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Diligent deliberations on the functions of the paddy milling Industry in Eastern province of Sri Lanka as to whether it is in boom or bust

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The SME sector of Sri Lanka is the backbone of the nation. It contributes to the development of the country on a massive scale while opening up avenues of employment for the community at large. SMEs also contribute to a remarkable extent to the GDP, around 52% according to statistics of Ministry of Industry and Commerce. There are plenty of avenues for the growth of SMEs in the nation. It is imperative therefore that research be done to enhance the performance and efficiency of the SME sector in Sri Lanka. With this assessment of SMEs in mind, the researchers have studied the functional aspects of the paddy milling industry in the Eastern Province, which is an important cog in the wheel of paddy production in the supply of rice, which is the staple diet of the masses.

Information was collected regarding paddy milling SMEs from the Department of Census and Statistics. A pretested structured questionnaire was administered to randomly selected paddy millers in the region. The data thus collected was compiled in a spreadsheet and subjected to data cleaning. The final data obtained were analysed by Ordinary Least-Square Regression (OLS) by employing the econometric software STATA 11. In order to avoid model specification, heteroscedasticity and multicollinearity errors in particular, and to ensure the normality the regression diagnostic estimation methods were performed by steps, which eliminated progressively the variables highly correlated to others in the model until a best linear unbiased estimate (BLUE) was obtained.

The results revealed that the experience of the entrepreneur ($p > |t| 0.001$), numbers of employees ($p > |t| 0.003$), access to credit ($p > |t| 0.024$), and running capital ($p > |t| 0.000$), showed a positive and statistically significant effect on the turn-over of the paddy milling SMEs in the Eastern Region of Sri Lanka. It is recommended that the activity which influenced the turn-over of the paddy milling industry positively be encouraged and fostered. With reference to the experience, an informal education extension program with special reference to supply chain management, better marketing practices and innovative value addition strategies could be extended to the paddy millers. Another option would be for either the Government or the employer to train unemployed youth in the paddy milling industry in the Eastern region and set them in employment in existing paddy mills. Besides, to attract more employees afresh and keep those who are already in the system, better payment and benefits have to be made. Finally, increased access to credit and running capital would certainly result in better performance of the paddy milling industry in Eastern province of Sri Lanka.

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