

Towards a knowledge-based economy: Enhancing technological and innovation capabilities of SMEs in Sri Lanka

Lalith Welamedage

Small Enterprise Research Unit,
School of Geography, Politics and Sociology,
University of Newcastle,
Newcastle upon Tyne NE1 7RU, United Kingdom.
E-mail: Lalith.Welamedage@newcastle.ac.uk

The role small and medium-sized enterprises can play in stimulating competitive environment and technologically based innovation is becoming a crucial factor in the knowledge-based economy. In the recent years, Sri Lanka has been making significant progress towards knowledge-economy although it lags behind some of its counterparts. The Sri Lanka government's new initiative 'Regaining Sri Lanka' emphasizes achieving economic growth through enhancing productivity in all sectors. In that, science and technology and their relevance in the private sector growth can be considered as important factors.

The focus of this paper is the level of technological progress and innovation in SMEs in Sri Lanka and the existing policies and support systems that foster technology and innovation. The analysis is set within the context of approaches to transform scientific and technological knowledge thus focusing on the institutional determinants that account for the performance of SMEs.

Research in areas of technology and innovation in Sri Lankan SMEs are deficient when compared to other developing countries in the Asian region. Technology development and innovations in the country have become prohibitively expensive in a volatile domestic economic environment. The entrepreneurs with innovative ideas are often constrained by a lack of facilities, guidance and state patronage.

This paper is based on the notion that application of science and technology knowledge for enterprise growth requires not only sound policy environment but also personal interaction, access to information and effective institutional framework. The experience of developed countries envisage that institutions with an adequate knowledge base and expertise, and a close interaction with the SMEs sector can enhance technological and innovation capabilities of SMEs. It is now largely recognised that knowledge creation and diffusion is a dynamic process that involves many social and economic factors, a wide range of individuals and institutions, and make a significant contribution for achieving knowledge-based economy.

Key words: Knowledge-based economy; Technological innovations; Business environment; SMEs; Sri Lanka