, and strategic thinking are all significantly related to the business growth of SMEs. These findings suggest that entrepreneurs who possess these characteristics are more likely to achieve higher levels of growth and success in their businesses.

Moreover, the study underscores the importance of fostering these entrepreneurial characteristics in SMEs. Policymakers, business development agencies, and other stakeholders should provide training and support programs to help entrepreneurs develop these skills and abilities, which in turn will contribute to the overall growth and development of the SME sector.

Overall, this study highlights the critical role of entrepreneurship in driving economic growth and development. As SMEs continue to play an increasingly important role in the economy, understanding the factors that contribute to their growth and success becomes essential. The results of this study provide useful insights for policymakers, entrepreneurs, and other stakeholders seeking to promote the growth and development of SMEs in the North Central Province and beyond.

### *5.1 Limitation of the Study*

The study is limited to the Anuradhapura and Polonnaruwa districts in Sri Lanka. Generalizing the findings to other regions within the country or to different developing countries may be challenging, as entrepreneurial characteristics and their impact on SME growth can be influenced by regional variations. The sample size of 120 participants may limit the generalizability of the findings. A larger and more diverse sample could provide a more comprehensive understanding of the relationship between entrepreneurial characteristics and SME growth. Further, the cross-sectional design provides a snapshot of the relationship between entrepreneurial characteristics and SME growth at a specific point in time. A longitudinal approach could offer insights into the dynamic nature of these relationships over time. Sole reliance on a questionnaire limits the exploration of alternative data collection methods, such as interviews or focus group discussions, which could provide deeper qualitative insights into the experiences and perspectives of entrepreneurs.

### *5.2 Future Direction of the Study*

Expand the scope of the research to include multiple regions within Sri Lanka and other developing countries. Comparative analyses across regions can reveal region-specific patterns and enrich the understanding of entrepreneurial characteristics and SME growth dynamics. Integrate qualitative methods, such as interviews or case studies, alongside quantitative approaches to provide a more holistic understanding of the interplay between entrepreneurial characteristics and SME growth. Explore how entrepreneurial characteristics influence SME growth within specific industries. Different sectors may require distinct sets of traits, and industry-specific analyses can provide targeted insights.

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