

**Factors Affecting on Financial Stability of SMEs' During Covid 19 Pandemic:
With Special Reference to Colombo District**

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ABSTRACT

Introduction: In the developing countries, Small and Medium-sized Enterprises (SMEs) are considered as the backbone as their role in economies are vital and large due to their significant Contribution in Gross Domestic Production. The study focuses on identifying the factors that affect to the financial stability of the small and medium enterprises in Western Province Sri Lanka during the Covid-19 pandemic. The research objectives are based on the key highlights of the research problem and aims at identifying the impact of firms' profitability, liquidity and leverage on financial stability of SMEs' in Sri Lankan context during the Covid 19 pandemic.

Design/Methodology/Approach: The research is based on quantitative approach and uses 14 SMEs in Colombo District, Sri Lanka as the sample. The study has collected both the primary and secondary data and has utilized the two approaches, questionnaire and interviews for primary data collection and financial statements of the firms for secondary data collection.

Findings: The research findings based on regression analysis indicate a significant impact of profitability, liquidity and leverage on financial stability of SMEs in Colombo district, Sri Lanka during the Covid 19 pandemic.

Conclusion: To conclude it was noted that SMEs need to have a healthy working capital in order to run their business in the short term and they are in a dire need of support from financial institutions and government to go ahead. Thus, it is vital to protect SMEs during this kind of a challenging time as they provide a significant contribution to the countries' economy,

Keywords: *Financial stability, Profitability, Liquidity, Leverage, SME (Small and medium Enterprises)*