

How Business Planning Affect on Financial Performance with regard to Sri Lankan Western Province Manufacturing SME's

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This paper reports the impact of business planning on key financial performance in Sri Lankan Small and Medium Enterprises. Business planning is a critical activity and it is differently considered as an essential tool to initiate and manage a business successfully. The study expected to examine the availability and nature of the business plan and its impact on key financial performances of the businesses were evaluated. Major performance indicators such as ROI, Profit Growth Rate, Asset Turnover Ratio, Payback Period and Current ratio were measured against business planning. The data were collected through primary sources and secondary sources including journals, research papers and a questionnaire. Eighty entrepreneurs have been selected as the sample. The sample represented the manufacturing SMEs in urban areas in the Western Province since most of the rural SME's rarely practice Business Planning. The study explored that the comprehensiveness of the Business Planning is at average level denotation that they prepare moderately comprehensive Business Plans. Further the results suggested that there is a significant relationship between the nature of the business plan and the financial performance of the business.

Keywords: Business planning, SMEs, Performance indicators, ROI, Profit growth rate, Asset Turnover Ratio, Payback period, Current ratio