

**STUDY ON USE OF BUDGETS AND RELATED CONTROLS BY SMES IN  
SRI LANKA  
(EVIDENCE FROM MONARAGALA DISTRICT)**

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**Abstract**

Failure to budget has been identified as one of the main reasons for the failure of small and medium enterprises (SMEs). This study aims to determine the extent to which SMEs in the Monaragala district in Sri Lanka use budgets. Specifically, the study aims to determine the types of budgets used, methods of budgeting employed, the purpose for which budgets are used, the perceived effectiveness of budgets used, and factors that may inhibit SMEs from using budgets. The population comprised owners, managers, and accountants of SMEs operating in the artisanal manufacturing sector in Monaragala district. The sample is made up of 10 manufacturing SMEs in the Monaragala district in Sri Lanka. Data was collected using the interview method and analyzed using the qualitative data analysis function. This study not only fills a gap in the literature on the use of budgets, but it also provides invaluable insights into how SMEs use them. The problem in this scenario is that the budget didn't take into account things the business knows will happen. When considering the past studies, a partial number of studies have been done in relation to studies on the use of budgets and related controls by SMEs in the Sri Lankan context. Because most researchers focus on budgeting and related controls in the corporate and private sectors as a whole, no research has been conducted in the area of SMEs in the Monaragala District of Sri Lanka. Thus, it is necessary to investigate how SMEs in Monaragala District, Sri Lanka implement budgeting measures.

***Keywords:*** *Budget and related controls, Small and medium sized enterprises*