

**THE IMPACT OF FINANCIAL MANAGEMENT PRACTICES ON  
BUSINESS PERFORMANCE OF SMALL AND MEDIUM SCALE  
ENTERPRISES IN KANDY DISTRICT**



By

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**A Project Report**

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## ABSTRACT

Most SMEs have not appointed financial managers to be in charge of financial management of the company. Usually, the owner-managers with the assistance of the chief-accountant control financial matters of the company. However, most owner-managers have no formal training in management skills, especially financial management. So, currently, financial management is one of the challenges of SMEs. Combination of both insufficient knowledge of financial management and uncertainty of the business environment often leads SMEs to serious problems regarding financial performances. Here the research is carried to find at what extent of financial management practices on business performance of Small and Medium Enterprises in Kandy district.

Extent of the financial management practices are measured using three variables as financial reporting and analysis practices, working capital management practices and financial planning and controlling practices. Data were collected using questionnaire from 100 Small and Medium Enterprises Owners.

Average level of financial management practices is moderate level of the Small and Medium Enterprises in Kandy district. Based on, average level of financial management practices is not varying with the type of the industry, age level of the business, gender of the owner, and level of profitability of the business. Working capital and financial planning control out of financial management practices are significantly impacting on financial performance of SMEs. Therefore, in order to improve the average level of financial management practices researcher recommends improving the knowledge regarding financial management to the business owners and high involvement of the government to providing training programs through each division in Kandy district.

## TABLE OF CONTENTS

ACKNOWLEDGEMENT .....	I
ABSTRACT.....	II
TABLE OF CONTENTS.....	III
LIST OF TABLES .....	VIII
LIST OF FIGURES .....	X
ABBREVIATIONS .....	XI
CHAPTER ONE - INTRODUCTION.....	1-5
1.1 Background of the Study.....	1
1.2 Problem Statement .....	4
1.3 Research Questions .....	4
1.4 Objectives of the Study .....	4
1.5 Significance of the Study .....	5
1.6 Scope of the Study.....	5
1.7 Chapter Summary.....	5
CHAPTER TWO - LITERATURE REVIEW.....	7-21
2.1 Introduction .....	7
2.2 Small and Medium Enterprises .....	7
2.3 Financial Practices.....	7
2.4 Organizational Performance.....	8
2.5 Financial Management for SMEs.....	9
2.5.1 Financial Management .....	9
2.5.2 Objectives of Financial Management.....	11
2.5.3 Major Decisions of Financial Management.....	13
2.5.4 The Specific Areas of Financial Management .....	14
2.6 Financial Management Practices.....	16
2.6.1 The Context of Financial Management Practices.....	16
2.6.2 Financial Reporting and Analysis.....	17
2.6.3 Working Capital Management.....	18
2.6.4 Financial Planning and Controlling Practices .....	20
2.7 Chapter Summary.....	21

CHAPTER THREE - CONCEPTUALIZATION AND OPERATIONALIZATION	22
3.1 Introduction	22
3.2 Conceptualization	22
3.2.1 Conceptualization of Financial Reporting and Analysis Practices	23
3.2.2 Conceptualization of Working Capital Management Practices	24
3.2.3 Conceptualization of Financial Planning and Controlling Practices	26
3.2.4 Business performance	27
3.3 Operationalization of Variables	27
3.4 Chapter Summary	31
CHAPTER FOUR - METHODOLOGY	32-42
4.1 Introduction	32
4.2 Research Design	32
4.2.1 Purpose of the Study	33
4.2.2 Types of Investigation	33
4.2.3 Study Setting	33
4.3 Sample Size, Sampling Distribution and Sample Methods	33
4.3.1 Population and Sampling	33
4.3.2 Sampling Technique	34
4.4 Data Collection Methods	34
4.4.1 Primary Data	35
4.4.2 Secondary Data	35
4.5 Methods of Data Presentation	35
4.5.1 Data Presentation for Personal Details and Business Details	35
4.5.2 Data Presentation for Financial Management Practices	35
4.6 Methods of Measurements	35
4.6.1 Method of Measuring the Variables	36
4.6.2 Method of Measuring the Personal information	36
4.6.3 Method of Measuring the Business Information	37
4.7 Method of Data Analysis	38
4.7.1 Univariate Analysis	38
4.7.2 Bivariate Analysis	39
4.7.2.1 Correlation Analysis	39
4.7.2.2 Multiple Regression Analysis	39

4.7.2.3 Simple Regression Analysis .....	39
4.8 Methods of Data Evaluation.....	40
4.8.1 Financial Reporting and Analysis Practices .....	40
4.8.2 Working Capital Management Practices .....	41
4.8.3 Financial Planning and Controlling Practices .....	41
4.8.4 Financial Management Practices .....	41
4.8.5 Financial Performance .....	42
4.9 Chapter Summary.....	42
CHAPTER FIVE - DATA PRESENTATION AND DATA ANALYSIS.....	43-71
5.1 Introduction .....	43
5.2 Reliability Test .....	43
5.3 Data Presentation.....	44
5.3.1 Data Presentation for Personal Factors.....	44
5.3.1.1 Gender.....	44
5.3.1.2 Age.....	45
5.3.1.3 Education level.....	45
5.3.2 Data Presentation for Business Details.....	46
5.3.2.1 Type of the Industry.....	47
5.3.2. 2 Age level of the Business.....	47
5.3.2. 3 Level of Profitability of the Business .....	48
5.3.3 Data Presentation for Financial Management Practices .....	49
5.3.3.1 Financial Management Practices .....	49
5.3.3.2 Financial Reporting and Analysis Practices .....	50
5.3.3.3 Working Capital Management Practices .....	51
5.3.3.4 Financial Planning and Controlling Practices.....	52
5.3.3.5 Financial Performance .....	53
5.3.3.6 Growth .....	53
5.3.3.7 Profit .....	54
5.4 Data Analysis .....	55
5.4.1 Univariate Analysis .....	55

5.4.1.1 Mean and Standard deviation for Financial Management Practices.....	55
5.4.2 Cross Tabulation Analysis.....	59
5.4.2.1 Mean Comparison between Personal Factors and Financial Management Practices and Financial Performance .....	59
5.4.2.2 Mean Comparison between Business Characteristics and Financial Management Practices .....	62
5.4.3 Bivariate Analysis.....	64
5.4.3.1 Correlation Analysis .....	64
5.4.3.2 Regression Analysis.....	67
5.5 Chapter Summary.....	70
CHAPTER SIX - DISCUSSION .....	71-78
6.1 Introduction.....	71
6.2. Discussion on Personal Factors.....	71
6.2.1 Gender of Business Owners .....	71
6.2.2 Age Level of Business Owners .....	71
6.2.3 Educational Level of Business Owners .....	72
6.3. Discussion on Business Characteristics .....	72
6.3.1. Type of the Industry .....	72
6.3.2 Age of the Business .....	73
6.3.3 Level of Profitability of the Business .....	73
6.4 Discussions on Research Variables.....	73
6.4.1 Financial Reporting and Analysis Practices .....	73
6.4.2 Working Capital Management Practices .....	74
6.4.3 Financial Planning and Controlling Practices .....	76
6.4.4 Financial Management Practices .....	76
6.4.5 Financial Performance.....	77
6.5 Chapter Summary.....	77
CHAPTER SEVEN - CONCLUSIONS AND RECOMMENDATIONS.....	79-84
7.1 Introduction .....	79
7.2 Conclusions .....	79
7.3 Recommendations .....	80
7.4 Limitations of the Study and Suggestions for future studies .....	81