

**FINANCIAL MANAGEMENT PRACTICES AMONG SMALL
AND MEDIUM ENTERPRISES IN EASTERN PROVINCE**

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Abstract

Small and Medium Enterprises are considered backbone of economic growth in all countries. Small and Medium business make up large part of Sri Lanka's economy, accounting for 80 percent of total number of business. This sector contributes to the national objective of creating employment opportunities, generating income, and providing a source of livelihood for low income households. However, most of small and medium enterprise owners are faced many challenges in which poor financial management practice is the one of major challenges face by small and medium business. As financial management is crucial to the continuity of small and medium enterprises, these challenges often effect sustainable performance of small and medium business. In this context, the researcher is carried to find out the extent of financial management practices among small and medium enterprises in Eastern province of Sri Lanka.

Financial management practices of small and medium enterprises are measured through four variable namely as, financial statement and analysis, working capital management, investment appraisal and financial planning and controlling practices. Data were collected from 150 small and medium enterprise owners and managers located in Eastern province of Sri Lanka.

According to descriptive analysis, overall level of financial management practices among small and medium enterprises are found moderate (2.7707) level. Under the variables of financial management practices, the study found that financial statement and analysis, working capital management and investment appraisal practices are at moderate level while, financial planning and controlling practices are found lower level among small and medium enterprises in Eastern province of Sri Lanka. Based on this finding, the study also recommended that it advisable that the owners of small and medium business needed various training programs; better to evaluate the validity of their investment before starting operations, better to engaged in financial planning, analysis, and control in order to compare their financial plan with performances and maintain professional accountants so as maintain complete accounting records.

Key words: Financial Management, Financial Statement and Analysis, Working Capital, Investment Appraisal and Financial Planning and Control

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