RELEVANCE OF FINANCIAL ACCOUNTING INFORMATION FOR CREDITORS IN THE SMALL SCALE INDUSTRY A SPECIAL REFERENCE TO GAMPAHA DISTRICT

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ABSTRACT

Most of Business organizations use financial information a one of major medium of communication with their stakeholders. As well as recent empirical work has suggested that accounting information is relevance to creditors to take their trade credit decisions. Accounting information contained in financial statements to be accurate and transparent enough to provide as indication of a business performance and financial condition to decision makers include creditors. According to the previous article regarding this topic, creditors tend to focus on information which contained in financial statement. As well as some of present empirical evidence said that creditors tend to focus on information other than the accounting information such as non financial information.

Therefore, this study attempts to addresses the relevance of financial accounting information on creditor's trade credit decision in registered small scale business in gampaha district. In gampaha District, the creditors consist the areas of manufacturing, service, wholesale, retail, apparel.Since the research study was geographically confined to the gampaha District, the 100 creditors in the Small Business Organizations situated in the district were selected for the survey. To collect primary data required for the study set of questionnaire was distributed among the creditors.

The relevance of accounting data was measured by descriptive analysis method. The data analysis was based on the accounting information which related to creditors decision such as current ratio, Quick ratio, Cash ratio, credit repayment period and creditor turn over.

According to the finding we can state conclusion, the individuals who are operating as trade creditor in the small scale industry, they have low relevance of financial accounting information such as current ratio, quick ratio and the cash ratio for their credit decision. But the business organizations which are operating as creditor, they have high relevance of accounting information when they are deciding to supply of goods and services on credit basis.

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