

Enhancing International Entrepreneurship: Analyzing the Key Factors Influencing Export Performance of Small and Medium Enterprises in Sri Lanka

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Abstract - The limited availability of sound economic strategies to provide opportunities to enter into international markets has negatively impacted the growth of the Small and Medium Enterprises (SME) sector during the recent years. While identifying the importance of the SME sector's contribution to and impact on the Sri Lankan economy, this study's objective is to analyze the key elements that directly influence the export performance of these enterprises within an economic context. The impacts of government support, access to trade finance, technological adoption and infrastructure and logistics support on the export performance of SMEs were measured employing the quantitative technique regression analysis. The analysis proved that access to trade finance and government support were the two key factors influencing export performance of Sri Lanka's SME sector. Recommendations are proposed to enhance access to trade finance and increase government support to create more opportunities for international entrepreneurship, thereby increasing export performance of Sri Lankan SMEs.

The identified key elements and recommendations herein, will help governments and other stakeholders of emerging economies to take necessary actions to overcome economic downturns through enhanced export performance of the SME sector and international entrepreneurship.

Keywords- Export performance, Sri Lankan SME sector, government support, trade finance, international entrepreneurship.

1. Introduction

Small and medium enterprises serve as vital engines of economic growth across countries throughout the world. For small and medium enterprises to grow and remain sustainable, securing support from outside sources has become strategically vital, since they need increased support by way of financing options, opportunities to enter new markets and infrastructure [1]. This research primarily examines the significance of small and medium enterprises in Sri Lanka and the critical factors influencing their performance in global export trade. The study further highlights the SME sector's ability to assist the country in addressing the ongoing financial crisis through international entrepreneurship.

1.2. The Research Problem

Sri Lanka experienced an economic crisis in the year 2022, which resulted in the country declaring bankruptcy. The key factors behind this situation were the sharp decline in national income due to the COVID-19 pandemic and the reduction of foreign remittances. The economic crisis of 2022 is considered the most severe economic downturn since gaining independence in 1948 [2], [3].

Sri Lanka's dwindling foreign exchange reserves during this period were insufficient to address the country's financial deficit, ultimately leading to a default on its external debt obligations.

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Moreover, the country did not have an appropriate policy to sustain export revenue before and after the economic issues. In addition, income from tourism was lost almost entirely, and workers' remittances also declined significantly, leaving the country in a very vulnerable economic situation [2].

The country's balance of trade has shown a negative balance since the year 2000, and no strategic measures have been implemented to enhance export performance. It is also identified that there are limited opportunities in the country for start-ups and the new business entrepreneurs [4].

1.2.1. Justification of the Problem

The financial stability of the country was devastated when it went into bankruptcy. Declining foreign reserves contributed to the depreciation of the rupee, which directly increased inflation due to the country's dependency on imports [5].

SMEs are the backbone of the country's economy, accounting for 45% of employment and contributing 52% to the Gross Domestic Product (GDP), and defines the SME sector as companies consisting of less than 300 employees, with an annual revenue of less than LKR 750 million. This segment encompasses diverse industries ranging from agriculture, services, and industry, to manufacturing and information technology [6]. During the crisis, the SME sector was a key concern, as it had limited opportunities to reach the international markets and sustain business operations.

The contribution of SMEs to economic advancement and prosperity is vital in many countries worldwide, including Sri Lanka. A robust SME sector, with a high level of export performance and international engagement, would have prevented the country from going bankrupt. The key concern during this crisis was the country's inability to compete in international markets and retain market share [5], [7]. Therefore, this research is aimed at identifying the key elements affecting Sri Lankan SMEs' performance in exports and remedial measures required to enhance international entrepreneurship sustainably.

1.3. Research Question

Which critical elements influence how Sri Lankan small and medium enterprises perform in export markets from an international entrepreneurship perspective?

1.4. Research Objectives

This study aims to determine the critical elements affecting Sri Lankan SMEs' export performance and to recommend best practices to improve the export success of the SME sector in Sri Lanka, in relation to international entrepreneurship.

1.5. Significance of the Study

Small and medium enterprises are regarded as the foundation of Sri Lanka's economic structure. This research seeks to determine the primary drivers that shape these businesses' participation in global trade. This research aims to propose the best reliable solutions to increase the country's economic stability through SMEs' export performance based on the past concerns of the country within recent history, post COVID 19 pandemic. Most of the world economies still experience the unfavorable results of the pandemic and identifying these key elements will help governments to take necessary actions to overcome economic recession through enhanced export performance of the SME sector and international entrepreneurship.

2. Literature Review

In this section, a review of secondary sources of literature is performed to find out some of the major issues that tend to impact Sri Lankan SMEs' performance in exports and how the negative effects have been countered. Innovation across national boundaries and accessibility to wider markets by means of market research are the factors that present positive results to the local economy as far as international entrepreneurship is concerned. Positive regulations, trade financing, innovation and availability of financial instruments allow the SMEs to develop enhanced relationships with the international community. The sources that have been examined are the development policies, government reports, reports in journals associated with SME, research articles and the annual reports on export sector.

The World Bank Report depicts that export performance of SMEs is crucial in the economy of Sri Lanka [7]. The relationship between export success and issues such as government policy, trade finance availability, innovation, technology and infrastructure have been brought forth in the study. Exporting goods and services is regarded as vital to economies as it leads to creation of innovation, employment, and entry to international markets [7]. In this study, factors influencing export performance of SMEs and the related theoretical perspectives are examined to advance research findings.

2.1. Government Policies and Export Performance

Depending on an organization's type and operational scope, government policy measures can have immediate or secondary effects on small and medium enterprises.

The Government of Sri Lanka often employs financial and non-financial tools to support SMEs' existence and survival, creating a competitive edge that enables them to focus on and explore international markets.

Recent studies have shown multiple components of government policies that have affected export performance, such as tax incentives, financial benefits, simplification of export policies and procedures; trade discussions engagement, and promotion of innovation through collaboration.

Sri Lankan government has implemented numerous tools through the years to support the performance of the SMEs, recognizing their significant contribution. It is crucial for Sri Lanka to secure these enterprises through government policies and continuous assessment processes paving the way for economic development [3].

New plans, as stated by the Ministry of Industry and Entrepreneurship Development, target the simplification of regulations of imports, customs, and the introduction of trade agreements [8]. Specific financial aid must be provided to SMEs in order to promote innovation and employment sustainability [9].

Government support to enhance SMEs' export performance should extend to offering better access to trade finance, investment in technology, research and development as well as upgrading logistics networks [3].

Importance should be placed on government financial funding initiatives, focusing on securing jobs and initiating innovation [9].

It is crucial to adapt government policies and regulations to support sustainable growth, in line with national priorities. Challenges often faced by SMEs are linked to low financial capacity [10]. Innovation and research should be reinforced with government grants and investment policies, as it drives SMEs toward new product development [11].

Therefore, it is evident that SMEs require government support in gaining access to and performing in the international arena.

2.2. Access to Trade Finance and Export Performance

Credit constrained firms which are most abundantly found among SMEs, are also less likely to export [12]. In Sri Lanka, most SMEs do not have adequate access to trade finance facilities, which are financial facilities granted to fund international trade, due to an inadequate of financial knowledge, creditworthiness issues and a complex regulatory environment [13]. It is crucial to rearrange policies for accessible trade finance and provide information to SMEs on government financial products [3].

Government programs, focusing on financing SMEs, such as the establishment of SME bank units, trade loan programs, and export credit insurance, often facilitate SMEs' access to export markets. It is found that financial stability and market performance are correlated with SMEs' performance in international trade. Due to financial instability and political crises in recent years, many SMEs in Sri Lanka have experienced a lack of human resources and infrastructure barriers, and have been limited in their capacity for innovation and research [3].

Internationalization requires a substantial amount of working capital to manage infrastructure, research, marketing, product development, and logistics. According to [14], the major limitations for SMEs in accessing trade finance are the credit history barriers, the lack of security deposits or collateral, and the lack of knowledge on trade financing tools. To overcome these barriers, access to trade finance should be supported through policy reforms and a creditworthy global value chains for SME products. Through transitional activities, SMEs can attract local and global financial institutions for trade finance facilities.

Financial institutions often consider SMEs as risky establishments to grant credit to, due to the credit constraints of the business. SMEs tend to seek informal financing pathways to access informal funds. In order to increase creditworthiness, SMEs should maintain proper financial and credit records and take steps to enhance financial literacy among staff members, improve technological advancement, and conduct risk analysis [15]. The Asian Development Bank identified components affecting these limitations. The research identifies barriers that prevent SMEs from accessing financing, including banks' perception of them as risky borrowers. Contributing factors include SMEs' insufficient record-keeping, irregular lending patterns, and poor documentation practices, all of which reduce transparency and restrict their ability to secure trade financing [16]. SMEs in Sri Lanka require a high amount of security and tangible assets to be able to access trade finance. As a response to the limitations in dealing with banks and financial institutions, many SMEs seek assistance from private lenders, family, or friends for their financing solutions [14].

As a result of these challenges, a great number of SMEs go to the private lenders or family to obtain the funding. This form of informal financing may affect the long-term performance of a business negatively since the interest rates are high and it makes businesses less financially stable. In order to compete globally, SMEs badly need the effective access to formal trade financing options.

2.3. *Technological Innovation and Export Performance*

Technological innovation and new products development are critical attributes of entrepreneurs interested in international markets to become profitable and competitive. In Sri Lanka, SMEs operate in a labor-intensive economy and are the highest contributors to the national employment. Emphasis on innovation and technological advancement helps SMEs to be in contact with bigger firms, increase their output, facilitate their supply chains, and enter new markets.

The Asian Productivity Organization's report examines how innovation-centered small and medium enterprises contribute to economic development in emerging markets like Sri Lanka, India, and Indonesia [17]. SME performance is, however, negatively affected by absence of capital and minimal attention on innovation. In Sri Lanka capital tend to put its capital constraints to the point where the SMEs tend to rely on the government to initiate innovation [4].

To curb this, banks and regulation authorities have come up with SME oriented credits programs that aid innovation and technological advancement. Modern technology helps to cut the expenditures, increase profits, and improve performance of exports [18].

Government efforts cover capital credit on technological infrastructure and training of workforce. However, trade finance is still scarce and policies are still limiting adoption to technology. Specific government intervention is necessary to eliminate these obstacles and enhance the SME innovation and export capacities [19].

2.4. *Infrastructure and Logistics and Export Performance*

Poor infrastructure and logistics have been affecting SMEs a great deal by making operation costs higher, and efficiency low hence loss of revenues and uncertainty. Over the recent years, the political and financial stability of Sri Lanka has compelled a significant number of SMEs to work with obsolete roads, weak logistic facilities, and poor warehouses. In compliance with the Export Development Board of Sri Lanka (EDB), A previous study of SMEs, addresses the issue of a higher level of infrastructure and logistics as essential mechanisms of improving the performance of SMEs [12]. In reaction, EDB has came up with solutions to smart-warehousing which will cut the use of labor and augment access to the modern storage facilities to take care of the existing labor shortages.

Weaknesses in supply chains and port logistics have also been pointed down as an area of vulnerability that requires improvement of road networks and supply channels [20].

To counter this, Sri Lanka had in 2024 acquired a USD 125 million World Bank loan to increase infrastructure facilities such as warehouses for marine and air cargo, thereby improving export potential [20]. Through the investigation regarding the orange industry in China, the author notes that great involvement is required in development of logistics by the government and export bodies [14].

The reconnection of SMEs with the global value chains and the increase of revenue should be started by the development of better infrastructure. The link between export performance and logistical effectiveness [21]. The Logistics Performance Index of the World Bank classifies Sri Lanka as the country with moderate performance, and better efficiency in the customs regime, networks of transport, and the ability to deliver the shipments are needed to keep pace with the global markets.

2.5. *Sri Lankan SMEs*

According to the economic survey conducted by the Department of Census and Statistics, SMEs have a very positive role in enhancing the economic growth of Sri Lanka in terms of offering more employment opportunities as compared to large firms in the export sector [22]. The prominent products of SME exporters are apparel, tea, ship-building material, coconut products, gems, rubber, and spices [23]. The EDB derives the classification of the enterprises involving assets, workforce, and the level of profits.

Over the past years, political instability, natural disasters and pandemics affected SMEs. The government however, has implemented some new measures such as economic and regulatory to increase the competitiveness of the SMEs in the international markets. Sri Lanka's Central Bank presently supports small and medium enterprises by enabling access to working capital through official financial channels, while also promoting the adoption of contemporary technology training programs for business owners. [24].

2.6. *Theoretical Background*

In order to analyze the major determinants for better understanding Sri Lankan SMEs' export performance, the paper will use two major theories rather namely known as the Resource-Based View (RBV) and Internationalization Theories. These views offer crucial information on how internal abilities of the firm and global interactions affect export performance.

2.6.1. Resource-Based View (RBV)

According to the framework of the “Resource-Based View theory (RBV)”, a firm’s internal resources and competencies serve as crucial drivers for gaining competitive advantage internationally. RBV argues that these companies are better placed to attain a high export performance due to the availability of valuable, rare, non-substitutable and inimitable resources [25].

The significant resources are financial capability, human resources with skills, technology, and experience in management [26]. In addition to having static resources, the dynamic capabilities, including flexibility and adaptability, innovativeness, and the possibility to address the requirements of the international markets, also contribute to export readiness. Moreover, innovation, product differentiation, and robust brand reputation are crucial in enhancing market penetration and competitiveness in other countries, mainly in the case of SMEs in emerging markets such as Sri Lanka [27].

2.6.2. Theories of Internationalization

Theories of internationalization provide a secondary perspective on SMEs’ expansion into new markets. These are the Uppsala Model, Born Global Theory and Eclectic Paradigm (OLI Model).

2.6.2.1. Model of Uppsala Internationalization

According to this model, SMEs have a gradual process of internationalization since they initially start their activities by exporting to culturally and geographically closer markets and continue their internationalization work gradually as they gain new knowledge and resources. The model is of particular concern to risk-averse Sri Lankan SMEs, minimally exposed both in the starting stages to international exposure [4].

2.6.2.2. Born Global Theory

Unlike the slow pace of internationalization, born global companies internationalize at a much faster pace using the advantage of innovation, the importance of online platforms, and strategic global networks [28]. Such a strategy is becoming pertinent to the emerging tech-based small and medium business in Sri Lanka.

2.6.2.3. Eclectic (OLI) Paradigm

Ownership, location, and internalization advantages have been indicated in this theory as some of the key factors in determining export performance.

Companies with proprietary knowledge, positive geographical access, and proper inside control of export operations have the advantage of competing in a global market [29].

These theories, when combined, offer an extensive analytical framework for evaluating the performance in merchandise exports of small and medium enterprises in Sri Lanka in the global market [30].

2.7. Hypothesis Development and Theoretical Justification

Drawing from the examined literature and theoretical foundations, the subsequent hypotheses have been formulated along with their corresponding theoretical justifications:

2.7.1. Government Support and Export Performance

As suggested by The Resource-Based View theory, external resources provided by government support can complement internal firm resources to create competitive advantages [25]. Government policies that provide financial assistance, tax incentives, and export facilitation services directly enhance SMEs’ resource base, enabling them to overcome resource constraints that typically limit their internationalization efforts.

The Uppsala Model of internationalization indicates that government support can reduce the psychic distance and perceived risks associated with entering foreign markets, particularly for risk-averse Sri Lankan SMEs [31]. Empirical evidence from developing countries demonstrates that export promotion programs significantly improve firm-level export performance [32]. Previous studies confirm that government export promotion programs enhance SMEs’ international market knowledge and networking capabilities [33].

Theoretical argument: Government support acts as an external resource that compensates for SMEs’ internal resource limitations, reduces information asymmetries about international markets, and provides institutional backing that enhances credibility in global markets.

H1: There is a positive relationship between government support and the export performance of the SME sector of Sri Lanka, in relation to enhancing international entrepreneurship.

2.7.2. Access to Trade Finance and Export Performance

SMEs undergo a significant amount of friction with financial institutions due to lack of transparent financial records, limited credit history, and insufficient collateral [14].

From an RBV perspective, financial resources are fundamental capabilities that enable SMEs to invest in market development, technology, and operational capabilities necessary for successful exporting [26]. The internationalization theories suggest that financial constraints limit firms' ability to make necessary investments in international market entry and development [34].

Empirical evidence strongly supports this relationship. Some of the studies [35] demonstrates that credit-constrained firms export less, while others [36] find that financial development positively affects firm export decisions. Previous research works identify financial accessibility as representing a primary constraint on small and medium enterprise development, particularly in developing countries [37].

Theoretical argument: Trade finance reduces liquidity constraints, enables working capital management for international operations, and provides risk mitigation tools essential for export activities. Financial accessibility directly translates to enhanced export capabilities.

H2: There is a positive relationship between access to trade finance and the export performance of the SME sector of Sri Lanka, in relation to enhancing international entrepreneurship.

2.7.3. Technological Innovation and Export Performance

The RBV theory emphasizes that technological capabilities represent valuable, rare, and inimitable resources that create sustainable competitive advantages in international markets [25]. Dynamic capabilities theory suggests that technological innovation enables firms to adapt to changing international market conditions and customer requirements [38].

The Born Global theory particularly highlights how technology-enabled SMEs can rapidly internationalize by leveraging digital platforms and innovative solutions to overcome traditional barriers to international expansion [27]. Technology adoption enhances productivity, reduces costs, and enables SMEs to compete with larger firms in global markets.

Empirical studies support this relationship. ICT adoption significantly improves SME performance [38], while some previous works [39] demonstrate that digital transformation enhances SMEs' competitive capabilities. Technology adoption enables better market access and customer relationship management [40].

Theoretical argument: Technology adoption enhances operational efficiency, enables digital market access, improves product quality and innovation, and provides competitive advantages necessary for successful international market penetration.

H3: There is a positive relationship between the adoption of innovation and technology and the export performance of the SME sector of Sri Lanka, in relation to enhancing international entrepreneurship.

2.7.4. Infrastructure and Logistics and Export Performance

The Eclectic (OLI) Paradigm emphasizes that location advantages, including infrastructure quality, significantly influence firms' international competitiveness [29]. Poor infrastructure creates additional costs and inefficiencies that reduce export competitiveness, while good infrastructure enhances location advantages.

From a transaction cost theory perspective, inadequate infrastructure increases transaction costs for international trade through higher transportation costs, longer delivery times, and increased uncertainty [41]. The Uppsala Model suggests that infrastructure barriers can increase the psychic distance to international markets, making internationalization more challenging.

Empirical evidence demonstrates the infrastructure-export performance relationship. Trade facilitation improvements, including infrastructure development, significantly boost developing countries' export potential [42].

However, the literature suggests that the strength of this relationship may diminish when comparing SMEs to larger corporations, as SMEs often rely on third-party logistics providers and may be less directly affected by infrastructure quality differences.

Theoretical argument: Infrastructure quality affects logistics costs, delivery reliability, and operational efficiency, all of which influence export competitiveness. However, the impact may be moderated by SMEs' reliance on external logistics providers.

H4: There is a positive relationship between infrastructure and logistics and the export performance of the SME sector of Sri Lanka, in relation to enhancing international entrepreneurship.

2.8. Literature Summary

To increase the revenue and international entrepreneurship, SMEs also need to improve export performance. Growth in exports helps in boosting the country's overall economic production and makes the country more prosperous. Favorable conditions are required to support sustainable growth of SMEs and enhancing business performance, government policies and access to trade finance are important in establishing these conditions. Moreover, the SMEs have access to the global platform such as e-commerce through innovation, technology and logistics and they have the technical support to compete with others internationally.

The theoretical framework combining RBV, internationalization theories, and the theory of asymmetric information offers a robust framework for examining the determinants of export performance among small and medium enterprises. The developed hypotheses are grounded in established theories and supported by empirical evidence from both developed and developing country contexts.

The terms of reference guided by theory literature review helped in establishing study variables that provided a guideline in the development of the conceptual framework, questionnaire.

3. Methodology

This section describes the methodology adopted in conducting this research. The conceptual framework used, the research philosophy and approach, operationalization and research design are detailed herein.

3.1. Conceptual Framework

The study's conceptual framework outlines the essential components related to export performance of the Sri Lankan SMEs in enhancing international entrepreneurship (Figure 1). It describes the key variables that influence export performance as independent variables and government support, access to trade finance, technological adaptation, and infrastructure and logistics are identified as the key independent variables.

Built upon the Resource-Based View and internationalization theories presented earlier, the conceptual framework maps out the anticipated relationships linking four predictor variables to the dependent variable, export performance, to provide a theoretical foundation for empirical testing.

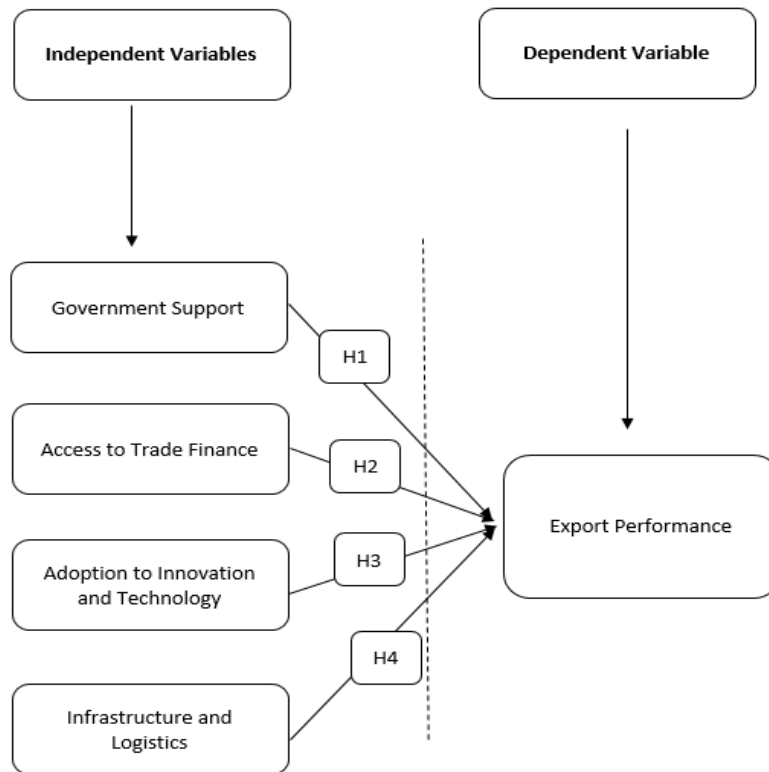


Figure 1. Conceptual framework

3.2. Research Philosophy and Approach

This study adopts a positivist research philosophy, which is appropriate for examining causal relationships between variables through quantitative methods [43]. The positivist approach allows for objective measurement and statistical testing of the hypothesized relationships identified in the literature review.

A deductive research approach is employed, moving from theory to data testing. This approach is suitable as the study tests theoretically-derived hypotheses using empirical data rather than developing new theories from data observations.

3.3. Operationalization of the Study

The operationalization of the study is shown in Table1.

Table 1. Operationalization table

Concept	Variable	Sub variable	Question no.
Dependent variable	Export performance of Sri Lanka	New markets	17
		Opportunities	18
		Overall growth	19
		Revenue	20
Independent variable	Government support	Government policies	1
		Trade agreements	2
		Government financing	3
		Support services	4
	Access to trade finance	Funding options	5
		Banking sector products	6
		Government trade finance programs	7
		Export credit agencies	8
	Adoption of innovation and technology	Digital solutions	9
		Productivity and efficiency	10
		Streamlining the processes	11
		Cost effectiveness	12
	Infrastructure and logistics	Transport system	13
		Infrastructure developments	14
		Telecommunication and the Internet	15
		Supply of electricity, water systems	16

The operationalization table demonstrates construct validity by ensuring that each theoretical construct is measured through multiple observable indicators. Each independent variable is measured using four sub-variables, providing comprehensive coverage of the construct domains identified in the literature review.

3.4. Research Design

The sample of the SME sector entrepreneurs was selected from a population of 3,605. A questionnaire was used as the key research instrument and the design followed the Saunders Research Onion Model. Positivism is the employed philosophy, as per the nature of quantitative studies. Deductive reasoning was used as the research approach of the study. A survey method was used as the research strategy. A cross-sectional time horizon was selected, since the study was performed according to a specific time frame.

3.4.1. Justification of Research Design Choice

The cross-sectional survey approach suits this research because it enables:

- The investigation of variable relationships at a single point in time
- Collection of data from a large sample efficiently
- Testing of multiple hypotheses simultaneously
- Generalization of findings to the broader SME population in Sri Lanka

While longitudinal designs could provide insights into causal relationships over time, the cross-sectional approach is suitable for initial hypothesis testing and establishing baseline relationships between the variables of interest.

3.4.2. Design of the Research Instrument

A questionnaire was used to collect data, and it was developed with the key variables and sub-variables of the study, allocating four questions for each key variable. Accordingly, the questionnaire consisted of 20 questions. Furthermore, demographic questions were also included to identify the nature the respondents, since obtaining such background information strengthened the effectiveness of the final decisions. The Likert Measurement Scale from one to five grading was used to score the answers: 1 - strongly disagree; 5 - strongly agree.

Content Validity: Each item of the questionnaire was developed based on established scales from previous studies and theoretical constructs identified in the literature review. Each construct is measured using multiple items to ensure comprehensive coverage of the theoretical domain.

Face validity: Both academic scholars and industry professionals evaluated the questionnaire to verify that each item accurately measures its intended construct.

3.4.3. Validity and Reliability Considerations

Multiple strategies were employed to establish the reliability and validity of the survey instrument:

Construct Validity:

- Items were derived from established theoretical frameworks (RBV, internationalization theories),
- Multiple indicators were used for each construct (4 items per variable),
- Factor analysis principles were applied in variable measurement design.

Internal Validity:

- Control for common method bias through careful questionnaire design,
- Use of standardized measurement scales,
- Clear operational definitions for all constructs.

External Validity:

- Representative sampling from the Export Development Board registry,
- Adequate sample size for generalization,
- Clear definition of target population and sampling frame,
- Reliability,
- Cronbach's Alpha testing for internal consistency,
- Multiple-item measurement for each construct
- Pilot testing to identify potential issues.

3.4.4. Sample Design

This section delineates the sample design of the study. The study population, the sampling method used and the sample size which constitute the sample design of this study are elaborated upon, in the following subsections.

3.4.4.1. Population of the Study

The registered number of export-oriented entrepreneurs in the SME sector, as obtained from the Directory of Exporters 2019 (The Export Development Board of Sri Lanka, 2020) was 3,605. The total population of the study, therefore, was considered as 3,605. Accordingly, at 95% confidence level with 5% + / - margin of error, the standard sample size (n) yielded was 360.

3.4.4.2. Sample Size Justification

The calculated sample size of 360 is adequate for:

- Multiple regression analysis with 4 independent variables (minimum 15-20 cases per variable),
- Achieving sufficient statistical power (>0.80) for detecting medium effect sizes,
- Ensuring representativeness of the SME exporter population,
- Meeting requirements for correlation and regression analyses.

3.4.4.3. Method of Sampling

The study employed stratified random sampling to ensure diverse business sectors and firm sizes were proportionally represented within the SME export population. This approach enhances the external validity of the findings.

3.4.5. Data Collection Techniques

Given the questionnaire constituted the main research instrument, data collection was primarily conducted through email distribution of Google Forms. The privacy of the respondents was assured and no personal data was collected.

Data Collection Quality Assurance:

- Online delivery through Google Forms ensured consistent question presentation,
- Reminder emails were sent to improve response rates,
- Data validation rules were implemented to prevent incomplete responses,
- Anonymous collection enhanced response honesty and reduced social desirability bias.

Table 2, shows the data collection techniques used in this study:

Table 2. Data collection techniques

Data Collection Approach	Data Types	Technique and source
Data Collection Technique	Key approach - Primary data	The questionnaire is the key method of collecting data from 360 respondents.
Data Collection Technique 02	Secondary Data	Online reliable sources, Central bank website, economic data sources, journals, and research articles

3.4.6. Data Analysis Methods

This study primarily focused on quantitative data, which were gathered through a Google Form questionnaire which consisted of multiple-choice questions and a five-point Likert scale.

The study employed quantitative data analysis, following a systematic approach:

Step 1: Descriptive analysis

- Frequency distributions and percentages for demographic variables,
- Measures of central tendency and dispersion for all variables,
- Assessment of data normality and outliers.

Step 2: Reliability testing

- Internal consistency reliability assessed through Cronbach's Alpha,
- Item-to-total correlations to identify problematic items.

Step 3: Correlation analysis

- Pearson correlation coefficients to examine bivariate relationships,
- Assessment of multicollinearity through correlation matrix examination.

Step 4: Regression analysis

- Multiple linear regression to test hypothesized relationships,
- Examination of regression assumptions (linearity, homoscedasticity, normality of residuals),
- Assessment of model fit through R-square values,
- Statistical significance testing using p-values ($\alpha = 0.05$).

Step 5: Hypothesis testing

- Formal testing of each hypothesis using regression coefficients,
- Interpretation of effect sizes and practical significance.

Statistical software: The study utilized SPSS (Statistical Package for Social Sciences) for data analysis, as it is well-suited to the analytical techniques applied in this research.

3.4.7. Assumptions and Limitations of Analytical Methods

Regression analysis assumptions:

- Linearity: Linear relationships between independent and dependent variables,
- Independence: Each observation is independent from others,
- Homoscedasticity: Residuals maintain consistent variance,
- Normality: Residuals follow a normal distribution pattern,
- No multicollinearity: Predictor variables show minimal intercorrelation.

Study limitations:

- The cross-sectional nature of the study constrains the ability to establish causality,
- Data obtained through self-reporting may contain response bias,
- Single respondent per organization may not capture organizational complexity,
- Limited to export-oriented SMEs registered with the Export Development Board.

3.4.8. Ethical Considerations

No sensitive information or personal data was collected during the study. All the performed activities were completed by the American Psychological Association (APA) standards, solely for academic purposes. The respondents were given the freedom to answer or ignore the questions. Each participant's informed consent was secured before collecting data. There was no manipulation of data, and the outcomes are based purely on the researchers' findings.

Additional ethical safeguards:

- Voluntary participation with right to withdraw
- Anonymity and confidentiality protection
- Transparent communication about research purpose
- Secure data storage and handling procedures
- Compliance with university research ethics guidelines

4. Results

This section dives deep into the analysis of the key factors influencing export performance of Small and Medium Enterprises in Sri Lanka using various quantitative data analysis methods. The outcomes of each phase of the analysis are presented under the subsequent sections in detail.

4.1. Descriptive analysis

The preliminary analysis of the study sample focused on demographic data. The demographic characteristics of the respondents were analysed employing descriptive statistics.

4.1.1. Identification of Databases

Over 400 questionnaires were distributed via Google Forms by email to SME entrepreneurs engaged in exports, registered with the Export Development Board of Sri Lanka, to receive 360 fully completed questionnaires.

4.1.2. Identification of Respondents

As shown in Table 3, out of the 360 participants of the research survey, 46.94% of the businesses were established between 3 and 10 years before the study, which amounted to 41.38% of the companies.

Table 3. Number of years in business

Number of years in business	Number of Respondents	Percentage
Less than 3	42	11.66 %
Less than 10	169	46.94 %
Over 10	149	41.38 %
Total	360	100 %

4.1.2.1. Business Segments

The study attempted to identify the significant segments of export businesses. It was found that most of the businesses were engaged in the export of apparel, services, business process outsourcing, agriculture, and manufacturing as in Table 4.

Table 4. Business segments

Business Sector	Number of Respondents	Percentage %
Apparel	89	25 %
BPO and other	50	14 %
Service Related	24	7 %
Agriculture	139	38 %
Manufacturing	58	16 %
Total	360	100 %

4.1.2.2. Business Growth

Out of the 360 participants, only 8% claimed that they experienced a growth in their business. It is significant that 92% of the SME exporters did not report an overall growth in business (Table 5).

Table 5. Business growth in the organization

Business Growth in the Company	Number of Respondents	Percentage
Yes	30	8 %
No	330	92 %
Total	360	100 %

4.2. Reliability Testing

The Cronbach Alpha Technique was employed for the testing of the variables derived from the research questionnaire for reliability. This statistic explains the level of consistency and internal connectivity of a set of variables in a group. An alpha statistic $\alpha \geq 0.9$ is considered to be very good, $0.7 \leq \alpha < 0.9$ as good, and $0.6 \leq \alpha < 0.7$ as satisfactory, while a value below 0.6 is treated as poor and an unacceptable level of reliability (Table 6).

Table 6. Cronbach's Alpha figures for the questionnaire

Reliability / Cronbach Alpha (α)	Dependent & Independent Variables of the study	Number of Questions (N)
0.943	Government Support	4
0.947	Access to trade	4
0.880	Technology and Innovations adoption	4
0.923	Infrastructure and Logistics	4
0.925	Export performance	4
0.946	Overall value	20

The results of the test confirmed that the questionnaire used in the study was a highly reliable research instrument, by recording a value above 0.9 overall and for each variable.

4.3. Inferential Data Analysis

This section explains the results of inferential data analysis of the study. Inferential analysis was carried out using correlation and regression analysis techniques.

4.3.1. Correlation Analysis

The study used correlation analysis to examine how dependent and independent variables relate to one another. The correlation coefficient (r) quantifies this relationship, with values spanning from -1 to +1, as in Table 7.

Table 7. Correlation interpretation values

Correlation	Analysis Interpretation
0.90 to 1.00 (-0.90 to -1.00)	Very high positive (negative) correlation
0.70 to 0.90 (-0.70 to -0.90)	High positive (negative) correlation
0.50 to 0.70 (-0.50 to -0.70)	Moderate positive (negative) correlation
0.30 to 0.50 (-0.30 to 0.50)	Low positive (negative) correlation
0.00 to 0.30 (-0.00 to -0.30)	Minimal correlation

4.3.2. Regression Analysis

Regression analysis reveals the extent to which independent variables influence the study's dependent variable. The regression coefficient (B) falls within a range of -1 to +1. +1 is the highest positive value, while -1 is the highest negative value. To accept the impact factor as significant, the p-value (Sig.) in the coefficients should be below 0.05. These statistics are shown in Table 8.

Table 8. Regression interpretation of the study

Assessment	Interpretation
+ 1.0 to + 0.7	Strong positive
+ 0.7 to + 0.3	Moderate positive impact
+ 0.3 to + 0.00	Weak positive impact
0.0 to - 0.3	Weak Negative
- 0.3 to - 0.7	Moderate negative
- 0.7 to 1.0	Strong negative

4.4. Testing of the hypotheses and relationship analysis

Moving forward from the descriptive, correlation and regression analysis, the four hypotheses of the study were tested.

4.4.1. Hypothesis One

H1₀: There is no relationship between government support and the export performance of the SME sector of Sri Lanka, regarding enhancing international entrepreneurship.

H1₁: There is a relationship between government support and the export performance of the SME sector of Sri Lanka, regarding enhancing international entrepreneurship.

The first hypothesis was tested using correlation analysis statistics (Table 9).

Table 9. Correlation analysis of government support and the export performance of the SME sector

		Government Support	Export performance
Government Support	Pearson Correlation Sig. (2-tailed) N	1.000 360	.761** .000 360
Export performance	Pearson Correlation Sig. (2-tailed) N	.761** .000 360	1.000 360

The testing was further supported by regression analysis statistics as in Table 10.

Table 10. Regression analysis of government support and the export performance of the SME sector

Coefficients					
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.708	0.169	.00	4.184	0.000
Government Support	0.833	0.0038	0.761	22.161	0.000

Sri Lankan government's support for the SME sector in developing international entrepreneurship and export performance showed a positive relationship with a Standardized Beta Coefficient of 0.761. This can be identified as a high positive correlation. The regression coefficient (Unstandardized) records 0.833, indicating a strong positive impact. The figure of the 2-tailed correlation significance level is 0.000.

Consequently, the null hypothesis is rejected in favour of the alternative hypothesis. The findings indicate a significant positive association between government support and SME export performance in the context of international entrepreneurship.

The R^2 statistic describes the proportion of variation in the relationship, which is explained by the model. R^2 records a value of 0.578, which explains that there is a 58% variation in export performance by the SMEs in Sri Lanka due to government support.

R^2 identifies the way the model fits the collected data (Table 11).

Table 11. R-square Value Table of government support and export performance

Model Summary		Export Performance		
N	R	R Square	Adjusted R Square	Std. Error of the Estimate
360	.761	0.578	.577	0.5636

The scatter plot (Figure 2), identifies the data spread among the graphical axes, where the Y-axis depicts export performance of Sri Lanka's SME sector and the X-axis illustrates government support. The data gathered around the line of the graph defines a high-level of correlation between the variables.

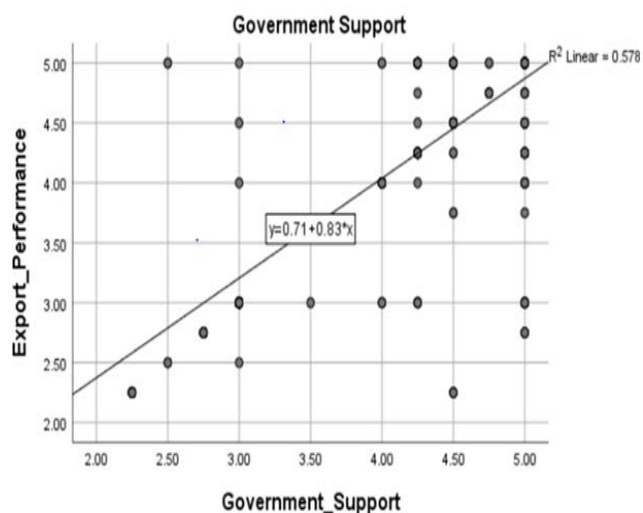


Figure 2. Scatter plot diagram of government support and the export performance of the SME sector

4.4.2. Hypothesis Two

H_{20} : There is no relationship between access to trade finance and the export performance of the SME sector of Sri Lanka, in relation to enhancing international entrepreneurship.

H_{21} : There is a relationship between access to trade finance and the export performance of the SME sector of Sri Lanka, in relation to enhancing international entrepreneurship.

The testing of hypothesis 2 was conducted using correlational analysis data (Table 12).

Table 12. Correlation analysis of access to trade finance and the export performance of the SME sector

		Access to trade Finance	Export performance
Access to Trade Finance	Pearson Correlation Sig. (2-tailed) N	1.000 360	.831** .000 360
Export performance	Pearson Correlation Sig. (2-tailed) N	.831** .000 360	1.000 360

The relationship between access to trade finance by the Sri Lankan SME sector engaged in exports and the export performance of the SMEs shows strong positive correlation with a standardized Beta figure of 0.831 indicating a high positive relationship.

Further, under regression analysis, the unstandardized regression coefficient records 0.869 also indicating a strong positive impact. The value of the 2-tailed correlation significance level is at 0.000. (Table 13).

Table 13. Regression analysis of access to trade finance and the export performance of the SME sector

Coefficients					
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.580	0.137	.00	4.225	0.000
Access to Trade Finance	0.869	0.031	0.831	28.298	0.000

Thus, the alternative hypothesis is accepted while the null hypothesis is rejected. A significantly positive correlation exists between access to trade finance and the export performance of the SME sector within the international entrepreneurship framework.

The R^2 statistic describes the proportion of variation in the reaction that is explained by the model. R^2 records a value of 0.690, demonstrating that there is a 69 % variation in the export performance by the Sri Lankan SME exporters, due to the inadequacy of access to trade finance in the SME sector. R^2 identifies how the model fits the collected data (Table 14).

Table 14. R square Value Table of access to trade finance and export performance

Model Summary		Export Performance		
N	R	R Square	Adjusted R Square	Std. Error of the Estimate
360	.831	0.691	.690	0.4824

In the Scatter plot (Figure 3), the Y-axis symbolizes the Sri Lankan SMEs' export performance, while the X-axis demonstrates the access to trade finance. Based on the above graphical representation of the data gathered around the line of the graph, a high-level of correlation between the variables can be interpreted.

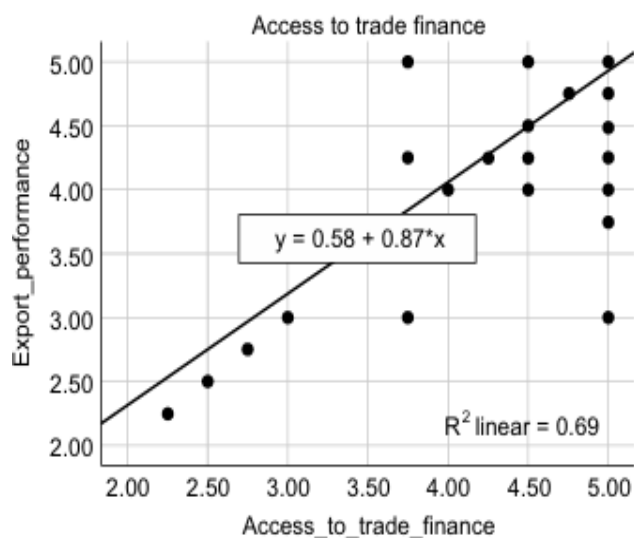


Figure 3. Scatter plot diagram of access to trade finance and the export performance of the SME sector

4.4.3. Hypothesis Three

$H3_0$: There is no relationship between adoption to innovation and technology and the export performance of the SME sector of Sri Lanka, in relation to enhancing international entrepreneurship.

$H3_1$: There is a relationship between adoption to Innovation and technology and the export performance of the SME sector of Sri Lanka in relation to enhancing international entrepreneurship.

The above hypothesis (Hypothesis 3) was also tested with the aid of correlational analysis statistics as in Table 15.

Table 15. Correlation analysis of adoption to technology and innovation and the export performance of SME sector

		Technology and innovation	Export performance
Technology and innovation	Pearson Correlation Sig. (2-tailed)	1.000	.678**
	N	360	360
Export performance	Pearson Correlation Sig. (2-tailed)	.678**	1.000
	N	360	360

The testing was supported by regression analysis statistics (Table 16).

Table 16. Regression analysis of technology and export performance of the SME sector

Coefficients					
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.887	0.204	.00	4.346	0.000
Technology and Innovation	0.786	0.045	0.678	17.437	0.000

The association between technological adoption and innovation by the SME sector of Sri Lanka for international entrepreneurship and export performance shows a positive relationship of with a value 0.678. It can be identified as a moderate correlation. The regression coefficient records 0.786, shows a positive impact. The figure for the 2-tailed correlation significance level is 0.000.

This evidence supports rejecting the null hypothesis and accepting the alternative. A moderate positive correlation exists between technology adoption and export performance among Sri Lankan SMEs pursuing international entrepreneurship.

The proportion of variation in the reaction of the model is explained by R^2 which records 0.458. This figure demonstrates that there is a 45% variation in the export performance, due to the technology adoption of the SME sector of Sri Lanka. R^2 identifies how the model fits the collected data (Table 17).

Table 17. R Square Value Table of adoption to technology and export performance

Model summary		Export performance		
N	R	R Square	Adjusted R Square	Standard error of the estimate
360	.678	0.459	.458	0.6382

The Y-axis of the graphical representation (Figure 4), symbolizes the Sri Lankan SMEs' export performance and the X-axis describes the level of adoption to technology and innovation. The data gathered around the line of the graph defines a moderate relationship between the variables.

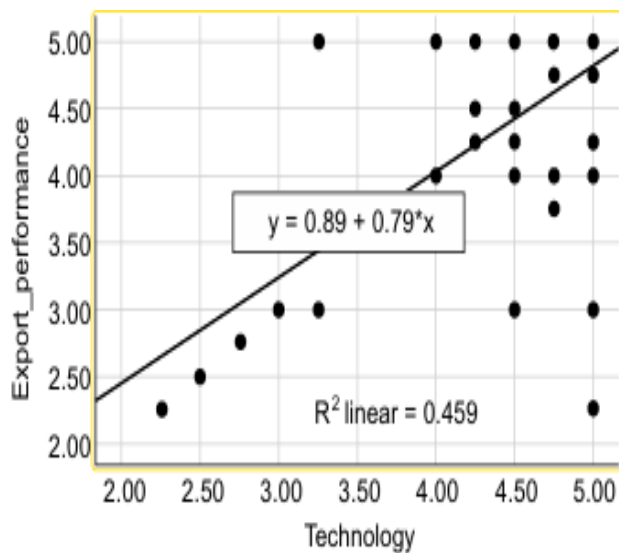


Figure 4. Scatter plot diagram of adoption to technology and export performance of the SME sector

Table 18. Correlation analysis of infrastructure and the export performance of the SME sector

		Infrastructure	Export performance
Infrastructure	Pearson Correlation Sig. (2-tailed)	1.000	.327**
	N	360	360
Export performance	Pearson Correlation Sig. (2-tailed)	.327**	1.000
	N	360	360

The testing was again, supported by regression analysis statistics (Table 19).

Table 19. Regression analysis of infrastructure and the export performance of the SME sector

Coefficients					
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.095	0.204	.00	15.190	0.000
Infrastructure	0.305	0.0047	0.327	6.538	0.000

The infrastructure facilities provided to the SME sector of Sri Lanka for international entrepreneurship and export performance depicts a positive relationship with a value of 0.327.

It is considered a very low level of correlation. The regression coefficient records 0.305, indicating a very low impact. The level of the 2-tailed correlation significance is 0.000. Therefore, the null hypothesis is accepted while the alternative hypothesis is rejected. The findings show a very weak association between infrastructure and SME export performance in Sri Lanka within the international entrepreneurship context.

4.4.4. Hypothesis Four

H_{40} : There is no relationship between infrastructure and logistics and the export performance of the SME sector of Sri Lanka, in relation to enhancing international entrepreneurship.

H_{41} : There is a relationship between infrastructure and logistics and the export performance of the SME sector of Sri Lanka, in relation to enhancing international entrepreneurship.

The final hypothesis of the study is also tested using correlational data as in Table 18.

Table 20. R Square Value Table of infrastructure and export performance

Model Summary		Export Performance		
N	R	R Square	Adjusted R Square	Std. Error of the Estimate
360	.327	0.107	.0104	0.82037

R^2 as in Table 20, describes the proportion of variation in the relationship, which the model explains. R^2 records a value of 0.104, denoting that there is a 10% variation in the export performance of the Sri Lankan export-oriented SMEs, due to insufficient infrastructure facilities provided to them. R^2 describes the appropriate fit of the model.

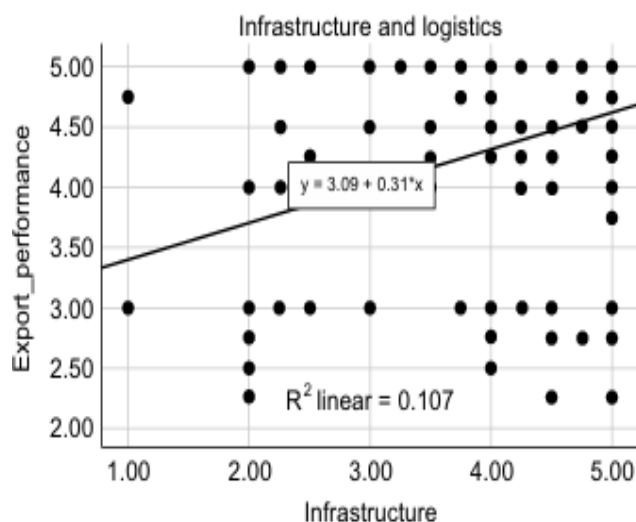


Figure 5. Scatter plot diagram of infrastructure and export performance of the SME sector

The Y-axis of the scatter plot (Figure 5) above depicts the export performance of the SME sector of Sri Lanka, while the X-axis describes the level of infrastructure facilities. It is clearly shown by the data gathered around the line of the graph that the relationship between the two variables is very low.

5. Discussion

SMEs represent an essential sector within the Sri Lankan economic landscape. The recent economic crisis has emphasized the importance of establishing a strong SME sector to generate more revenue, especially in the form of export proceeds. The need for enhancing the export performance of the SME sector is prominent.

Through the review of literature, this study summarized the key elements that impact the export performance of Sri Lankan SMEs, where access to trade finance emerged as substantially affecting how SMEs perform in export markets.

Upon descriptive analysis of gathered data using a questionnaire, which was administered to 360 respondents from export-oriented SMEs of Sri Lanka, it was found that out of the SMEs surveyed, 11.66% were new businesses, 88.5% had been in business for over 3 years, and 41% of companies had existed for over 10 years in the industry. The majority of the respondents were from the agriculture and apparel sectors, which constituted more than 63% of the sample. Over 90% of the respondents claimed that they had not experienced a growth in their export businesses within the last five years.

By performing inferential analysis using regression, this study identified key elements that influenced Sri Lankan SMEs' performance in exports as government support, access to trade finance, adoption of technology, and adequate supply of infrastructure facilities.

Regression analysis proved that trade finance access significantly and positively affects SME export performance in consistence with the findings of [12], [13] and [14]. Moreover, access to trade finance was found to be the most significant factor, with the highest positive impact.

The high correlation between the two variables could be due to underlying weaknesses in the government and financial sectors as well as weaknesses of the SME sector.

This analysis also revealed the existence of a statistically significant positive relationship between government support and export performance among SMEs, which aligns with the conclusions of [9], [10] and [11]. The finding can be attributed to the high reliance on government support by enterprises in emerging economies including Sri Lanka and calls for increased private sector involvement in SME development activities.

In line with the results of [17] and [18], adoption of technology had a moderate and positive association with Sri Lankan SMEs' performance in exports. Since most SMEs were found to be using mobile devices, web applications and Artificial Intelligence tools in conducting their daily business activities, moderate level of impact of technological adoption on SMEs' export performance is justifiable.

However, contrary to the findings of [12], owing to the recent development of highways and logistic services in the country, the analysis revealed a very low impact of infrastructure and logistics on SMEs' export performance.

6. Conclusion

SMEs face significant barriers across several dimensions when exporting. Understanding the specific mechanisms through which these obstacles operate enables the development of targeted interventions that can substantially enhance SMEs' export capabilities and performance. As international markets become increasingly complex and competitive, addressing such issues will remain a critical priority for policy designers, lending institutions, and business development organizations aiming to enhance SME involvement in international markets.

This research aimed to determine the essential elements that impact export performance in Sri Lanka's small and medium enterprise sector with a view to enhancing international entrepreneurship towards overcoming the prevailing economic downturn the country is currently facing. The study analyzed the recent economic concerns of the country and identified the main issues which imparted a crucial impact on the international trade performance of Sri Lankan small and medium enterprises.

The study demonstrated that access to trade finance constitutes the primary factor influencing how Sri Lankan SMEs perform in export markets while limited government support also had a major part to play. Technological adoption and infrastructural and logistics support had moderate to low impacts on SMEs' export performance in Sri Lanka.

This study confirms the findings of previous researchers that export performance of Sri Lankan SMEs' performance in exports has significantly positive relationships with both access to trade finance and government support.

This research's contribution to current academic literature is the design of the new integrated theoretical framework, by the synthesis of insights of different theoretical perspectives in one framework based on the RBV and internationalization theories.

Additionally, this study provides important insights into the theory of international entrepreneurship, including the identification of significant theoretical gaps in international entrepreneurship that the study fills as regards the concentrations in export performance of SMEs in the emergent market environment.

The empirical value of the research is high, as it represents the first large-scale data quantitative study on SME export performance factors drawing on data from 360 export-oriented SMEs within the Sri Lankan setting. This is far superior to the earlier studies that have been limited in scope as well as magnitude, with most studies being centered on conceptual approaches rather than empirical tests of the theoretical connections.

These research outcomes hold substantial practical relevance beyond Sri Lanka, extending to other emerging markets worldwide, offering a path forward for creating more inclusive trade finance ecosystems that enable SMEs to participate more efficiently and effectively in global trade, ultimately contributing to economic growth and development across international markets. The study is relevant and has immense real-world implications applicable to the policymakers, SME support agencies, and export promotion practitioners.

Future research implications of the study would be to conduct longitudinal studies to obtain more in-depth insights into the factors affecting SMEs' export performance identified in this study and the enduring influence of these factors on SME export performance over time in promoting international entrepreneurship.

This study was completed within a limited time frame in the Sri Lankan context, and the availability of data was also limited.

In a bid to foster international entrepreneurship by boosting SMEs' performance in merchandise exports, government policies have to overcome the information asymmetry in the SME segment.

These asymmetries cut across various dimensions relating to exports, thus making the integrated interventions superior to isolated ones.

Three frontiers are critical in addressing this problem:

First, international bodies such as the International Monetary Fund, World Bank, and World Trade Organization ought to advance free trade while ensuring their policies do not hinder SME participation. To expand SMEs with exports, the Sri Lankan government needs to put efforts into negotiating trade agreements with new international partners in unexplored regions.

Second, the local financial sector has to increase the lending capacity of SMEs with the help of grants and subsidies. Conventionally set corporate lending structures can be substituted with hybrid credit evaluation models that are not based on collateral but comply with the peculiarities of SMEs. Trade finance availability can be improved by the creation of an EXIM Bank and multilateral development financing (SME).

Third, export capacity-building programs, international market information is to be developed, and broader access to export credit insurance by the government should be provided.

The identification and implementation of these critical aspects can open the potential of export Sri Lankan SMEs to enhance international entrepreneur, and build a sustainable economy.

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