



The Development of SMEs in Singapore and how Sri Lanka can Learn Lessons out of it.

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Abstract: Singapore is one of the countries where the Small and Medium enterprises (SMEs) are in highly developed level in the world. SMEs contribute almost to half of the per capita GDP in Singapore. Sri Lankan SMEs are not developed and the per capita GDP of Sri Lanka is very much lower compared to Singapore. The reason for the high development of SMEs is due to the good framework for SMEs in Singapore. The Singaporean government shows much concern for the SMEs through many supporting schemes. If Sri Lanka also could introduce a good framework, SMEs can be developed to a high level like Singapore. This article reviews the supporting systems for SME development in Singapore. Also it explains the effective support through the centralized institution SPRING, Singapore which is responsible for the support system for SMEs.

Key words: Small and Medium enterprise Development, Per capita GDP, SPRING Singapore, Support Schemes, Young Entrepreneur Scheme. Capability Development grant, Tool kit

1. Introduction

Singapore is an Asian country doing very well with regard to economy than many other Asian countries. The per capita GDP of Singapore is US\$ 56,286.8. It is about 20 times that of Sri Lanka. It is more than that of some western countries such as USA, UK and Germany. It is even more than Japan. In Singapore SMEs are contributing very much for the economy. The contribution of SMEs to Singaporean economy is 52%. In other words, due to the successful SME operation alone the contribution of SMEs to the country's per capita GDP is about 10 times more than that of Sri Lanka. If Sri Lanka also could adopt a method and create the same environment available in Singapore for SMEs, it also can increase its per capita GDP by 10 times. So, it is a worthy exercise to study the factors that contribute to the success and development of SMEs in Singapore in detail. Many lessons could be learned by Sri Lanka to develop SMEs to be on par with Singapore from this exercise.

2. SME development in Singapore

2.1 Background of SME Development in Singapore

Singapore is an Asian country doing very well with regard to economic development than many other Asian countries. The per capita GDP of Singapore was US\$ 56,286.8 in the year 2020. The Per Capita GDP of Sri Lanka was US\$ 3679 in the year 2020. It is about 20 times that of Sri Lanka. It is more than that of some western countries such as USA, UK and Germany. It is even more than Japan. In Singapore SMEs are contributing very much for the economy. The contribution of SMEs to Singaporean economy is 52%. In other words, due to the successful SME operation alone the contribution of SMEs to the country's per capita GDP is about 10 times more than that of Sri Lanka. If Sri Lanka also could adopt a method and create the same environment available in Singapore for SMEs, it also can increase its per capita GDP by many times. So, it is a worthy exercise to study the factors that contribute to the success and development of SMEs in Singapore in detail. Many lessons could be learnt to develop Sri Lankan SMEs to be on par with Singapore from this exercise.

According to Liang (2007), in Singapore the entrepreneurship policies have been drafted as part of SME policies. This is a very important step by the Singaporean government for the development of SMEs. Singaporean government implemented a number of programs to address the needs of the SMEs. Following World Bank analysis shows the Per capita GDP growth rate of Singapore over the recent years. Only in 2008 and 2009 negative GDP per capita growth were reported in Singapore. That is due to the world economic recession and almost all countries suffered similar fate during that time. It could be seen as to how Singapore has been managing its GDP growth systematically from the following chart released by World Bank. In 2010, immediately after the recession it got its GDP per capita increased by 4058 over the previous year. From 2006 to 2014 the per capita GDP increased by 6573.52 in Singapore (World Bank, 2016).

All these information demonstrates the effective planning and support of the Singaporean government and government institutions towards economic development. As almost 50% is contributed by SMEs to the GDP of Singapore, it is clear that the planning and support for SME development by Singaporean government and other institutions were instrumental in achieving this great success in Singapore.

Figure 1: Per capita GDP of Singapore from 2006-2014

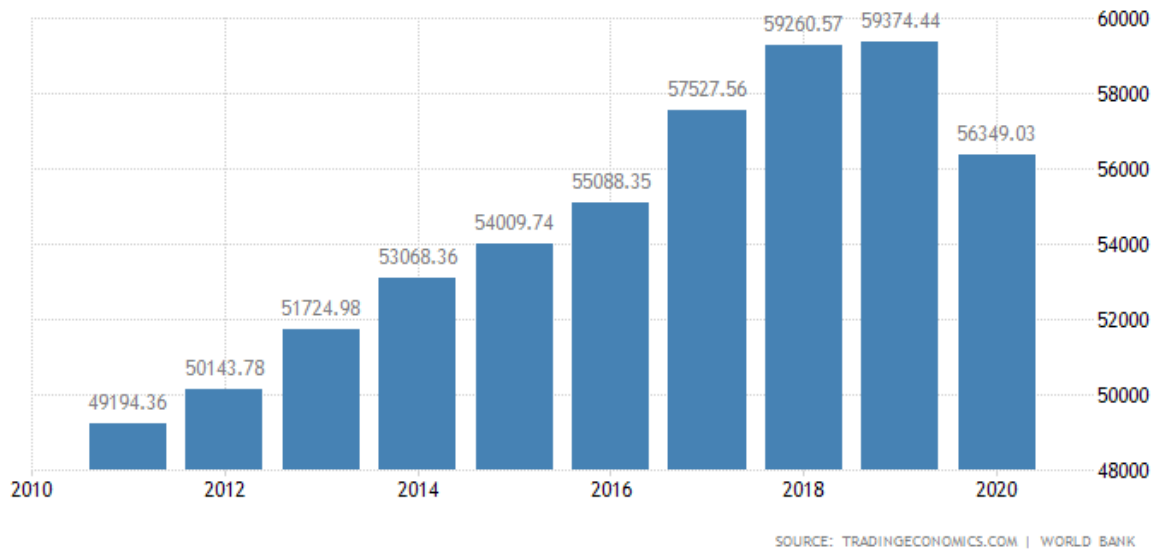


Figure 2: Per Capita GDP of Singapore from 2010- 2020

SME development policies were not developed overnight in Singapore. From 1965 up to 1985 SMEs were developed with an aim of attracting the Multi- national corporations (MNC's) step by step. In 1986 Economic development board of Singapore installed the Small business unit and the Singaporean government published the new directions and highlighted the role of SMEs. In 1989 one more step towards SME development took place. The First SME master plan got published which consisted the five strategical drives related to SME growth. In 2001, SME

enterprise development growth and expansion program were commenced by forming a new institution by the name Standards Board (PSB). PSB was responsible for SME development. In 2001 the 2nd SME master plan was launched with three strategic goals. In 2002 the formation of SPRING took place by renaming the PSB. Today SPRING -Singapore Productivity and Standards Board is responsible for developing SMEs (Liang, 2007).

2.2 SME development through SPRING Singapore

SPRING takes forward the mission of SME development in many ways. First mission is “Nurturing the start- ups”. ACE startups grant supports the entrepreneurs who want to start a business on differentiation business strategy. Differentiation strategy is one of the three well known business strategies namely cost strategy, differentiation strategy and differentiation focus strategy. Differentiation strategy is used to market items using better features or services different from the competitors (Kokemuller, 2015).

Under ACE startups grant, applications are selected on the main four evaluation factors such as differentiation, feasibility of business model, opportunity in the market and the management team of the company. Grant is provided on the basis of 30% of entrepreneur and 70 % from SPRING. The maximum amount granted under this scheme is S\$50,000. The grant is provided in three tranches every time the company reaches some milestones. Also SPRING would provide a mentor during the first year to support the startups. The eligibility to receive this grant is that he or she should be a Singaporean who has at least 51 % stakes in that particular business and he or she should be a first time entrepreneur. Also he or she should be the main decision maker of the company who should be occupied with the company on full time basis. So, as the name of the scheme indicates, this is a very good support from SPRING for a first time entrepreneur. Also this scheme is very carefully designed to ensure that the first time entrepreneurs who are fully involved in the business with decision making capacity in their companies and having differentiated business strategies. This is an excellent support to a person with all know how who finds it difficult to start up a business with limited financial resources. Further by making the entrepreneur to ensure other marketing requirement such as feasibility of business model, opportunity in the market and an effective management team of the company, this scheme prepares the entrepreneur before starting the business to ensure that his or her efforts does not end up in failure. SPRING will not just grant the Singaporean tax payers money for ventures without proper investigation. All necessary prerequisites should be met by the first time entrepreneurs before expecting the SPRING’s financial assistance (SPRING Singapore, 2014 a)

SPRING handles this grant carefully to ensure that it is not misused by any one. Also it ensures that the grant brings some development to the country. It is clear when looking at the website as

it requires a report on the development the entrepreneur hopes to add to the country. So, no one without any real plan about setting up of the venture and the marketing know how cannot obtain the grant. As per SPRING Singapore web site, the special feature of this grant is the compulsory involvement of the owner or one of the partner's full time involvements. For providing this grant, SPRING does not obtain equity in the company. However this grant is not extended for companies that involve certain businesses such as cafes, night clubs lounges, bars, employment agencies, geomancy, gambling, prostitution, food reflexology, massage parlours and beauty salons according to the policy of SPRING (SPRING Singapore, 2014 a)

Under Nurturing start-ups there is another scheme by the name Business Angel scheme (BAS). Through BAS, experienced entrepreneurs or investors fund nurture growth oriented and innovative start-ups. BAS investors help the new start-ups with their expertise in business. This is a very effective assistance to the startups. Also the startups that obtain investment or commitment from any angel investors can obtain a matching grant of equal to the amount of the capital from SPRING through its SPRING SEEDS Capital scheme Up to S\$ 2 Million maximum. Both SPRING SEEDS capital and the BAS investors will take equity for the investment they make. This is again a very good support by the Singaporean government to those who start up business ventures (SPRING Singapore, 2014 h) . Yeoh (2016) states that the ecosystem developed by the Singaporean government for startups has a great impact (Yeoh, 2016).

Singapore government supports SMEs through another scheme called Angel Investor Tax Deduction Scheme (AITD). Actually this scheme is not for the SMEs directly, but to the Angel investors who provide financial support for SMEs. Angel investors who are capable to invest at least S\$ 100,000 in a new start up business venture are entitled to receive this tax reduction support. The angel investors are entitled to receive tax relief of 50 % of the investment amount during a year assessment (YA). The suitable angel investors will be entitled to obtain this tax relief up to the maximum of S\$500,000 investment during each year of investment (YA). If taxable income for a capital of S\$ 400,000 is S\$ 300,000 during a year the taxable income after AITD deduction would be $S\$300,000 - S\$200,000 = S\$100,000$ (SPRING Singapore, 2014 k).

Again there are some conditions imposed by the SPRING to ensure that this scheme is implemented with a genuine purpose. According to SPRING, the angel investors who would qualify to receive AITD assistance should be experienced enough in angel investments or serial entrepreneurship or senior professionals in management capacity with experience in corporate level. Also they should possess the ability to advice on strategies of SME growth and how to enter into fresh markets. In addition they should be able to demonstrate their deep knowledge of different trends of the industry. Angel investors who qualify under this scheme can only invest on individual basis. They cannot invest through companies or trusts or through some other investment bodies (SPRING Singapore, 2014 l).

By supporting investment companies SPRING envisages on the development of SMES indirectly, at the same time using the in- depth experience of the angel investors. Through this

scheme, the inexperienced SMEs will receive the needed guidance and advice. Also this scheme will keep angel investors as guardians for fresh SMES without any expense to the government. The angel investors will be forced to monitor the SMEs continuously as they are supposed to ensure that the SMEs are running in a profitable way to recover their valuable investments. This scheme will bring in more and more angel investment into business due to the attractive tax relief provided to the angel investors and at the same time reducing the direct responsibility of financially supporting the start-ups of the Singaporean government.

Business incubators are institutions that are established to foster start-up companies during their initial period. They usually provide space at affordable rate, train the staff of the start-ups on management aspects, provide assistance to reach suitable markets and help start-ups to get the needed finance (Business directory.com, 2016). Incubators extend much assistance to start-up companies further by providing shared telephone services, shared space, shared production equipment, etc. thereby helping the start-ups to reduce overheads during the incubation period which lasts usually for two years. Usually universities, municipal institutions and private companies set up business incubators (SPRING Singapore, 2014 d).

Similarly venture accelerators are institutions that help the small and medium level enterprises to grow after the initial period. As discussed earlier, incubators help start-up companies to grow during the initial period. Venture accelerators take over from there onwards or when the business to grow rapidly. Acceleration programs are conducted normally for short period. Usually business acceleration programs last for 3 to 6 months. Venture accelerators help the SMEs run if the incubators assist them to stand and walk. Venture accelerators provide a complete business advice service to SMES similar to the management consultant firms provide advice for bigger ventures (Kleinschmidt, 2006).

The support is given by SPRING to upgrade the resources of the incubators or venture accelerators so that they could provide better programs for SMES through Incubator Development Programs (IDP). SPRING helps the SME growth in Singapore by granting 70% support to incubators and venture accelerators who support the SMEs in different stages. The support of SPRING is extended to meet the expenses of incubators or venture accelerators for developing programs on new products or new services for start-ups (SPRING Singapore, 2014 d).

SPRING has laid down some conditions for receiving financial assistance for this type of endeavor of incubators and venture accelerators to ensure that the scheme is not misused. The conditions are: the institutions receiving IDP support should be experienced enough in this type of endeavors or have experience in serial entrepreneurship or the owners should be officers who functioned as senior managers in corporate field and had enough experience in developing and nurturing the start-ups (SPRING Singapore, 2014 c).

Another scheme by SPRING to promote SME development is Sector Specific Accelerator program. In 2015 SPRING found out that special program was needed to identify and grow the special segments of SMEs such as clean technology and medical technology. Spring allocated \$70 Million under this scheme for this purpose. SPRING appointed four accelerator companies

to study the needs in detail, identify and support the medical industry by offering financial support by co-investing. The functions of the accelerator companies are to support the emerging medical enterprises to establish management teams, supporting in the regulatory issues and helping to get the needed customer base. For this purpose SPRING SEED capital will do the co-investment with the four accelerator companies (SPRING Singapore, 2014 c).

The chief executive of SPRING Mr. Tan Kai Hoe says that the medical technology experts are technically capable but lacking knowledge to develop products that could be marketed. He is optimistic that the new accelerators will help the start-ups in medical technology to be successful with the financial assistance and engineering knowledge, knowledge of regulatory matters and the network of market (A* Singapore, 2016) (MEDICA, 2016) .

SPRING seeds capital (PVT) Ltd (SSC) manages the seed capital, another supporting program for SMES by SPRING. This scheme provides support as a co-investor for eligible start-ups. This scheme is applicable only for startups that are in operation for less than 5 year period. The main business of the company should be Singapore. The company should have at least S\$ 50,000 paid –up capital to be eligible for this scheme. Also the company should have enough innovative or intellectual assets developed by it or owns it. It should be in a position to have a commercially viable business model and should be able to express its value proposition and its ability to perform under any circumstances and even at international level. The company should also possess an able and committed managerial force (SPRING Singapore, 2014 h).

The identified third party company should be able to invest at least S\$ 75,000. Also it should be in a position to support the start –up through their wide experience, skills, and expertise and business contacts. Also the third party investor company should partake in the business management as a board member of the start- up company. It should be able to invest S\$75,000. The Startups can obtain the support of even more than one third party company for investment but each of them will have to invest S\$75,000 (SPRING Singapore, 2014 h).

So, this again explains the support of the Singaporean government for SME development through SPRING for managing the capital of SMES in their initial period. The advantage in getting into this scheme is great for the young SMES as the SSC and the third party companies will be there though out the period advising and guiding the SME actively and monitoring the business development as the investment made by SSC and the investing third party company are compelled to ensure the business is moving ahead successfully especially due to their own investments are converted into equity of the start- up SME. By binding start- up SME, SSC and the investing third party company, Singaporean government develops the SME sector. The conditions set up for the startup SME and the third party investors in fact helps the Singaporean government fund channeled through SPRING not to get wasted or spent for some operational activity but to grow the SME sector effectively. When such a start- up is grown to its full potential the same fund with earned income will be taken back and used for another SME by the SSC. This is a very well planned scheme to foster SME development by Singapore government.

Technology Enterprise Commercialization (TECS) is yet another scheme by SPRING to develop SMEs in Singapore. Unlike other schemes discussed earlier, this scheme is aimed at developing

innovative start –ups. Two categories of projects are considered by SPRING under this scheme.

(1) A project based on Proof- of Concept (2) A project based on proof of value (SPRING Singapore, 2014 g).

For a project based on the first concept to be considered the company should be able to explain the innovative technology or science underpinning the concept. The enterprise applying support under this scheme should be able to propose a clear plan of entrepreneurial commitment to proceed with the project at the end of the project. The total project cost will be supported by SPRING up to a maximum limit of S\$250,000. (SPRING Singapore, 2014 i)

.For the second concept to be considered by SPRING, the enterprise should have a Proof- of – Concept in hand and should be willing to work on a working model. Also the enterprise should be able to establish a Proof – of –Interest from an entrepreneur and the required capabilities of the entrepreneur to execute the project. Spring will support by providing 85% of the project cost subject to a maximum of S\$500, 000 (SPRING Singapore, 2014 m).

The above mentioned projects should be in one of the broad areas (1) Advanced manufacturing/Robotics (2) Bio medical Science (3) Health care (4) Clean Technologies (5) ICT Technologies (6) Precision technology (7) Transport engineering (8) Engineering services.

The following specialized areas are available under each of the above broad areas available in the SPRING web page

| Advanced Manufacturing / Robotics | | Biomedical Sciences and Healthcare | |
|--|--|--|--|
| Intelligent digital industrial technologies | | Life Science Tools | |
| Fleet management systems | | Diagnostic and Implantable Systems | |
| Intelligent control systems | | Medical Device Technology | |
| Operating platforms | | Healthcare IT | |
| Kinematic and dynamics (manipulation and movement) | | Synthetic Biology | |
| Navigation, machine vision and positioning (sensing) | | | |
| Clean Technology | | Information & Communications Technologies | |

| | |
|--|---|
| Water Technologies | Mobility Technology |
| Waste management systems | Infocomm Security Technology |
| High-tech agriculture and farming | Infocomm Infrastructure and Architecture |
| Urban and sustainability solutions | Business Analytics/ Big Data/ Predictive Technologies |
| Renewable energy generation and management | Cloud Computing |
| | High Throughput Communications |
| Precision Engineering | Transport Engineering / Engineering Services |
| Silicon Photonics | Subsea technologies e.g. subsea production and monitoring, materials development for high temperature/ high pressure applications |
| Sensors and Actuators | |
| SMART Materials | Process technologies e.g. solutions for improved oil recovery |
| Composite Technology | Automation platforms |
| Nano Materials | |
| Coatings | |
| Optics and lasers | |

Figure 3: Specialized areas of SMEs in Singapore

(Courtesy: SPRING Singapore (2016) Enterprise commercialization Scheme)

The above specialized areas have great potential for developing business using scientific/ Technological knowledge. It is a very fine opportunity if products are developed in the above areas as there is need for new products worldwide. If we take Cloud computing it is a new technology in which many telecom operators are willing to invest. As per DAZEINFO (2015), cloud computing market is growing at 22% and it will reach \$ 127 billion market in 2018. There will be a great demand for equipment on cloud technology. SPRING's support for developing new product on Cloud technology by supporting financially can pave way for new product inventions. This will create more and more SMES to embark in the same business. Therefore SME development will take place in a great level. Also this type of technological based SMEs can have a clear cutting edge unlike other companies. By this type of support to technological SMEs, SPRING helps the economy to grow faster (DAZEINFO, 2015) .

Similarly, if we take the water technologies there is plenty of scope for new products and services. Clean water is an important commodity which is still not available for the people in many countries. In Sri Lanka too there are still health issues in many parts of the country due to lack of clean water. Technological inventions to invent new products which could eventually produce clean water at cheap prices will have a great potential for sales worldwide. There will be

great demand for clean water in future and hence there is a great business opportunity for clean water technology in the world. By 2030 there will be a shortage for drinking water in many countries. At present many countries are finding it difficult to manage drinking water. Therefore clean water technology is an important sector which can create lot of wealth (Bocaletti et al., 2009).

Medical technology industry on the other hand is flourishing in United States and Germany. The demand for medical equipment is increasing and compels more and more companies to sell their products in foreign markets. There is enough need for high tech medical equipment in China. US exported medical equipment worth of \$120.7 Billion in 2012. Similarly Germany exported medical equipment close to \$18.37 in the year 2012 (MEDICA, 2016). What does it indicate? It shows embarking on medical equipment production will be a very important business step for all countries. SPRING is just doing it by investing enough money to encourage the medical research through TECS- Technology enterprise Commercialization Scheme (Elsinga, 2014)

Similarly other areas indicated under different sectors are also very important areas for Technology commercialization Scheme. This scheme is again a very important scheme for the SME development in Singapore.

Further to the various supporting schemes mentioned above, there are programs by SPRING to build business capabilities. Tool Kit is the name of that scheme. SPRING takes this scheme forward with the support of business associations and other stake holders. SPRING envisions building up a cluster of industries consisting of active and innovative SMEs through this program. For this purpose SPRING has different tool kits on Customer service, financial management, HR capability, marketing and productivity in its web page. Training on these different topics provides very important Tool Kits for the employees or owners of SMEs to develop their talents in the important aspects needed for development and success of SMEs. All training modules are uploaded in the Web site of SPRING. Anybody wants can just go through the steps and learn the entire module which will make them familiar with the subjects (SPRING Singapore, 2014 b).

Voucher is another scheme of SPRING through which SMEs can manage the costs of the projects on consultancy in Financial Management, Human resource management, innovation and improvement of productivity, etc. SPRING provides voucher for \$5,000 to stimulate the SMEs in order to develop the business competency through this scheme. SPRING supports every SME by providing 8 vouchers maximum for this purpose. The duration of a voucher should be within six months according to SPRING's precondition. So, in Singapore every SME gets an opportunity to receive \$40,000 as vouchers for developing the capabilities (SPRING Singapore, 2014 n).

Tax incentive is another support of SPRING to help the SMEs to manage the expenses due to enhancement of productivity and innovation. This tax incentive is granted by SPRING through the scheme called PIC (Productivity and Innovation Credit). The incentive is provided by Singaporean Inland Revenue authority. Under this incentive SMEs can enjoy a tax deduction of 400% (limited up to \$400,000). Otherwise cash payment of \$100,000 will be provided for

investing in improvement of productivity or innovation related projects. This scheme is applicable for projects on R & D, intellectual property ownership rights, acquisition of patented technology, purchase of equipment for automation purposes, training and designing (SPRING Singapore, 2014 r; SPRING Singapore, 2014 f)

Capability Development Grant (CDG) is another scheme of SPRING to support SMEs in big scale endeavours such as productivity improvement, improvement of processes, development of products and market reachability. All SMES are eligible to this project provide they are registered and in operating state. The companies applying for this scheme should have an annual group income of less than 100 million Dollars or whose employee strength is less than 200. This scheme provides assistance by financial means to improve or build competencies in ten main business areas including adoption of new technology, training and expansion in foreign countries. This scheme is encouraging SMEs to grow in Singapore and internationally (SPRING Singapore, 2014 o).

LIS is a scheme of SPRING to support the SMEs to safeguard them when facing with loan defaults of other parties. Through LIS (Loan Insurance scheme) SPRING shares the insurance premiums with the SMEs. This is another support of SPRING towards SME development. This scheme will help the start-ups especially due to their inability to bear the total insurance premium to insure against defaulting. Similarly LIS+ is additional scheme to cover the newly obtained loans of SMES beyond the level of the present LIS insured amount for one year (SPRING Singapore, 2014 p) .

LEFS (Local Enterprise Financial Scheme) is another scheme for SMES whose owners are local Singaporeans. Through this scheme SPRING helps the SME loans to the maximum of S\$15 Million. This loan is provided for SMES to automate and enhance factory and company equipment. It can be used for procuring a factory or premises to set up business. At present it has been extended to procurement of equipment for construction purposes or heavy vehicles (Maybank2E, 2016).

In the same manner MLP (Micro Loan Program) is a scheme of SPRING which supports SMEs with 30% shares and in operation with ten or less than ten workers to receive maximum S\$100,000 loan facility. Many Singaporean banks and financial companies are providing this loan to SMEs in Singapore as per the arrangement of SPRING (SPRING Singapore, 2014 q) .

The last scheme provided by the SPRING is called Young entrepreneur scheme (YES). This is an additional effort of SPRING to develop the school students towards entrepreneurship while they learn at schools. It is a proactive step to groom the students to inculcate the entrepreneurship mindset when they learn still at school. What is the point in spending so much money in education of the younger generation if the education cannot make future entrepreneurs who are vital elements for the development of the country? The development expected by the Singaporean government is by planning the entrepreneurial seeds in the minds of younger generation for the future development of the country. The proposals would only be accepted if they clearly explain the entrepreneurship learning and should cover a full set of program about the entrepreneurship among the students and or teachers. SPRING will sponsor about S\$10,000

grant for each of this type projects (SPRING Singapore, 2014 j). This is also a wonderful idea of SPRING towards enterprise development.

The growth of biomedical industry and health care service sectors in Singapore are great contributors to the economy as each of them contributes 3% and 1% to the Singapore GDP respectively. Actually Singapore has become a biomedical research Centre. SMES involved in Bio medical technology have grown to a very high level due to the support of Singaporean government. Spring has extended its facilities for the international partnerships and due to this many big research institutes and great biomedical companies have been established in Singapore

2.3 Other initiatives of Singapore government that supports SME development

According to Thwaites (2014), although Singapore has very limited natural resources, in a period more than 10 years, Singapore has built up a biomedical manufacturing business from almost zero level. The Singaporean government correctly identified the biomedical technological field as a very great area containing big potential and took a decision to set up its own biomedical industry. The initiative was started in the year 2000 and within a period of 12 years it has grown to a level of US \$ 24 Billion industry with fifty manufacturing plants and thirty Research and Development Centers. The development took place in three phases. During the first phase Singaporean government spent SG 500 Million to construct seven building with a capacity of 185,000 Square meters to set up a Research and Development hub. This hub enabled the Singaporean capabilities for research. This action of Singaporean government attracted laboratories of R & D of foreign countries. In the second phase Singapore government attracted Genentech and Lonza to start business in Singapore by offering attractive tax rates and facilitating them with a labour force with necessary skills. In the third phase which is still ongoing from the year 2011, the Singaporean government is concentrating on promoting investment from foreign countries. Using a budget of S\$ 16 Billion for five years it is spending a considerable amount on research connected to Industry. Also an office has been made available to support partnerships with private companies. According to 'Future ready' web site "companies are also able to leverage the strong foundation in basic biomedical sciences research and translational clinical research as well as track record in scientific and clinical excellence for that purpose. In addition, with the city-state being a microcosm of Asia, Singapore becomes an ideal base to design, develop, test-bed, and launch new health care solutions and systems to make inroads to regional Asia Pacific and global markets" (Thwaites, 2014; Future ready Singapore, 2017).

2.4 The factors that supported Singapore to achieve a very high Level with respect to SME development in the world

Ross (2015) argues that the leadership of Lee Kuan Yew and his team was the reason for the great success of Singapore which started its progress from being a third world country and it is the only Asian nation to achieve a very high GDP per capita even more than USA. The per capita GDP (in Current exchange rates) of USA was more than six times that of Singapore when it obtained its freedom in 1965. He further articulates that Lee Kuan Yew's "authoritarian" approach together with stringent economic policies brought forth the great success in Singapore

which followed the open economic policy and the real success was due to the great financial capital and labour acquired by Singapore (Ross, 2015).

Nuwire investor (2017) states “Singapore’s Asia-bound exports also increased significantly. Exports to China last month rose 39% and exports to Japan increased by 50%. Demand is also expected to grow from Indonesia and Malaysia” It further states that Singapore is focusing on products based on pharmaceutical and electronics. Singapore with a prominent open economic policy and freedom of economy along with cleanliness with regard to its government set up and business has made the investors to go to Singapore and invest (NuWireInvestor.com, 2016).

Economic.com attributes several factors for the success of Singapore which was an underdeveloped country without any resources other than its natural harbor in a very strategic location when it got its freedom in 1965. Singaporean Prime Minister Lee Kuwan Yew’s move to entertain and encourage foreign investments and business helped it a lot. The natural harbor in a strategic location also helped the investors. The country’s honesty and efficiency compared to its neighbors gave great encouragement for those interested to do business in Singapore. Also Lee Kuwan Yew’s dictatorship style rule in a country which enforced severe punishments, controlled press freedom and limited freedom for protests made the country to achieve great successes. These made the country to move from “third world” status to a “first world status” (The Economist, 2017).

3. Conclusion

What Sri Lanka can learn from Singapore?

As discussed the Sri Lankan per capita GDP is very much low compared to the per capita GDP of Singapore. As in many countries, fifty percent of the Sri Lankan GDP is coming from the SMEs. Therefore, to improve the per capita GDP, Sri Lanka has to improve its support facilities to SMEs like Singapore. Sri Lanka recognizes that SMEs are the backbone of its economy and in its policy framework it further states that the Government of Sri Lanka is seeking to create the best possible general conditions for SMEs. It also has its support schemes for SME development (NEDA, 2009).

It was discussed that Singapore is able to develop their SMEs because of a single institution SPRING Singapore. First of all there is no such institution similar to SPRING Singapore in Sri Lanka. So, Sri Lanka also can consider to set up an institution like that in future. Also, the SME development programs and support schemes discussed in this article are not available to develop SMEs in Sri Lanka. Setting up of a separate institution for SME development in Singapore has achieved many successes. Various institutions in isolation extend support for SMEs in a limited level in Sri Lanka. They include mainly National Enterprise Authority (NEDA), Industrial Development Board, Export Development Board (EDB), Ministry of Industries, Ministry of Commerce, Board of Investment (BOI), National Engineering Research and Development Centre (NERD) together with state and private banks. They support SMEs to some level. But in Singapore, SPRING is able to support SMEs more effectively due to much powers vested in it.

Also as discussed A* STAR, the agency for R & D also supports SMEs through its research capability. National Research Council (NRC) is a similar institution in Sri Lanka.

By setting up a separate institution for SMEs similar to SPRING Singapore and introducing the similar support schemes mentioned above, SME development can be pursued by the Sri Lanka in Sri Lanka in a better level.

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