

## **Relationship between Financial Management Practices and Firm Performance of SME's in Sri Lanka**

**Dewmini, H.P.<sup>1</sup> and Jayamaha, A.<sup>2</sup>**

*<sup>1</sup>pasindi.dewmini@gmail.com; <sup>2</sup>jayamaha@kln.ac.lk*

### **Abstract**

The purpose of this study is to find out, whether the relationship between financial management practices and firm performance in small and medium sized enterprises in Gampaha district by using three components. Such as working capital management, Capital Structure Management and accounting information system. Most past researchers are selected this area to review in globally, locally, developing countries & developed countries also but there's no previous research related to Gampaha district, Sri Lanka. This study aimed to fulfil this knowledge gap and to search out the answer for the way does impact of financial management practices to firm performance of small and medium size enterprises in Sri Lanka: evidence from Gampaha district. This paper relied on a sample of 100 small and medium sized enterprises using purposive sampling and data collected through the self-administered questionnaires. Data were analysed using descriptive statistics, correlation analysis and multiple regression analysis by using SPSS. SMEs performance was measured by Return on Assets and Return on Equity. Result of the study revealed that, there is a significant difference between small and medium enterprises, who are cohering with financial practices are well performing than the small and medium enterprises, who are not complying with financial practices. According to this research shows that, SMEs need to improve financial management practices to improve their firm's performance.

**Keywords:** SMEs, Accounting Information System, Capital Structure Management, Working Capital Management, Performance