Challenges and Marketing Strategies for Small and Medium Tourism Enterprises (SMTEs): Evidence from Eastern Province, Sri Lanka

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ABSTRACT

Small and medium tourism enterprises (SMTEs) significantly promote regional economic growth, alongside the development of tourism industry in the Eastern Province of Sri Lanka. This study investigates the barriers to SMTEs by applying a mixed-methods approach using quantitative data collected through surveys with 250 owners and managers across 85 SMTEs, and qualitative data through interviews. The study revealed the human resource gap, financial gap, and conflicting government policies were ranked as the most significant barriers to SMTE sustainability. With the human resource gap restricting workforce reliability, financial gap limiting funding access, and local regulations influence limited flexibility. Further barriers included inefficiencies in marketing, limited production techniques, and limited IT literacy that affected overall operational efficiency and undertaken digital transformation. The recommendations from this study aligned with development opportunities centered on financial assistance, skills development plans, technology, responsive government assistance for SMTEs and branding development strategy. The importance of SMTEs embracing contemporary challenges was necessary for them to meet sustainability expectations, standards and for quality of service delivery across evolvements. These collective studies will empower SMTEs towards sustainable service rates and GDP growth for Sri Lanka as a whole, while the possibilities are framed within the capacity of policymakers and entrepreneurs to develop a process aligning to the motivating.

Keywords: Tourism SMEs, Entrepreneurial Challenges, Digital Transformation, Policy Intervention

INTRODUCTION

Tourism is the provision of products and services that aim to fulfill tourists' wish for happiness and enjoyment during their vacation. Set (2013) explains that tourism products include several diverse components, including lodging, food and beverage operations, cultural experiences, travel agents, tour operators, transport, amusement and recreation, zoos, museums, and theme parks. However, until the entrepreneur steps in and applies their creativity and innovation to convert the resource into an attraction or destination, they are simply resources.

The entrepreneur is critical to tourism industry success. Generally, these entrepreneurs are SMEs that are excited to start and grow their tourism-related businesses. For these entrepreneurs, it is essential to overcome and manage several internal and external challenges to be successful. Within the wider tourism sector, small and medium tourism enterprises (SMTEs) provide face-to-face tourist experiences and are a key component of the supply chain. They assist in creating connections between visitors and the unique nature, culture, and heritage of particular places, whilst assisting in the development of tourism attractions (Koh & Hatten, 2008). In most rural communities, SMEs make a significant contribution to tourism. In recognition of their role, research and policy have focused on their ability to alleviate poverty, generate income, and create economic growth (Mshenga & Richardson, 2013).

Objectives of the Study

- To examine the challenges in offering tourism services by SMTEs in Eastern Province, Sri Lanka.
- To identify key marketing strategies driving to improve the business of SMTEs.

REVIEW OF LITERATURE

Small and Medium-sized Enterprises in Tourism

According to Kukanja et al. (2020), the tourism industry worldwide is primarily composed of micro, small, and medium enterprises (SMEs), representing around 80 percent of the industry. In the EU, SMEs comprise over 90 percent of all firms (Secinaro, Calandra, & Biancone, 2020). The government of Sri Lanka recognizes the key role of SMEs in the economy, with over 75 percent of total enterprises, approximately 45 percent of employment, and a 52 percent contribution to GDP. SMEs also facilitate socio-economic development by creating meaningful jobs, particularly for women and youth (NPF for SMEs, Ministry of Industry and Commerce).

A small and medium enterprise (SME) is defined by government criteria such as employee count, revenue, and assets (Khokhobaia, 2020), which vary across countries. In Sri Lanka, SMEs are defined as companies with fewer than 300 employees and revenue not exceeding 750 million Sri Lankan Rupees. In Malaysia, a small enterprise employs 5 to 30 people, while a medium enterprise employs up to 75. In Canada, SMEs are defined as having fewer than 500 employees and less than $50 million in revenue (Ibanescu et al., 2019).

Tourism SMEs encompass a range of services including hotels, homestays, cafes, food and beverages, travel and guiding, surfing or diving, souvenirs, handicrafts, transport, and boat operations. Many are rooted in communities due to low entry barriers and capitalize on local climate and agricultural resources. For instance, entrepreneurs in Elma Town, Turkey, have developed wine tourism businesses (Güzel et al., 2021).

Othman (2011) found that while academic qualifications of owners have limited influence on financial performance, they positively impact non-financial outcomes. Brown et al. (2014) showed that personal values of tourism entrepreneurs in Central Kentucky are linked to market orientation and business performance. Successful SMEs tend to be risk-taking, opportunity-driven, and innovative in product development.

Opportunities for SMEs in Tourism

Services that leverage local traditions of hospitality offer valuable entry points for entrepreneurship. Job creation for locals and reinvestment into the community enhance production capacity. Family-run businesses often market cultural heritage through handicrafts, traditional meals, or souvenirs helping preserve local identity. Despite the challenges, SMEs with entrepreneurial mindsets, strategic planning, and new ideas can overcome barriers. Low operational costs are often cited as startup advantages (Kah et al., 2022), and home-based businesses have grown, aided by online platforms. Some entrepreneurs report success managing production, household duties, and childcare simultaneously (Fabeil et al., 2016)

Understanding marketing for small and medium-sized tourism enterprises

For SMTEs, success heavily relies on effective service marketing (Lindqvist, 2017; Rasyid et al., 2017). However, their approach often deviates from textbook models—they practice what is known as entrepreneurial marketing (Moriarty et al., 2008; Dragnic, 2009). Marketing is typically ad hoc, intuitive, and informal, reflecting the preferences of owner-managers (Minh Ngo et al., 2018; Wanhill, 2000).

These entrepreneurs usually multitask and may conflate marketing with advertising and selling. Common promotional methods include word-of-mouth, networking, and experiential knowledge (Stokes & Lomax, 2002; Moriarty et al., 2008; Zontanos & Anderson, 2004). Maintaining customer relationships is key, with Micro SMEs prioritizing close market ties to understand client preferences (Resnick & Cheng, 2011)

METHODOLOGY

The research framework is developed based on the literature review. A search was performed by the following keyword "Challenges", "SMEs", "Tourism industry", "Opportunities", "Small business", "Homestay tourism", "Food Tourism", "Role", "Travel agents", "Handicraft" or "Entrepreneur Tourism" to identify the areas of

challenges. Finally, eight categories of challenges are identified for investigation. This study employed a mixed-methods approach, incorporating both quantitative and qualitative data collection techniques.

A convenient sampling method was used to select 250 owners and managers from 85 Small and Medium Tourism Enterprises (SMTEs), since the list of registered SMTEs is not published in the province by any authority. There are three districts in the Eastern Province and many regular tourist visiting attractions. However, the respondents were selected unproportionately based on the SMTEs operating in the locations that are the most popular tourist attractions in the province.

This approach ensured representation across different types and sizes of SMTEs, allowing for more generalizable results. For the interview component, a purposive sampling method was applied. Participants were selected based on their relevance to the research objectives, such as their experience in tourism businesses, role in the tourism enterprise, and willingness to provide in-depth insights into the barriers faced by SMTEs.

To gather quantitative data, structured questionnaires were administered directly to 250 owners and managers representing 85 Small and Medium Tourism Enterprises (SMTEs) across the Eastern Province. Given the absence of a formal registry, a convenience sampling approach was employed, targeting respondents operating in well-known tourist destinations to ensure relevance and diversity of perspectives. The questionnaires, designed to assess the challenges and operational dynamics of SMTEs, included both closed and scaled-response items. Prior to distribution, a pilot test was conducted to refine clarity and ensure contextual appropriateness. Data collection was carried out in person and via electronic means where possible, ensuring wide coverage while maintaining data integrity and respondent confidentiality.

Empirical Review of the Research Framework

Skills in tourism services for SMEs

Skills are important in the flow of business and, in the Tourism field, they have a significant deficit (Ekanayake et al., 2020; Khokhobaia, 2019; Istanti, 2021). Many small and medium-sized enterprises (SME in this context) in the industry do not have the knowledge or support services required for product design and innovation. They produce offerings with no economic benefit; deciding what to create, when to sell it, or whether it is good enough. They are also limited by the number of, and the number of available, qualified resources (Shin et al., 2020). Feedback has also expressed to me that they have constructed no skills framework to enable them to be tourist guides thus were unable to share their business with potential visitors on or offline.

Technical staff and reliable workers

As we move into the next challenge of human resources, which is composed of skill shortage and reliable workforce, it is one of the top barriers to success. The development of human resources is a part of the biggest barriers to success on a business (Khokhobaia, 2019; Niyas & Ishar Ali, 2021). Good human resources management can be impactful on service delivery and create a consequence of services that are high quality and environment which employees feel valued, respected, and treated well in.

Financial capability

In the tourism industry, small and medium-sized enterprises (SMEs) tend to face serious financial difficulties (Devi, 2019; Ekanayake et al., 2020; Gamage et al., 2020; Makhitha, 2017; Sade et al., 2017). Some of these SMEs have relatively low entry barriers and start-up costs, and yet they can still face massive barriers associated with finances. Financial barriers can prevent SMEs from repaying loans or achieving a healthy balance between their inflows and outflows.

Marketing capabilities and market accessibility

Small and medium enterprises (SMEs) are faced with many hurdles, including the costliness of marketing and advertising—the latter concern is central to unlocking the best opportunities for SMEs through marketing because it covers promotion, sales, pricing, market research, and distribution. The other substantial challenge is market accessibility (Ekanayake et al., 2020; Makhitha, 2017). In the tourism industry, monopolies exist, due to an inclination for traditional products to become modern too. SMEs additionally face competition in the international market.

Technology

SMEs are confronted with technical challenges as well, such as slow internet speeds and data disruptions, and challenges keeping up with the latest technology (Gamage et al., 2020; Jabbar & Akram, 2020).

Government policies and support

The government is one critical external factor, and SMEs may experience a variety of barriers when faced with government interventions (Shafiei & Karoubi, 2018; Devi, 2019; Gamage et al., 2020; Jabbar & Akram, 2020; Niyas & Ishar Ali, 2021). SMEs differ from larger business entities as they may not receive the same treatment and set of opportunities. An example may be regarding taxes, where the taxes can be significant obstacles for SMEs (Jabbar & Akram, 2020). Political instability is oof the more visible complex challenges for SMEs in the tourism sector. Political activity shifts may disorient an SME's operational performance, in the past, on their probability of success, and their immediate market conditions. The second complexity was seasonality. Seasonality, Devi (2019); Gamage et al. (2020); Shin et al., (2020) identified, features the regular changes to economies or businesses operation throughout the year, which are based on the seasons. Seasonality has recently been emphasized (Devi, 2019; Niyas & Ishar Ali, 2021) in association with unfolding seasonality challenges in this sector, examples include accessing revenue needs & capital, full-time staff recruitment and retention, asset return on investment challenges that can present higher operational risks, and possibly overuse of facilities during the peak (Devi, 2019).
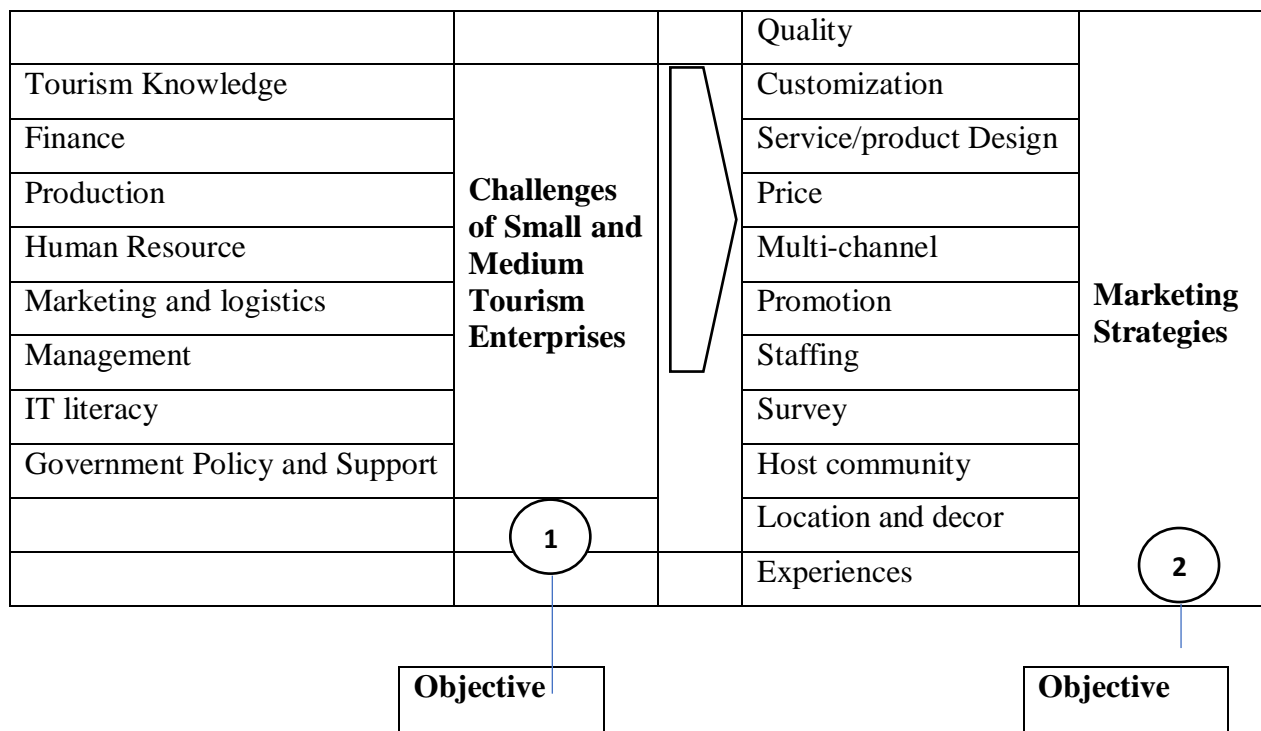
	Challenges of Small and Medium Tourism Enterprises			Marketing Strategies
			Quality	
Tourism Knowledge			Customization	
Finance			Service/product Design	
Production			Price	
Human Resource			Multi-channel	
Marketing and logistics			Promotion	
Management			Staffing	
IT literacy			Survey	
Government Policy and Support			Host community	
	①		Location and decor	
			Experiences	②

Objective   Objective

Figure 1: Challenges and Marketing Strategies for Small and Medium-Sized Tourism Enterprises

Data Collection and analysis

The research used a mix of quantitative and qualitative approaches in order to study the challenges experienced by Small and Medium Tourism Enterprises (SMTEs). The quantitative aspect consisted of structured survey-research that witnessed engagement from 250 owners and managers from 85 registered SMTEs regarding operational issues that might be problematic. Statistical methods (mean, standard deviation, and frequency distribution) were applied to understand the extent of the problem across the main categories, being finance, human resources, marketing and government support. The completed responses, all dealing with operational issues, were identified, grouped, and ranked by frequency to create a numerical representation of their most significant issues.

The qualitative aspect of the research aimed to describe the not-so-visible experiences of entrepreneurs running SMTEs. Open-ended responses resulted in more meaningful understandings of how these operational challenges are realized in practice. A thematic analysis was then undertaken to identify patterns that recurred for the researchers, these issues relate to, but are not limited to: financial instability; market access challenges; and a lack of digitalization.

By synthesizing both types of information, the study provided a complete perspective by showing measurable trends through the quantitative data collected, while also providing perspectives through individual stories from participants in the qualitative data collected. Overall, this mixed approach reinforces the understanding of SMTE challenges and has valuable implications for developing sustainability and growth recommendations.

Table 1: SMTEs and its challenges

Variables	Dimensions	n	Mean	SD
1. Tourism Knowledge (TK)	TK1: Unfamiliarity with tourism as a business activity	250	3.85	1.12
	TK2: Knowledge transferring issue (Young generation is reluctant to inherit their parents' venture)		3.78	1.10
	TK3: Lack of learning and knowledge development with regards to the business		3.92	1.15
2. Finance (FM)	FM1: Lack of access to finance	250	4.10	1.05
	FM2: Funding challenges		4.15	1.08
	FM3: Failure to make a profit, staffing issues, and opportunities for expansion.		4.05	1.10
3. Production (PP)	PP1: Inefficient production	250	3.75	1.18
	PP2: Low of productivity		3.68	1.15
	PP3: Limited access to raw material		3.82	1.12
	PP4: Higher costs of materials		3.84	1.15
4. Human Resource (HR)	HR1: Lack of dependable workers	250	4.20	1.08
	HR2: Lack of young successors to continue the business legacy.		3.98	1.14
	HR3: A lack of entrepreneurial education in society.		3.86	1.03
	HR4: Lack of Motivation.		4.12	1.05

	HR5: Lack technical staff		4.20	1.20
	HR6: Low levels of human resource development.		3.91	1.24
	HR7: Inadequate human capital investment		3.96	1.06
	HR8: Low quality of human resources		3.74	1.14
	HR9: Lack of qualified manpower		3.71	1.34
	HR10: Lack of training and development		4.10	1.32
	HR11: Lack of capacity building.		4.15	1.35
5. Marketing and Logistics (ML)	ML1: Lack of understanding of market needs.	250	3.90	1.15
	ML2: Lack of market accessibility.		3.52	1.18
	ML3: Lack of trust among local entrepreneurs.		3.61	1.09
	ML4: Lack of communication and language ability		3.73	1.14
	ML5: Lack of Not aligned with current market trends and changes in quantity and quality.		4.13	1.03
	ML6: Lack of research and development		4.15	1.27
	ML7: Lack of interior and exterior design of outlets		3.76	1.73
	ML8: Lack of Transportation problems		4.10	1.46
6. Management (MG)	MG1: Low managerial capabilities	250	3.80	1.10
	MG2: Administrative and legal obstacles		3.91	1.94
	MG3: Issues related to expansion opportunities Impact of seasonality in tourism business		3.64	1.87
7. IT literacy (IT)	IT1: Lack of internet usage at all levels.	250	3.60	1.20
	IT2: Mismatches between purchased and promised products/services.		4.10	1.45
	IT3: Lack of training and access to technology		4.13	1.38
	IT4: Low internet speed or frequent interruptions.		3.17	1.92
8. Government Policy and Support (GS)	GS1: Low level of tourism infrastructure development.	250	4.0	1.07
	GS2: Inadequate infrastructures		4.76	1.22
	GS3: Red tape and heavy regulatory		4.22	1.31
	GS4: Weak commercialization of cultural and historical development.		4.15	1.34
	GS5: A lack of understanding of ethical business		4.24	1.20
	GS6: Compliance of various authority's procedures		4.16	1.76

	GS7: Illegal operators and licensing authorities are inefficient.	3.11	1.26
	GS8: Lack of initiatives from Government in Capacity building.	3.05	1.39
	GS9: Lack of support and awareness among policymakers.	3.24	1.21
	GS10: Lack of government support for start-ups or low-budget businesses.	3.28	1.10
	GS11: There is a lack of training in the tourism SMEs sector.	3.05	1.18
	GS12: Lack of financial support	3.91	1.05

The variable Tourism Knowledge reveals critical challenges in understanding and managing tourism as a business. The data suggests concern where TK3 (Mean = 3.92, SD = 1.15) is the most pressing where entrepreneurs experience difficulties learning and developing knowledge of their craft limiting innovation and strategic growth. TK1 (Mean = 3.85, SD = 1.12) had the next highest mean and it highlights the overall unawareness of tourism as a structured business activity, and this could lead to inefficient decision making and lack of sustainability over the long term. TK2 (Mean = 3.78, SD = 1.10) while a little lower brought forward the relevant issue that younger generations are unwilling to inherit family tourism operations suggesting difficulty with tourism knowledge transfer, as it relates to businesses sustainability. The overall mean values intend to suggest moderate to high concern in all three areas of tourism knowledge, however, through evaluating the standard deviation values some variation of experiences was revealed between SMTEs. Tourism knowledge continues to be a challenge for SMTEs but how severe the challenge can depend on the organization. Educating SMTEs on tourism knowledge, establishing industry specific training, and addressing generation transitions will greatly improve SMTE sustainability and competition.

Financing presents substantial challenges around accessibility and profitability with FM2 (Mean = 4.15, SD = 1.08) being the more significant challenges reflecting restrictions and limited funding or financial resources. FM1 (Mean = 4.10, SD = 1.05) reflects the most common challenges, i.e. lack of access to finance, while FM3 (Mean = 4.05, SD = 1.10) reflects profitability, wage and personnel sustainability, and hierarchy choices. The low average standard deviation indicates a high level of consensus regarding financial limitations by entrepreneurs for all three items.

Production shows some differences in concerns, PP1 (Mean = 3.75, SD = 1.18) indicating problems with production inefficiencies hindering operational efficiency. PP3 (Mean = 3.82, SD = 1.12) and PP4 (Mean = 3.84, SD = 1.15) were indicative of limited raw material access and or increased raw material costs had a limiting effect on productivity, while PP2 (Mean = 3.68, SD = 1.15) projected more belabored concern around productivity levels. The moderate standard deviations reflect variations in the production concerns expressed by some businesses.

The most pressing challenge is related to Human Resources, this being evidenced by HR1 and HR5 (Mean = 4.20, SD = 1.08/1.20); indicating concerns stemming from unreliable workers and no technical support. HR4 (Mean = 4.12, SD = 1.05) and HR10 (Mean = 4.12, SD = 1.32), portray motivational problems and inadequate training as they pertain to HR issues that are worsening an already unproductive workforce. The higher reported experiences in the training portions of the HR means suggest different experiences across SMTEs, however the bottom-line is that workforce shortages and development challenges are the two most critical issues facing these SMTEs.

Marketing and Logistics issues appear to be primarily aimed at market access issues and strategy; specifically ML6 (Mean = 4.15, SD = 1.27) was a major concern as it relates to a lack of R&D. ML5 (Mean = 4.5, SD =

1.03) and ML8 (Mean = 4.10, SD = 1.46) referred to problems adapting to current market conditions, and logistical considerations e.g., transportation. While ML1 (Mean = 3.90, SD = 1.15) highlights gaps in things like understanding market needs, ML2 (Mean = 3.52, SD = 1.18) suggests that market access issues are likely perceived as marginal issues compared with others. The relatively larger spread indicates inconsistencies of market-related struggles encountered amongst businesses.

Management concerns are focused on administrative constraints and legal hindrance; MG2 (Mean = 3.91, SD = 1.94) received the highest ranking caused mainly by serious concerns with regulation and operational limitation issues. MG1 (Mean = 3.80, SD = 1.10) cited a deficit in managerial capability directly impacting business decision-making and leadership capability. MG3 (Mean = 3.64, SD = 1.87) indicated that the issues related to seasonal challenges with diversification and expansion are varied in severity, explaining the relatively high standard deviation.

IT Literacy is a definite area for concern; IT3 (Mean = 4.13, SD = 1.38) indicated that there are considerable difficulties related to adaptation to digital and access to technology. IT2 (Mean = 4.10, SD = 1.45) highlights the issue regarding mismatches between what was purchased and what was promised or delivered, which can affect the credibility of the business. IT1 (Mean = 3.60, SD = 1.20) discernibly had the lowest ranking, indicating some degree of concern regarding internet access and usability. IT4 (Mean = 3.17, SD = 1.92) indicates that the experiences of businesses regarding digital infrastructure are varied and not consistent across businesses in any respective industrial context, evident in the high standard deviation.

Government Policy and Support thought to be various problems, with GS2 (Mean = 4.76, SD = 1.22) ranked as being the most serious issue, which relates to infrastructure not adequately developed so that businesses can function effectively. GS5 (Mean = 4.24, SD = 1.20) and GS3 (Mean = 4.22, SD = 1.31) show some concern about a lack of understanding of ethical business practices, and also excessive regulatory interference limiting entrepreneurs' ability to be flexible. GS4 (Mean = 4.15, SD = 1.34), highlighted concerns about the weakness in commercializing cultural and historical resources. Objection activity was socio gradient, including GS8 (Mean = 3.05, SD = 1.39) and GS10 (Mean = 3.28, SD = 1.10) which were concerned about the ineffective government stimulus initiatives supporting business and building capability. The range of standard deviations across the nine items indicate that the intervene by government for SMTEs has been unsuccessful and uncoordinated.

FINDINGS AND DISCUSSION

The research identifies a number of key issues confronting Small and Medium Tourism Enterprises (SMTEs) in the Eastern Province of Sri Lanka, illustrating how these affect business sustainability, growth, and competitiveness.

Tourism Knowledge, According to the results, business understanding, and limited knowledge development in the tourism sector represent significant barriers. The greatest concern in this dimension is attributed to entrepreneurs not being able to attain knowledge relevant to the industry (Mean = 3.92, SD = 1.15) thereby stifling both innovation and informed decision making. Also, the fact younger generations demonstrate no interest in carrying on tourism businesses (Mean = 3.78, SD = 1.10) puts the future of these businesses at risk and highlights knowledge switching across generations.

Financial issues are seen to be critical, with funding issues (mean = 4.15, SD = 1.08) representing the highest level of criticality. Limited funding/financial resources (mean = 4.10, SD = 1.05), which have stymied the growth and sustainability of many SMTEs, and, profit and staffing costs (mean = 4.05, SD = 1.10) exacerbate the burden for SMTEs. In looking at the average standard deviation for financial issues, it can be seen that all individuals responded similarly with regards to the financial pressures faced by this group.

Production: Production efficiencies (mean = 3.75, SD = 1.18) and high costs of materials (mean = 3.84, SD = 1.15) are barriers to operating efficiently, and limited access to resources (mean = 3.82, SD = 1.12) do not allow for scalable enterprises. It should be noted that productivity issues (mean = 3.68, SD = 1.15), signal that the contributor had established limits on resources available to them as an entrepreneur.

Human resource issues, as a group, were categorized as the most severe type overall. Workforce shortages from the lack of reliable workers (Mean = 4.20, SD = 1.08) and lack of qualified technical staff (Mean = 4.20, SD = 2.20) were most impactful affecting service quality and business continuity. Insufficient training of employees (Mean = 4.10 SD = 1.32) and motivational issues (Mean = 4.12, SD = 1.05) resulted in inefficiencies in the workforce, pointing towards needed skills development interventions.

The areas of market access and branding can be considered critical to SMTEs. Misalignment with current trends in the market (Mean = 4.13, SD = 1.03) and lack of development (Mean = 4.15, SD = 1.27) do not indicate a strong opportunity to position against competitors. Transportation issues (Mean = 4.10, SD = 1.46) creates difficulty with many operations, and gaps in understanding consumer preferences (Mean = 3.90, SD = 1.15) revealed misalignment between services and customer expectations.

Moving around bureaucratic measures and irregularities in the regulatory system (Mean = 3.91, SD = 1.94) are the main obstacles to prompt decision-making. The middle managers incompetence (Mean = 3.80, SD = 1.10) is responsible for the failure of efficient leadership and that the seasonality (Mean = 3.64, SD = 1.87) causes the uncertainty of the revenue's stabilization. A wide range of differences among SMES is shown by the high standard deviations in the management area. The conversion from classic to electric business is still in process, where the main difficulties are the lack of technology adaptation (Mean = 4.13, SD = 1.38) that is the highest in the field of digitalization. Problems with connectivity (Mean = 3.60, SD = 1.20) together with the irregularities in the digital infrastructure (Mean = 3.17, SD = 1.92) depict an uneven move to digital transformation, where few companies face more challenges of this kind than others.

Government Policy and Support Inadequate government intervention is a very serious obstacle to long-term sustainability of SMTE, and lack of infrastructure development (Mean = 4.76, SD = 1.22) was reported as the most serious problem. Heavy regulations (M = 4.22, SD=1.31) and poor strategy of commercialization for cultural and historical tourism (M= 4.15, SD=1.34) impede business development, accompanied by financial support constraints (M= 3.91, SD=1.05).

The results affirm that manpower shortages, financial constraints, and government restrictions have been identified as most critical factors affecting the SMTEs. Together, these barriers erode business resilience; diminish tourism sector competitiveness and long-term sustainability. The higher mean levels observed in most factors reflect the overall challenges, while difference (s) in standard deviations suggest differences in the extent to which firms are concerned.

Strategies needed to overcome these challenges are access to financial resources, better skill development programs, modern technology and changes to regulations. Applying special solutions can enhance the business role of the region, simplify the way things are handled and welcome more tourists to the Eastern Province, improving its standing as a top tourism spot.

CONCLUSION AND RECOMMENDATION

The results emphasize that the greatest problems for SMTEs in Sri Lanka's Eastern Province involve financial issues, human resource problems, ineffective marketing, and not enough support from the government. Taking these results into account, companies are mainly concerned by limited access to finances and a solid workforce which threatens their stability. Harder government rules (Mean = 4.00, SD = 1.07) limit operational choices, slow marketing due to access problems (Mean = 3.90, SD = 1.15) and progress in IT is held back by a lack of knowledge (Mean = 3.60, SD = 1.20).

According to the results, production inefficiencies, management issues and a lack of tourism knowledge continue to be obstacles, but because their mean values are lower than the national average, they can be addressed if leaders take proper actions. The research results suggest it is essential to change policies, offer financial help, grow workforce skills, encourage adoption of new technologies, and teach more about entrepreneurship to ensure these businesses keep operating.

To enhance the sustainability, competitiveness, and growth of Small and Medium Tourism Enterprises (SMTEs) in Sri Lanka's Eastern Province, the following key recommendations are proposed:

Capacity and Skills Development

- Introduce structured training programs focused on tourism knowledge, entrepreneurial education, and customer service skills.

- Encourage intergenerational knowledge transfer through mentorship schemes and youth engagement initiatives.

Financial Support and Access

- Establish accessible financing mechanisms such as micro-loans, grants, or community-based investment models.

- Offer financial management workshops to improve profitability, wage management, and business planning.

Production and Operational Efficiency

- Support SMEs in adopting efficient production techniques, reducing material costs, and accessing supply chain networks.

- Facilitate access to affordable raw materials through cooperative purchasing or bulk procurement initiatives.

Human Resource Strengthening

- Invest in workforce development, focusing on recruiting skilled workers and enhancing staff motivation and retention.

- Introduce vocational training and certification programs in tourism services and operations.

Marketing and Market Access

- Provide targeted support for branding, R&D, and customer analytics to align offerings with current market demands.

- Develop shared marketing platforms (e.g. regional tourism portals) to improve visibility and market reach.

Technology and Digital Transformation

- Expand digital literacy training and improve access to affordable, high-speed internet in rural and semi-urban areas.

- Encourage e-commerce, online bookings, and social media promotion as core tools for business growth.

Government Policy and Infrastructure

- Streamline regulatory procedures and reduce red tape to create a more SME-friendly business environment.

- Invest in tourism infrastructure, such as roads, signage, utilities, and tourist information centers, especially in underserved regions.

- Build stronger partnerships between local government, policymakers, and SMTEs for responsive decision-making.

Consequently, the topics of this paper highlight issues facing SMEs in the tourism become evident from the literature reviewed. This review summarizes earlier research on a topic, forming a complete understanding of the issue. However, the study has a limitation, since it only used Google Scholar and found only 16 papers. Nevertheless, this research on SMEs in tourism has provided potential for more research in the future.

Conducting more qualitative research is important because it will bring experts into contact with entrepreneurs and enable them to identify the important factors that lead to success during hardship. After that, the highlight of the recommendations to address existing challenges and leads SMEs toward strong and continuous growth. This paper also supports positive developments in government policy. This paper proposes that public policy for entrepreneurs are expanded and improved. The government needs to make changes that encourage business operations and help businesses to develop. By doing this, the business climate can grow stronger and more broad, following the business chain, so it can open doors for other sectors to grow.

Table 2: Marketing Strategies for SMETs

Domine	Strategies
Quality	1. Offer consistently quality products and services to meet the needs and wants of tourists. Provide a differentiated quality of service.
Customization	2. Customized product/service design to meet tourist needs and preferences.
Service/product Design	3. Ensure a unique experience product or service unique memorable.
	4. Products / services design promotes environmental sustainability
Price	5. Use value-based pricing approach
	6. Pricing should consider environmental protection and sustainability issues
	7. Payment processing systems for the convenience of tourist.
Multi-channel	8. Use travel agencies, operators to sell products and services
	9. Use electronic distribution channels, such as the internet, to deliver products and services. Multi-channel distribution to provide services
	10. 10. Collaborate with travel agencies, online companies, and tour operators to market their products and services.
	11. Interior and exterior design can be considered with environmentally friendly for sustainability.
Promotion	12. Participate in tourism and hospitality expos to showcase our products and services.
	13. Promote products and services online through platforms like websites. Use online social media platforms like Facebook, Twitter, YouTube, WhatsApp, and Instagram to promote your products and services.
	14. Promotes eco-friendly practices among employees, tourists, and society through effective communication.
Staffing	15. Ensure staffs are qualified, competent, empowered, and have comprehensive product knowledge to effectively serve tourists.
Survey	16. Regularly gather information on guest needs, wants, and

	requirements. Measures guest satisfaction systematically and frequently.
Host community	17. Consider societal and environmental needs when conducting business activities.
	18. Collaborate with host community stakeholders to promote environmental protection and sustainability.
Location and decor	19. Conveniently locate outlet such that tourist easily find their way here.
	20. Create a welcoming environment with comfortable furnishings, décor, and color schemes. The facility design and layout are visually appealing and reflect the best image of the company.
	21. Consider the natural environment when designing and arranging guest amenities and facilities.
	22. Our lodge/hotel prioritizes guest health and safety by maintaining clean guestrooms, bathrooms, and sanitary facilities.
Experiences	23. Participate in holiday-themed activities to keep tourists interested in our products or services.
	24. Engage tourist with the service production to experience the process

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