

**THE RELATIONSHIP BETWEEN FINANCIAL MANAGEMENT  
PRACTICES AND FINANCIAL PERFORMANCE OF SMALL  
AND MEDIUM HOTELS IN BATTICALOA DISTRICT  
SRI LANKA**



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## ABSTRACT

This study investigates the relationship between financial management practices and the financial performance of small and medium hotels in the Batticaloa District, Sri Lanka. The key financial management practices considered include working capital management (WCM), investment decisions (ID) and financial reporting & analysis (FRA). The study aims to assess how these practices influence financial performance indicators such as profit growth, sales growth, customer satisfaction, and competitive advantage.

The target population consisted of small and medium-sized hotel owners and financial managers operating in the Batticaloa District. Using a simple random sampling method, data was collected from a sample of 105 respondents through a structured questionnaire. The questionnaire used a five-point Likert scale to measure perceptions of financial practices and performance.

Data analysis was performed using SPSS, involving descriptive statistics, correlation analysis, and regression models to test the relationship between financial management practices and financial performance. The findings reveal a significant positive relationship between effective financial management practices and improved financial performance in the hotel sector. Particularly, investment decision-making and financial reporting and analysis practices showed a strong predictive influence on performance outcomes.

The results suggest that adopting sound financial practices is crucial for the growth and sustainability of small and medium-sized hotels. These insights can help hoteliers make informed strategic decisions and guide policymakers in supporting the tourism and hospitality sector.

**Keywords:** Financial Management Practices, Financial Performance, Investment Decisions, Working capital management, Financial reporting & analysis.

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