IOSR Journal of Business and Management (IOSR-JBM)
e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 23, Issue 2. Ser. IV (February 2021), PP 44-52
www.iosrjournals.org

Sources of Finance and Business Performance of Small and Medium Enterprises in Batticaloa District, Sri Lanka

Gnanasegaram Sathakaran[1], Subramaniam Balendran[2] and Thevaranjan Dinesh[3]
[1]*(Department of Commerce, Faculty of Commerce and Management, Eastern University, Sri Lanka)*
[2]*(Department of Commerce, Faculty of Commerce and Management, Eastern University, Sri Lanka)*
[3]*(Department of Commerce, Faculty of Commerce and Management, Eastern University, Sri Lanka)*

Abstract:
Purpose: *Purpose of the paper is to investigate the impact of sources of finance on the business performance of small and medium enterprises in Batticaloa district, Sri Lanka.*
Methodology: *The statistical population of this study included the owners of SME in Batticaloa district and out of which a sample of 395 respondents were selected using stratified random sampling method. Primary data which were collected through the structured questionnaire from 324 respondents and analyzed using univariate, bivariate and multivariate analyses in SPSS 22.0.*
Findings: *The findings of the study revealed that dependency on internal sources of finance were at high level whereas the dependency on external sources of finance was at moderate level in selected SMEs. The business performance was also at high level. There were positive significant relationships among dependency on both internal sources of finance and external sources of finance, and business performance of SMEs. At the same time, there were significant impacts of internal sources of finance and external sources of finance on business performance of SMEs.*
Original value: *This study contributes to fill out the research gaps existing in the area of study to some extent and provide practical implications for the SME operators regarding the relevance on the sources of finance and business performance of small and medium enterprises and enables them to finance using appropriate sources to maximize business performance of SMEs and allows them towards the development on economic growth.*
Keywords: *Business performance, external sources of finance, internal sources of finance.*

Date of Submission: 06-02-2021 Date of Acceptance: 19-02-2021

I. Introduction

Small and medium enterprises (SMEs) played a remarkable role in the development of many countries as they constitute a major part of the industrial activity both in developed or developing economies. The development of SMEs is seen as accelerating the achievement of wider economic and socio-economic objectives, including poverty alleviation (Cook, 2001). It generates production at low capital cost, utilizes local raw materials, exploits indigenous skills, widens entrepreneurial base and facilitates balanced regional growth. Small enterprises also prevent the migration of labour to other cities.

In Sri Lanka, successive government has been giving great attention to develop the small medium industries since independent which is backbone for the economic growth and thereby reducing poverty. As a developing country in Sri Lanka, many enterprises are small and medium scales which have been identified as an important strategic sector for promoting growth and social development of Sri Lanka.

Currently, small and medium enterprises in Sri Lanka face a lot of difficulties and uncertainty with regard to financial, marketing, cost of production, skilled labour and technological progress. Mainly, SMEs are facing stiff constraints in gaining support or access loan from the banks and other sources of financial institutions are vital for SMEs on their way to facilitating the creation of new business, innovation, employment generation and finally national economic growth. Access to finance is a key determinant for business start-up, development and growth for small and medium-sized enterprises (SMEs) and they have very different needs and face different challenges with regard to financing compared to large businesses (Kassim, et al., 2013).

Traditional notions of the business performance vary from one firm to the other. While some focus on productivity, profit, growth, and stability under a rational system, others may focus on the assets' durability and customers' satisfaction (Scott, 2003). Zarook, Rahman and Khanam (2013) remarked that the performance of a firm has a great influence on access to credit. Firms with increasing sales and sales turnover have less constraint on accessing credit while poor performing firms have been found to have limited access to financing, particularly with a formal source like banks. Finance is the driving force behind every profitable enterprise.

However, SME owners still experience a large financing gap and they have a problem in choosing the appropriate source of finance to expand their business performance.

Business finance can come either from internal or external sources (Pretorius and Shaw, 2004; Terungwa, 2012). However, more successful SMEs use more external sources of financing, such as financial institutions, venture capitalists and individual investors, than do less successful firms (Papadaki and Chami, 2002). According to Fischer and Reuber (2003) external resources providers is a key ingredient for rapid growth. On other hand, Fraser (2005) finds that SMEs in England use equity financing in the form of deferred income to improve their business performance. As above mentioned that earlier findings of the previous research studies related to the impact of the source of finance on business performance are contradicted based on the different study populations. It indicates there is an **evidence gap** exists in the research.

In addition, as mentioned in above previous studies, majority of the previous research on sources of finance and business performance of small and medium enterprises has been done in foreign countries and lack of researches have conducted in small and medium enterprises particularly in Sri Lankan context. This reveals there is a **population gap** in the research.

Hence, this study is an attempt to fill up the gap and to create a new stock of knowledge on the subject of financing of small and medium scale enterprises and business performance. Therefore, the study is prudent and appropriate to undertake a research investigation to examine if there is a nexus between the sources of finance and business performance of small and medium enterprises operating in Batticaloa district. Hence, the objectives of this paper are identify the levels and relationships among internal sources of finance, external sources of finance and business performance of small and medium enterprises in Batticaloa district and examine the impact of internal sources of finance and external sources of finance on the business performance of small and medium enterprises in Batticaloa district.

II. Literature Review

2.1 Sources of Finance in SME

Finance plays a significant role in the development of Small and Medium-sized Enterprises (Cassar, 2004). Financing provision and access to it is a crucial factor that determines the capability of SMEs to expand their businesses, create employment and employ the latest technologies, thus ensuring their competitiveness within and outside the country as a whole (Idowu, 2010). The financing of SME has been proportionately addressed and resolved in the developed world, but it remains a serious challenge to the growth and sustainability of SMEs in developing countries.

Financial needs and the financing options available for small business enterprises keep changing throughout the various phases of the enterprise’s lifecycle. In other words, at different stages of their growth cycle, different financing strategies are required. Financial sources basically can be classified as equity and debt and again as formal and informal or external and internal.

In case of equity and debt financing method, following arguments were given. According to Fatoki (2014) who suggested that SMEs must begin businesses with inside equity before shifting to various other sources of finance. Equity could be largely categorized into external equity and internal equity. In the initial stage of entities prefer internal equity financing which best represented by owners personal savings (Klonowski, 2012). Saleh and Worthington (2013) highlighted that external equity financing named as share issues is preferred over debt by SMEs at their initial stage. This is because entrepreneurs at their initial stage typically undergo cash shortage and they are unable to secure loans with collateral. Moreover, equity offers long-term financing with less or no interest and enhances the credibility of new firms by indicating that the firm has the approval of sophisticated financial professionals (Ou and Haynes, 2006). In contrast, some of the scholars argue that due to diluted ownership, owners may not choose external equity as a source of finance (Saleh and Worthington, 2013).Debt financing, one of the major source comes under external finance is a difficult method for entity owners due to information asymmetry and agency problems. Signaling, screening, bonding, monitoring and relationship lending may help to overcome these problems (Chowdhury and Maung, 2013).

Previous researchers, scholars and practitioners, such as Gelinas (1998); Pretorius and Shaw (2004) and Terungwa (2012) identified two important financing approaches of SMEs, the formal and informal forms of financing. The conventional way of financing is controlled by the government, the not so controlled by the government is an informal way of funding. Also, Steel et al. (1997) posits that informal finance as all financial transactions that take place outside the functional scope of various countries banking and other financial regulations.

Moreover, Business finance can come either from internal or external sources (Pretorius and Shaw, 2004; Terungwa, 2012). But more successful SMEs use more external funding sources, such as financial institutions, venture capitalists and individual investors, than less successful firms do (Papadaki and Chami, 2002). According to Fischer and Reuber (2003), external resources providers is a key ingredient for rapid growth. While Carpenter and Petersen (2002) find that small and medium-sized enterprises use more internal funding sources, this has restricted their performance.

2.1.1 Internal Sources of Finance (ISF)

Finance is needed throughout the life of a business when financial sources are produced internally, they are termed as internal sources of finance. In other words, internal finance is the money that comes from within a business, rather than from outside. In the early age of corporate finance, these used to be the major sources of finance for small businesses. Usually, small business enterprises are started with finance from personal savings. In the subsequent stages, generation of internal funds of the business is determined by its success which in turn, depends mainly on the marketing of the products. In the case of new or locally manufacturing small businesses market formation and market penetration are difficult as they have to compete with well-established businesses. Financing a business from your pocket can take several different forms. The approach a businessman takes will likely be determined by his financial situation.

2.1.2 External Sources of Finance (ESF)

External financing is a type of business funding which businessmen acquire from sources outside the business. Many businessmen use external funding as it allows them to use internal financial resources for other purposes. External financing can help the small and medium enterprises business grow at a faster rate than using only internal money. Growth in sales typically necessitates additional investments in inventory, accounts receivable and other assets. But internal financing can support this additional investment only up to a certain point before businessman run out of cash. Though own savings play a major role in the initial stage, outside financing becomes increasingly necessary later on to take advantage of the growth opportunities. Lack of access to external finance is repeatedly viewed as a principal constraint on the ability of the businessman to initiate and upgrade.

2.2 Business Performance (BP)

Business performance refers to achievements due to the firm's management activities. "The purpose of any business enterprise is to do better than its competitors, offer better returns to the owners and stakeholders" (Richard et al., 2009). The effects of a firm's performance count on whether the firm has hit its goals or not (Davidsson, 2004; McMahon, 2001).

"Business performance allows researchers to evaluate firms over time and compare them to rivals" (Richard et al., 2009). In general, measurements of business performance are divided into financial and nonfinancial methods (Venkatraman and Ramanujam, 1986). The combinations of these two measures help the owners-managers to gain a wider perspective on measuring and comparing their performance.

2.3 Theoretical Review of the Literature

The study was guided by the three theories: Pecking order theory, Lifecycle approach and Information asymmetry theory.

2.3.1 Pecking Order Theory

Myers (1984) developed the pecking order model which he later improved in 2001 (Myers, 2001). According to this particular concept, firms finance their needs in a hierarchical order, first by using internally available funds, followed by debt and finally, external equity. This practice is more common in Small and medium enterprises and indicates the negative relationship between profitability and external borrowing by SMEs.

Among the components of pecking order principle is the fact that with respect to rewarding SMEs, they would frequently select internal financing rather than driving up totally different debts or maybe equity. Though, debt is regarded more inexpensive compared to equity within certain proportions.

The theory was used to establish if the SMEs preferred the conservative sources mostly from personal sources or have ventured into liberal financing schemes and loans for SMEs. The effects on financial performance of SMEs by each financing option was also established.

2.3.2 Lifecycle Approach

The lifecycle approach, as described by Weston and Brigham (1981) was conceived on the premise of rapid growth and lack of access to the capital market. Small and medium enterprises were seen as starting out by using only the owner's resources. If these SMEs survived, the dangers of undercapitalization would soon appear, and they would then be likely to make use of other sources of funds, such as trade credit and short-term loans from banks. Rapid growth could lead to the problem of illiquidity.

The dynamic small firm would therefore have to choose between reducing its growth to keep pace with its internally generated funds, acquire a costly stock market quotation, or seek that most elusive form of finance like venture capital (Weston and Brigham, 1981). Thereby indicating a trend in SMES that expanding small firms are likely to experience rising short-term debt and use little or no long-term debt.

2.3.3 Information Asymmetry Theory

This theory was initially conceptualized by Akerlof (1970). The argument was that in most markets, the seller uses several sector statistics to determine the valuation of the items they are promoting. In this particular situation of the credit industry, the customer sees the typical rates of the loans (credit) in the marketplace he is intending to purchase, as the seller has much more personal information of each particular loan product. This places the seller at an advantageous position thus capable to offer items of lower typical market quality at higher prices. In these kinds of conditions, the limitation of the information available to the customer might result in the seller offering less than typical quality of items of the markets which ultimately leads to decrease in size of the marketplace. Information asymmetry theory assumes that a minimum of one party to a transaction has information that is related whereas the other(s) do not.

Akerlof (1970) argues that information asymmetry provides the seller with an incentive to offer items with quality that is lower than the common market quality. This particular study assessed the effect of information quality and reliability of market information in regard to the financing of SMEs from various sources. Information asymmetry influences various other elements of firm efficiency from the determination of the cause of financing. Firm development is actually determined not just by the standard attributes of age and size but, additionally by some other aspects specific to the firm like indebtedness, inside financing, upcoming development opportunities, process and product development as well as business improvements. This theory was useful in determining the effect of information availability amongst the SMEs and how that affected the financing options and decisions made by SMEs in the market.

2.4 Empirical Review of the Literature

According to Mukhtar (2009), finance is a prerequisite to the performance of enterprises. There are many different ways firms financing their operations and growth. Their financing choices are influenced by the predilections of each firm's entrepreneurs, more essential, by the choices that are used to them. De la Torre, Martinez Peria, and Schmukler (2010) note that improving access to finance entails improving the degree to which financial services are available to all at a low cost and it improves the performance success of SME. This shows that the major determinant of small and medium enterprises' performance in producing countries is financing clout.

The research works of Oniovosa (2013) on the strategic effect of the sources of the fund on the performance, it was revealed that easy access to sources of the fund goes a long way to affect the SMEs performance and there is a positive and strategically significant relationship between performance of an enterprise and availability of funds. This further affirmed the strong relationship between readily available sources of finance and business' performance.

Sources of financing in equity and debt are an important source of income and have a positive relationship with the performance of the business. A study by Kongmanila and Kimbara (2007) on 160 firms SMEs in Vientiane Capital City, Lao PDR shows both equity and debt financing are significantly positive over the performance of the business. There are SME firms that use both financial resources to finance their businesses. However, SMEs prefer using internal equity, deferred income (retained earnings) first, then use the new debt financing before using external equity financing when loan limit is maximum (Vos, 2007; Haynes and Ou, 2003).

Besides, Some research investigating the relationship of debt and equity financing on the business performance of SMEs show varied results and are inconsistent. Myers, Stewart and Majluf (1984) who propose that SMEs use of equity financing to improve the performance of the business as the cost of debt financing is high. Equity financing is a business capital financing methods that does not require repayment and does not charge any interest on funds advanced but offers to investors a form of ownership in the business. Fraser (2005) finds that SMEs in England use equity financing in the form of deferred income to improve their business performance. On the other hand, the use of debt financing may affect business profitability because of interest charges (Ballantine, Cleveland and Koeller, 1993). Studies by Fu, Ke and Huang (2002) on SMEs in Taiwan find out that equity financing shows significantly positive relationship, while debt financing showed negative relationship on the business performance of SMEs. In Malaysia, several studies that examine the relationship between sources of capital i.e. equity and debt financing over the performance of firms by Chin (1997), Wan (2005) and Zuraidah (2009) also show inconsistent findings.

Business finance can come either from internal or external sources (Pretorius and Shaw, 2004; Terungwa, 2012). However, more successful SMEs use more external sources of financing, such as financial institutions, venture capitalists and individual investors, than do less successful firms (Papadaki and Chami, 2002). According to Fischer and Reuber (2003) external resources providers is a key ingredient for rapid growth. While, Carpenter and Petersen (2002) find that SMEs use more internal sources of financing and this constrained their performance. Empirical evidence asserts that retained earnings are the potent source of financing within the bigger circle of growing SMEs (Baldwin, Chandler and Le, 1994).

III. Conceptual Model

From the literature review, the following conceptual framework has been developed for the study purpose. The independent variables in the model refers to the dependency on the source of finance.

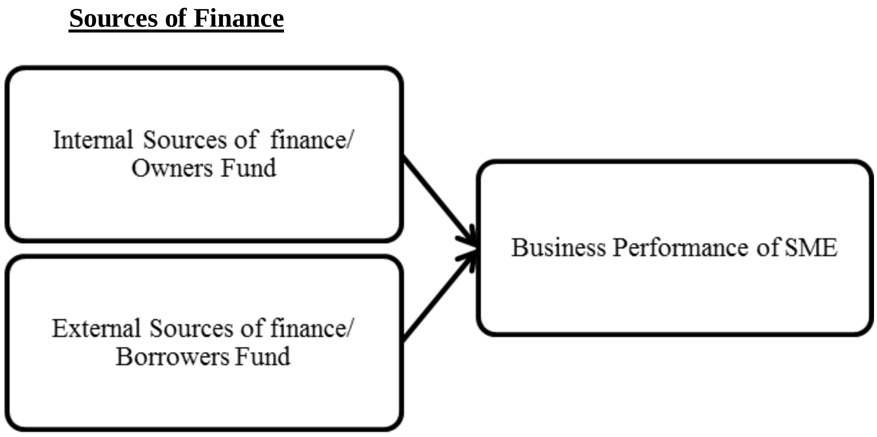

Figure 1: Conceptual Framework
(Source: Developed for study purpose)

IV. Methodology

This study contained quantitative study. The aim of the quantitative study is to identify impact of sources of finance on the business performance of small and medium enterprises. The quantitative aspect as this study relies on the use of formalized survey questions; quantitative approaches emphasize objective measurement and statistical mathematical and numerical analysis of the data gathered by structured questionnaires.

4.1 Sample and Data Collection

The target respondents of the study were SMEs with the number of employees from 1 to 99 which were located in Batticaloa district of Sri Lanka. As the sample for the quantitative study, 395 SMEs were selected on the basis of the stratified random sampling method.

Primary data were collected using closed-ended structured questionnaire using a Likert scale. Participants were assured of confidentiality of their responses. Accordingly, 395 questionnaires were distributed among SME owners in the Batticaloa district, of which 324 valid questionnaires were returned back from the respondents.

4.2 Data Analysis

The collected data from the questionnaires were analyzed and evaluated by using univariate, bivariate and multivariate analyses. The Statistical Package for Social Science (SPSS 22.0 Version) was used to simplify the analysis work of this study.

V. Result

5.1 Reliability Analysis

The overall variable Cronbach's Alpha Coefficient for internal sources of finance was 0.730, external sources of finance was 0.836 and business performance was 0.940. Therefore, the research instrument was considered and recognized as a reliable instrument as the Cronbach Alpha coefficient value was above 0.7.

Table 1 : Reliability Analysis

Variables	No. of Question Items	Cronbach's Alpha Value
Internal Sources of Finance (ISF)	05	0.730
External Sources of Finance (ESF)	10	0.836
Business Performance (BP)	15	0.940

5.2 Univariate Analysis

Univariate analysis of the study variables showed that dependency on internal sources of finance had a mean score of 3.94 with a standard deviation of 0.497, dependency on external sources of finance had a mean score of 3.30 with a standard deviation of 0.600 while business performance had a mean score of 3.75 with a standard deviation of 0.702. These details are captured on Table 2.

Table 2 : Descriptive statistics for study variables

Variable	Mean	Level	Std.Dev
Internal Sources of Finance (ISF)	3.94	High level	0.497
External Sources of Finance (ESF)	3.30	Moderate level	0.600
Business Performance (BP)	3.75	High level	0.702

5.3 Correlation Analysis

Correlation analysis was used to measure the relationship among variables. Pearson correlation coefficient indicated the direction, strength and significance of the bivariate relationship between the variables.

Table 3 : Coefficient Correlations between ISF & BP

Variable		Business Performance
Internal Sources of Finance	Pearson Correlation	0.273**
	Sig. (2-tailed)	0.000
**. Correlation is significant at the 0.01 level (2-tailed).		

As indicated in Table 3, the correlation coefficient (r) value is 0.273 between the dependency on internal sources of finance and business performance. The value of correlation coefficient falls under the coefficient range of ±0.1 to ±0.29 and the p-value is 0.000 which is less than 0.01 indicates that there is a weak positive and significant relationship between ISF and BP.

Table 4 : Coefficient Correlations between ESF & BP

Variable		Business Performance
External Sources of Finance	Pearson Correlation	0.501**
	Sig. (2-tailed)	0.000
**. Correlation is significant at the 0.01 level (2-tailed).		

As indicated in Table 4, the correlation coefficient (r) value is 0.501 between the dependency on external sources of finance and business performance. The value of correlation coefficient falls under the coefficient range of ±0.5 to ±1.00 and the p-value is 0.000 which is less than 0.01 indicates that there is a strong positive and significant relationship between ESF and BP.

5.4 Multiple Linear Regression Analysis

Multiple regression analysis was used to measure the impact of dependency on both internal and external sources of finance on business performance of SMEs. In this model, internal sources of finance and external sources of finance were the independent variables and business performance was the dependent variable.

Table 5 : Model Summary of Multiple Regression Analysis

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.544[a]	0.296	0.292	0.59077
a. Predictors: (Constant), Internal Sources of Finance, External Sources of Finance				

Table 5 illustrates that R Square statistic is 0.296 which means 29.6% of the variation in BP is explained by ISF and ESF. Remaining 70.4% of variation is explained by other factors which were not taken into consideration

Table 6 : Coefficients and ANOVA for ISF, ESF and Business Performance

Coefficients[a]							ANOVA[a]	
Model		Unstandardized Coefficients		Std. Co.effi	t	Sig.	F	Sig.
		B	Std. Error	Beta				
1	(Constant)	0.719	0.302		2.379	0.018		
	ISF	0.304	0.067	0.215	4.553	0.000		

	ESF	0.555	0.055	0.475	10.059	0.000		
	Regression						67.564	0.000[b]
a. Dependent Variable: Business Performance								
b. Predictors: (Constant), Internal Source of Finance, External Sources of Finance								

Table 6 shows that the intercept is 0.719. It indicates the value that the model would predict if all of the independent variables were zero. The beta coefficient for internal sources of finance is 0.304, which means when the dependency on the internal sources of finance is increases by one unit, business performance will increase by 0.304 units. It also indicates that beta coefficient for external sources of finance is 0.555, which means when the dependency on external sources of finance is increases by one unit, business performance will increase by 0.555 units.

Further p-value for both coefficient and ANOVA are 0.000 which is less than 0.05, indicates that the dependency on both internal sources of finance and external sources of finance significantly predict the business performance of SMEs and hence the model is significant.

VI. Discussion

The overall mean value of internal sources of finance indicated that the internal sources of finance are used at high level among selected SMEs in Batticaloa district. The finding empirically supports the finding of previous studies that the SME firms use both financial resources to finance their businesses. However, SMEs prefer using internal equity, deferred income (retained earnings) first, and then use the new debt financing before using external equity financing (Vos, 2007; Haynes and Ou, 2003). Further according to Kuruppu and Azeez (2015), business sector, wholesale businesses compared to manufacturing firms and small size businesses compared to medium firms prefer more internal financing and Sri Lankan SME owners prefer own savings as their most preferred sources of finance under equity financing. The finding empirically supports the finding of studies by Fu et al. (2002) on SMEs in Taiwan who found out that equity financing shows significantly positive relationship on the business performance of SMEs.

There is a weak positive and significant relationship between the dependency on internal sources of finance and business performance of SMEs in Batticaloa district. Further, Abubakr (2009) in his study on Formality of Financial Sources and Firm Growth: Empirical Evidence from Brazilian SMEs 1999-2005 revealed that internal or owners' funds had been found significantly related to the performance of SMEs but at lower level. Similarly, Fraser (2005) finds that SMEs in England use equity financing in the form of deferred income to improve their business performance.

There is a strong positive and significant relationship between the dependency on external sources of finance and business performance of SMEs in Batticaloa district. The finding is in line with findings of previous studies. A study by Kongmanila and Kimbara (2007) on 160 SMEs in Vientiane Capital City, Lao PDR shows both equity and debt financing are significantly positive over the performance of the business.

Multiple regression analysis revealed that both internal source of finance and external source of finance has significant impact on business performance of SMEs. The finding empirically supports the finding of study by Oladele, Oloowokere and Akinruwa (2014) which showed that each of the available sources of finance is relevant to small and medium enterprises' performance. Further according to the research works of Oniovosa (2013) on strategic effect of the sources of fund on the performance, it was revealed that easy access to sources of fund goes a long way to affect the SMEs performance and there is a positive and strategically significant relationship between performance of an enterprise and availability of funds. It was also discovered in this study that external sources of funds have more impact than internal sources of funds on the performance of SMEs. Carpenter and Petersen (2002) found that SMEs use more internal sources of financing and this constrained their performance. The empirical findings in literature demonstrates more successful SMEs use more external sources of financing, such as financial institutions, venture capitalists and individual investors, than do less successful firms (Papadaki & Chami, 2002). Further, according to Fischer and Reuber (2003) external resources providers is a key ingredient for rapid growth. Similarly, the use of debt financing may affect business profitability because of interest charges (Ballantine et al., 1993).

VII. Conclusion

The main aim of the research paper was to explore the effect of the dependency of internal and external sources of finance on the business performance of SMEs. It was concluded from the study that the dependency on the internal source of finance was at high level whereas the dependency on the external source of finance was at moderate level. However, the performance of the SMEs in Batticaloa district were at high level.

On the contrary, it was also concluded in the study that external sources of finance has more influence towards the business performance compared to the internal sources of finance. The relationship between the dependency on internal sources of finance and business performance is weak positive and the relationship between the dependency on external sources of finance and business performance is strong positive in Batticaloa district. Despite this fact, the SME owners still depend more on internal sources of finance. Therefore, it is recommended to SME owners to possess a mixed sources of finance (internal as well as external sources) while maintaining the higher proportion on external sources of finance as it will generate improved business performance.

References

[1]. Abubakr, S. (2009). Formality of financial sources and firm growth: Empirical evidence from Brazilian SMEs 1999-2005. Journal of Academic Research in Economics (JARE), (2), 131-144.

[2]. Akerlof, G. A. (1970). The market for" lemons": Quality uncertainty and the market mechanism. *The Quarterly Journal of Economics*, 488–500.

[3]. Baldwin, J., Chandler, W., Le, C., & Papailiadis, T. (1994). Strategies for success: A profile of growing small-and medium-sized enterprises (GSMEs) in Canada's Statistics. *Canada, Ottawa*.

[4]. Ballantine, J.W., Cleveland, F.W. and Koeller, C.T., (1993). Profitability, uncertainty and firm size. *Small Business Economics*, 5(2), 87-100.

[5]. Carpenter, R. E., & Petersen, B. C. (2002). Capital market imperfections, high-tech investment, and new equity financing. *The Economic Journal*, *112*(477), 54-72.

[6]. Cassar, G. (2004). The financing of business start-ups. *Journal of Business Venturing, 9*(2), 261-283.

[7]. Chin, A. F. (1997). *Relationship between Capital Structure and Profitability: A time-Series Cross-Sectional Study on Malaysian Firms* (Doctoral dissertation, Universiti Utara Malaysia).

[8]. Chowdhury, R. H., & Maung, M. (2013). Corporate entrepreneurship and debt financing: evidence from the GCC countries. *International Journal of Managerial Finance*, *9*(4), 294-313.

[9]. Cook, P. (2001). Finance and small and medium-sized enterprise in developing countries. *Journal of Developmental Entrepreneurship*, *6*(1), 17.

[10]. Davidsson, P. (2004). *Researching entrepreneurship* 5. New York: Springer.

[11]. De la Torre, A., Martinez Peria, M. S., & Schmukler, S. L. (2010). Bank involvement with SMEs: Beyond relationship lending. *Journal of Banking & Finance, 34*(9), 2280–2293.

[12]. Fatoki, O. (2014). The financing options for new small and medium enterprises in South Africa. *Mediterranean Journal of Social Sciences*, *5*(20), 748.

[13]. Fischer, E., & Reuber, A. R. (2003). Support for Rapid-Growth Firms: A Comparison of the Views of Founders, Government Policymakers, and Private Sector Resource Providers. *Journal of Small Business Management, 41*(4), 346–365

[14]. Fraser, S. A. (2005). UK survey of SME finances, survey instrument. *Warick Business School: Centre for Small and Medium-Sized Enterprises*.

[15]. Fu, T.W., Ke, M.C. & Huang, Y.S., (2002). Capital growth, financing source and profitability of small businesses: Evidence from Taiwan small enterprise. *Small Business Economics*, *18*(4), 257-67.

[16]. Gelinas, J. (1998). *Freedom from debt: The re appropriation of development through financial self-reliance*. Zed Books.

[17]. Haynes, G., & Ou, C. (2003). Uses of equity capital by small firms findings from the surveys of small business finances (for 1993 & 1998) (No. 03co). US Small Business Administration, Office of Advocacy.

[18]. Idowu, F. C. (2010). *Impact of Microfinance on Small and Medium-Sized Enterprises in Nigeria*. Paper presented at the Proceedings of the 7th International Conference on Innovation & Management.

[19]. Kassim, H., Peterson, J., Bauer, M. W., Connolly, S., Dehousse, R., Hooghe, L., & Thompson, A. (2013). *The European Commission of the twenty-first century*. OUP Oxford.

[20]. Klonowski, D. (2012). Liquidity gaps in financing the SME sector in an emerging market: evidence from Poland. *Journal of International Emerging Markets*.

[21]. Kongmanila, X. & Kimbara, T. (2007). Corporate financing and performance of SMEs: The moderating effects of ownership types and management styles, *The Journal of the Malaysian Institute of Management*, 42(2), 119-133.

[22]. Kuruppu, G. N., & Azeez, A. A. (2015, October). Financing Patterns of Small and Medium Enterprises in Sri Lanka. In Annual Research Symposium, University of Colombo, October, 2015.

[23]. McMahon, R. G. (2001). Business growth and performance and the financial reporting practices of Australian manufacturing SMEs. *Journal of small Business management*, *39*(2), 152-164.

[24]. Mukhtar, S. M. (2009). ICT-driven human and knowledge capital development: in search of a new economic development model and policy framework in the networked global economy. *Journal of for International Business and Entrepreneurship Development*, *4*(1/2), 74.

[25]. Myers, S. C. (1984). The capital structure puzzle. *The Journal of Finance, 39*(3), 574–592.

[26]. Myers, S. C. (2001). Capital structure. *The Journal of Economic Perspectives, 15*(2), 81–102

[27]. Myers, Stewart C., & N. S. Majluf (1984). Corporate Financing and Investment Decisions: When Firms Have Information That Investors Do Not Have. *Journal of Financial Economics,* 13(2), 187-221.

[28]. Oladele, P. O., Oloowokere, B. A., & Akinruwa, T. E. (2014). Sources of finance and small and medium scale enterprises' performance in Ado-Ekiti metropolis. European Centre f or Research Training and Development UK (Www. Ea-Journals. Org), 2(1), 59-78.

[29]. Oniovosa, S. O. (2013). Strategic effect of sources of fund on the performance analysis of small and medium enterprises in Delta State. *Standard Research Journal of Business Management*, 1(4), 110-119.

[30]. Ou, C. and Haynes, G.W. (2006). Acquisition of additional equity capital by small firms: Findings from the National Survey of Small Business Finances, *Small Business Economics*. 27, 157-168.

[31]. Papadaki, E., & Chami, B. (2002). Growth Determinants of Micro-Businesses in Canada.

[32]. Pretorius, M., & Shaw, G. (2004). Business plans in bank decision-making when financing new ventures in South Africa. *South African Journal of Economic and Management Sciences, 7*(2), 221–241.

[33]. Richard, P. J., Devinney, T. M., Yip, G. S., & Johnson, G. (2009). Measuring organizational performance: Towards methodological best practice. *Journal of management, 35*(3), 718-804.

[34]. Saleh, A. AM and Worthington, AC (2013). Small and medium-sized enterprises financing: A review of literature. *Journal of International Business and Management*, *8*.

[35]. Scott, W. R. (2003). *Organizations: Rational, natural, and open systems* (5th ed.). Upper Saddle River, NJ:Prentice Hall.

[36]. Steel, W. F., Aryeetey, E., Hettige, H., & Nissanke, M. (1997). Informal financial markets under liberalization in four African countries. *World Development*, *25*(5), 817-830

[37]. Terungwa, A. (2012). Risk Management and insurance of small and medium scale enterprises (SMEs) in Nigeria. *Journal of International Finance and Accounting, 1*(1), 8–17.
[38]. Venkatraman, N., &Ramanujam, V. (1986). Measurement of business performance in strategy research: A comparison of approaches. *Journal of Academy of Management Review, 11*(4), 801-814.
[39]. Vos, E. Yeh, A.J.Y. Carter, S dan Tagg. S. (2007). The happy story of small business financing. *Journal of Banking and Finance,* 31(2007), 2648-2672.
[40]. Wan Mursyidah Wan Ismail. (2005). *Capital structure of Malaysian limited companies*. Thesis submitted to graduate school of Universiti Utara Malaysia.
[41]. Weston, J. F., & Brigham, E. F. (1981). Manajemen Keuangan Edisi ke-7 Jilid I (Terjemahan dari Managerial Finance 7th edition). Penerbit Erlangga Jakarta.
[42]. Zarook, T., Rahman, M. M., & Khanam, R. (2013). Management skills and accessing to finance: evidence from Libya's SMEs. *Journal of International Business and Social Science*, *4*(7), 106-115.
[43]. Zuraidah Ahmad. (2009). *Impact of capital structure on firm operating performance*. M.Sc. (Management). Thesis submitted to graduate school of Universiti Utara Malaysia.

Gnanasegaram Sathakaran, et. al. "Sources of Finance and Business Performance of Small and Medium Enterprises in Batticaloa District, Sri Lanka." *IOSR Journal of Business and Management (IOSR-JBM),* 23(02), 2021, pp. 44-52.