

**A STUDY ON FINANCIAL MANAGEMENT PRACTICES OF
SMALL AND MEDIUM ENTERPRISES IN KEGALLE DISTRICT**

by

JAYAWARDHANA RALALAGE NIRASHA NUWANDI JAYAWARDHANA
(EU/IS/2009/COM/67)
(COM 1087)

A Project Report

submitted to the Faculty of Commerce and Management, Eastern University, Sri Lanka as a partial fulfillment of the requirement of the Degree of Bachelor of Commerce (B.Com) Specialization in Accounting and Finance



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ABSTRACT

Small and Medium Enterprises are considered backbone of economic growth in all countries and Small and Medium Scale Enterprises make up a large part of Sri Lanka's economy, accounting for 80 percent of all businesses. 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. In this context, the research is carried to find the extent of financial management practices of Small and Medium Enterprises in Kegalle 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.

According to the descriptive analysis, usage level of financial management practices is moderate level of the Small and Medium Enterprises in Kegalle district. Based on results of the ANOVA and independent sample t test, usage level of financial management practices are not varying with the type of the industry, age level of the business, gender of the owner, and level of profitability of the business. But, there are significant differences in usage level of financial management practices among age level of the owner and education level of the owner. Therefore in order to improve the usage 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 Kegalle district.

TABLE OF CONTENTS

Acknowledgement	I
Abstract	II
Abbreviations	III
Table of Contents	IV
List of Tables	VIII
List of Figures	X
1. Chapter One	
1.1. Background of the Study	01
1.2. Problem Statement	04
1.3. Research Questions	04
1.4. Objectives of the Study	05
1.5. Significance of the study	05
1.6. Scope of The Study	06
1.7. Summary	06
2. Chapter Two	
2.1. Chapter Introduction	07
2.2. Defining Small and Medium Enterprises	07
2.2.1 Quantitative Definition	08
2.2.2 Qualitative Definition	09
2.3. Financial Management for SMEs	13
2.3.1 Defining Financial Management	13
2.3.2 Objectives of Financial Management	14
2.3.3 Major Decisions of Financial Management	16
2.3.4 Specific Areas of Financial Management	17
2.4. Financial Management Practices	19
2.4.1 The Context of Financial Management Practices	19
2.4.2 Financial Reporting and Analysis Practices	20
2.4.3 Working Capital Management	22
2.4.4 Financial Planning and Controlling	23
2.5. Chapter Summary	24

3. Chapter Three	
3.1. Introduction.....	25
3.2. Conceptualization.....	25
3.2.1 Conceptualization of Financial Reporting & Analysis.....	26
3.2.2 Conceptualization of Working Capital Management.....	27
3.2.3 Conceptualization of Financial Planning &Controlling.....	28
3.3. Operationalization of Variables.....	29
3.4. Summary.....	33
4. Chapter Four	
4.1. Introduction.....	34
4.2. Research Design.....	34
4.2.1 Purpose of the Study.....	34
4.2.2 Types of Investigation.....	35
4.2.3 Study Setting.....	35
4.2.4 Unit of Analysis.....	35
4.2.5 Time Horizon.....	35
4.3. Sample Size, Sampling Distribution and Sample Methods.....	35
4.3.1 Population and Sampling.....	35
4.4. Method of Data Collection.....	36
4.5. Method of Data Presentation.....	37
4.5.1 Data presentation for personal & business details.....	37
4.5.2 Data Presentation for Financial Management Practices.....	37
4.6. Method of Measurements.....	37
4.6.1 Method of Measuring the Variable.....	38
4.6.2 Method of Measuring the Personal Information.....	41
4.6.3 Method of Measuring the Business Information.....	42
4.7. Method of Data Analysis.....	43
4.7.1 Univariate Analysis.....	43
4.7.2 Cross Tabulation Analysis.....	44
4.7.3 ANOVA Test.....	44
4.7.4 Independent Sample t Test.....	44
4.7.5 Hypothesis Testing.....	44
4.8. Method of Data Evaluation.....	46
4.9. Summary.....	48

5. Chapter Five	
5.1. Introduction.....	49
5.2. Reliability Test.....	49
5.3. Data Presentation	50
5.3.1 Data Presentation for Personal Factors.....	50
5.3.1.1 Gender Distribution of the Sample	50
5.3.1.2 Age Distribution of the Sample	50
5.3.1.3 Sample distribution of education level	52
5.3.2 Data Presentation for Business Details.....	52
5.3.2.1 Type of the Industry	52
5.3.2.2 Age Level of the Business	53
5.3.2.3 Level of Profitability of the business.....	54
5.3.3. Data Presentation for Financial Management Practices	54
5.3.3.1 Financial Management Practices	54
5.3.3.2 Financial Reporting and Analysis Practices	55
5.3.3.3 Responsibility of Financial Statement Interpretation	55
5.3.3.4 Working Capital Management Practices	56
5.3.3.5 Financial Planning and Controlling Practices.....	57
5.4. Data Analysis.....	57
5.4.1 Univariate Analysis	57
5.4.1.1 Mean Standard deviation for FM Practices	57
5.4.1.1.1 Usage Level of FM Practices.....	58
5.4.1.1.2 Usage Level of FRA Practices.....	58
5.4.1.1.3 Usage level of WCM Practices.....	59
5.4.1.1.4 Usage Level of FPC Practices.....	61
5.4.2 Cross Tabulation Analysis	62
5.4.2.1 Mean comparison between Personal factors & FMP.....	62
5.4.2.2 Mean comparison between business characteristics & FMP.....	65
5.4.3 ANOVA Test and t Test	67
5.4.4 Hypothesis Testing.....	68
5.5. Summary	72
6. Chapter Six	
6.1. Introduction.....	73
6.2. Discussion on Personal Factors	73

6.2.1 Gender of business owners	73
6.2.2 Age Level of business owners	74
6.2.3 Educational Level of the Business Owners	75
6.3. Discussion on Business Characteristics.....	75
6.3.1 Type of the Industry.....	75
6.3.2 Age of the Business	76
6.3.3 Level of Profitability of the Business.....	77
6.4. Discussion on Research Variable	77
6.4.1 Financial Reporting and Analysis Practices	77
6.4.2 Working Capital Management Practices	78
6.4.3 Financial planning and Controlling Practices.....	79
6.4.4 Financial Management Practices	80
6.5. Chapter Summary	80
7. Chapter Seven	
7.1. Introduction.....	81
7.2. Conclusion	81
7.3. Recommendations.....	82
7.4. Limitations of the study and suggestions for future research	83
7.5. Implications of the Study.....	84
7.6. Summary.....	86
References.....	85
Appendix	
Appendix - 1: The Questionnaires used for the study.....	88
Appendix - 2: The Output of the Analyses	96
Appendix - 3: Index of Statistical Definitions	109