

## **ASSOCIATION OF FINANCIAL PRACTICES AND PERFORMANCE OF THE SMALL SIZED ENTERPRISES IN SRI LANKA**

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### **Abstract**

Small and medium size enterprises (SMEs) involve with economy through contributing to growth of gross domestic product (GDP), in contributing to decrease unemployment, creating innovative and so on. But to development of SMEs, it is needed to effective record keeping, efficient use of accounting information to support financial decision-making and the high quality and reliability of financial data, effective financial management practices and use of SLFRS for SMEs.

The objective is to find out wheher the finacial practices of SMEs have any significant relationship with performance of companies.For this analysis, categorize SMEs accordinga to World bank classification that is based on number of employees.Up to 50 employee from 10 identify as small business and up o 300 from 50 identify as medium size companies.The data which required for the analysis are collected through questionnaire and reffering relevant financial statement of the selected companies. Firstly, questionnaire are used to identify how the SMEs uses financial practices.In here consider about preparation of financial statement , auditing financial statement , control inventory , inventory management , utilize the computer system to repoting transaction. Secondely, financial statement are obtained for 5 years period to analyse the relation between finacial pracices and performance through financail ratios. This study expect to find out firstly. the differntion of financial practice between small and medium size enterprises. Secondely, there is a significant relation between fianacial practice and performance of enterprices.Finally through this analysis expect to indicate the significance of financial practices to SMEs to improve SMEs financial performance.

**Key words:** Small and medium sized enterprices , financial practices , financial performance in Sri Lanka