



The Impact of Financial Management Practices on the Business Performance of Small and Medium Enterprises (SMEs) in Sri Lanka

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ABSTRACT

Small and medium enterprises (SMEs) are incredibly significant in today's economy, proving that it is the most appealing and inventive system available globally. This study investigates the impact of financial management practices (FMP) on SMEs' business (BP) in the Northern Province of Sri Lanka. This study evaluates the effects of independent variables such as maintaining accounting records, financial reporting preparation and analysis, accounting information systems, working capital management, investment decisions, and financing on the dependent variable of BP of SMEs in NP. The study uses both primary and secondary data. The primary data were collected through questionnaires administered to the SME owners/managers or accounting assistants dealing with FMP and getting support for decision-making. Secondary data was collected from articles from journals, reports of the Northern Province and other relevant official reports. A total of 430 samples were selected using a stratified proportionate random sampling technique to cover all the DS divisions. The study to test the conceptual model with the hypothesis testing procedure as a significant part of the study includes descriptive and inferential statistics. The findings indicate that the above independent variables significantly impact SMEs' business performance, excluding investment decisions at 61 percent. Finally, the researcher recommends that proper FMP in SMEs, even with the maximum effort, shows performance success better than others. This means that SMEs should be established with well-organized financial management practices that force related authorities to regularly monitor the financial management system. Furthermore, donors should provide capacity-building training and transfer funds for the development of SMEs in the said region.

Keywords: *financial management practices, small and medium enterprises (SMEs), Northern Province (NP)*