

Impact of Innovation on Business Performance of Women Owned Small and Medium Size Enterprises in North Central Province of Sri Lanka

H.M.K.S Herath^{1,*} and M.A.I.T. Marasinghe²

*Department of Business Management, Faculty of Management Studies,
Rajarata University of Sri Lanka, Mihintale, Sri Lanka^{1,2}*

*Corresponding author: keshaniherath60@gmail.com

Abstract

Small and medium-sized enterprises are a crucial factor for the socio-economic development of many countries, providing a significant level of employment generation, poverty alleviation and regional economic growth in emerging regions. Despite facing numerous socio-cultural and economic barriers, enterprises contribute to household income, community welfare and national economic output, and enterprises often remain small-scale and informal, facing challenges that hinder their growth and sustainability. Small and medium-sized businesses reflect unique local dynamics and innovative resilience. This research aimed to examine the impact of innovation on the performance of women-owned enterprises in Sri Lanka's North Central Province. The specific objectives of the study were to assess the influence of product, process, marketing, and organisational innovation on the performance of women-owned SMEs. The study was grounded mainly in Schumpeter's theory of innovation, the Dynamic Capability Theory, the Diffusion of Innovation Theory, and the Unified Theory of Acceptance and Use of Technology. The target population consisted of women entrepreneurs operating in various sectors. The sample size of 384 was determined using Cochran's formula, from which 290 valid responses were obtained through a structured questionnaire administered via the convenience sampling method. The data was analysed using SPSS version 26. Descriptive statistics, correlation and multiple regression analysis were applied to determine the relationships between variables. The results revealed that all four innovation types had a significant positive effect on business performance. Process and marketing innovations showed the strongest influence on performance. The findings underscore the importance of innovation as a strategic tool for enhancing the competitiveness and growth of enterprises.

Keywords: business performance, innovation, women owned small and medium size enterprises