Financial Management Practices and Small and Medium-scale Enterprises' Performance in Sri Lanka

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Abstract

Small and Medium-scale Enterprises (SMEs) add value to an economy by creating employment, contributing to Gross Domestic Production (GDP), making innovations, and minimising poverty. They are partnering with the development of the country. Most small and medium-scale enterprises face issues like lack of knowledge, outdated skills, fear of taxation, adoption of accounting standards, and accounting information records. Therefore, this study aims to identify the relationship between financial management practices and SMEs' performance in the southern province of Sri Lanka. This study measures financial management practices using financial reporting analysis, working capital management, fixed asset management, and accounting information systems. SME performance was measured by the profitability of SMEs using return on assets. Considering data constraints, time constraints, and the COVID-19 situation, 107 Small and Medium Enterprises operating in the manufacturing and service sectors were selected as samples. A questionnaire was chosen as the primary data-gathering method. The sample was chosen using a convenience sampling procedure, and the data were analysed using the Statistical Package for Social Scientists (SPSS) software. Multiple regression analysis was done to examine the hypothetical association. This study found that financial management techniques such as fixed asset management, working capital management, accounting information systems, and financial performance of SMEs have a significant association with performance. The findings support aiding investors, workers, and policymakers in making effective decisions.

Keywords: *Financial management practices, financial performance, return on asset (ROA), small and medium-sized enterprises (SMEs), working capital management*

Introduction

Financial management is key to the business's success as one of the functional management areas in today's dynamic business environment. It is essential to adopt better financial techniques to make better financial decisions. Financial management considers the concepts of Time, Money, and Risk and how these concepts are related to each other to achieve the organisation's objectives and maximise the shareholders' value (Musah et al., 2018). Effective financial management practices are essential for reaching the growth stage of the firm for small and medium-scale enterprises (SMEs)(Yogendrarajah et al., 2017). Financial management improves corporations' profit margins with budgetary control, analysis of ratios, and other financial practices.

Regardless of their degree of development, small and medium-sized enterprises (SMEs) make significant contributions to the economies of the majority of countries. Once more, they are thought to typically contribute to GDP, employment, and growth in the private sector (Selvanayaki et al., 2016). In Sri Lanka, the SME sector is acknowledged as a crucial strategic sector, and it is considered a driver for overall economic growth, employment, regional development and poverty reduction. The SME sector is attributed to transforming poor neighbourhoods into new affluent neighbourhoods. This sector can provide tremendous socio-economic benefits while requiring minor investment (Rathnasiri, 2015). The Sri Lankan government regards SMEs as the backbone of the economy because they make up more than 75% of all businesses, account for 45% of employment, and generate 52% of the GDP (Ministry of Industry and Commerce, 2015). SMEs contribute to Sri Lanka's development by providing diverse opportunities. Together with the trend of globalization, SMEs are viewed as a motivating force for "growth and development" rather than simply a field of "protection and promotion." As a result, the Sri Lankan government has determined that it is vital to enhance SMEs' local and global ability to compete in the market to face challenges and advance as a thriving sector (Ministry of Industry and Commerce, 2015).

Financial management information assists SMEs in managing problems such as cash flow, providing information for monitoring, cost accounting, and expenditure. Decision-makers can make sensible economic decisions if the entity's financial management accounting information is accurate. They will face numerous challenges in surviving in the industry if they do not have a proper accounting and management reporting system (Rathnasiri, 2014). Although inadequate financial management procedures account for a significant share of SMEs' failures (Obazee, 2019), this field has received little attention. Nonetheless, researchers like Nketsiah (2018) have concentrated on ascertaining the financial management practices and behaviours of SMEs.

Small and medium-sized enterprises (SMEs) must maintain proper financial management techniques to remain in business. Businesses with an annual sale of less than Rs. 750 million are considered small and medium-sized companies (SMEs), and the number of employees 300 in the manufacturing sector, and annual turnover must be less than Rs 750 million and the number of employees 200 for the service sector (Rathnasiri, 2014)

Many SMEs do not take financial management accounting practices seriously. They are only concerned with financial reporting procedures (Rathnasiri, 2014). As a result, they may have poor financial performance, with the ultimate effect being bankruptcy. Amako (2013) mentions difficulties that arise when trying to get a loan from a financial institution

or a bank if the company is not following financial management techniques to restrict the growth and expansion of SMEs. SME owners make poor investment decisions by failing to take the financial viability of the venture into account, which results in enormous losses that the SMEs cannot absorb. Additionally, lacking an adequate financial management system makes SMEs more likely to accrue bad debts, which will severely impair business operations (Nguyen & Leblanc, 2001). Addressing this issue is important since the performance of SMEs has a big impact on the economy's growth and the general public's level of living (Amoako, 2013).

When evaluating past studies, mixed results regarding the relationship between Financial Performance and Financial Management Practices can be identified. Based on the above facts, this study aims to determine how finance management practices influence the performance of SMEs in Sri Lanka's Southern Province.

Most researchers are concerned with management reporting practices in the corporate and private sectors. So, it is vital to discover a solution for SMEs in Sri Lanka.

The rest of the paper is organised as follows. Section 2 presents the findings of past studies. Section 3 explains the data and methodology. Section 4 presents findings and data analysis; section 5 discusses the results; and section 6 presents the conclusion with the recommendations.

Literature Review

The second section discusses past studies. Prior studies have established knowledge concerning SMEs' management methods and financial performance.

When considering the global context, Charles Ezeagba (2017) conducted a survey to use time series data to assess financial reporting in Nigerian small and medium-sized enterprises (SMEs). According to the survey, SMEs face difficulties in preparing and presenting financial reports due to insufficient accounting systems, people, and books and records. Poor business performance has long remained unexplained, most especially in third-world countries, where small and medium enterprises occupy a large part of the economy. However, some studies from developed nations (Nguyen, 2001) cite inefficient financial management practices as contributing immensely to SMEs' poor business performance.

Recognising the favorable influence of SME development on economic growth, successive administrations in Sri Lanka have implemented various strategies to develop this critical sector (Gamage, 2003). However, when assessing the sector's current contribution to the national economy, it appears that it has yet to generate the anticipated outcomes compared to the region's other developed and emerging countries. As a result, it appears that Sri Lanka has a significant chance to expand this sector and realise the rewards (Gamage, 2003). He also found that SMEs are not performing to the desired expectations, and if this situation is not addressed, then the SME's contribution to the Sri Lankan economy is likely to be affected.

Depending on the country's degree of development, various countries use a variety of definitions for SMEs. The SME sector has played an essential role in developing countries

economic development, environmental sustainability, and job opportunities (Tarutė & Gatautis, 2014)

Financial Management Practices (FMP)

There are various financial management practices in the accounting field. According to Karadag (2017), financial management experts have developed an interest in four fundamental topics over time. These include capital structure management, fixed asset management, working capital management, inventory management, and financial reporting and analysis (Karadag, 2017).

Financial reporting, working capital management, inventory management, capital budgeting, capital structure, financial control, and planning are some techniques in the field (Hunjra et al., 2012). For Capital Structure Management, there are limitations to collecting credits for SMEs. This is because their cash inflows and savings are minor. obtaining a lower WACC is often appropriate in Capital Budgeting Management Practices; SMEs ignore Capital Budgeting Management Practices because they rarely go for long-term investments. They usually calculate the Internal Rate of Return (IRR), Net Present Value (NPV), and Payback Period (PBP) (Musah et al., 2018).

Financial Reporting Analysis (FRA)

In SMEs, financial reporting and analysis are inadequate and insufficient. Financial reports are used infrequently owing to SMEs' inability to hire experienced managers with a functional speciality in the financial field due to low financial resources (Wanjiku, 2017). Without appropriate and effective financial reporting and analytical procedures, such as enhanced ability to predict successes or failures, improved monitoring of financial strength and productivity, greater ease in financial planning and control, and better evaluations of financial risks, SMEs are missing out (Jagoda et al., 2013). Accounting information system recording cannot function correctly unless system reports are analyzed and used to make executive decisions.

The identification and careful analysis of the SMEs' unique information utilization may be observed in the context of the global drive to improve SMEs' financial reporting (Strouhal et al., 2010). If SMEs adopt FRA for their entity, it will develop and increase the users' satisfaction with financial statements (Ezeagba, 2017).

Based on the aforementioned information, the study established the following hypothesis to examine the connection between financial reporting analysis and performance.

H 1: there is a significant relationship between financial reporting analysis and financial performance

Working Capital Management (WCM)

Effective working capital management is essential to a company's success and survival in terms of profitability and liquidity (Somathilake & Pathirawasam, 2020). A corporation that mismanages its working capital risk facing bankruptcy and collapsing under the weight of its debts. (Orobia et al., 2016). A strong relationship can be seen between WCM

and the company's financial health (Ramiah et al., 2014). According to studies on how it affects business performance and how this relationship affects long-term development, working capital has a significant impact on corporate performance. Overall, enterprises manage the increment in their working capital profitability and sustain (Nastiti et al., 2019).

With these facts, study developed below hypothesis to test the relationship between working capital management practices and financial performance

H 2: There is a significant relationship between working capital management practices and financial performance.

Fixed Asset Management (FAM)

Management accounting for fixed assets aims to gather, process, evaluate, and give information on how to invest, manage, and use fixed assets to maximise efficiency, as well as a current challenge facing enterprises (Dang et al., 2019). Acquisition of fixed assets significantly impacts the organisation Field's long-term competitive advantage(Gibbons et al., 2012).

Poor decisions on fixed assets may lead the organization to a nightmare because restoring them will take many years. On the other hand, crucial decisions about fixed assets create profits for the organization. Therefore, upper management must concentrate on the fixed asset management (Kintonga, 2013).

Therefore, by analyzing the above literature, the study developed below hypothesis to comprehend how fixed asset management and financial performance relate to one another.

H 3: There is a significant relationship between fixed asset management and financial performance.

Accounting Information System (AIS)

Accounting data processing is one of the essential aspects of accountants, auditors, business analysts, chief financial officers (CFOs), managers, consultants, and regulatory and tax authorities' pre-decisive pro-decisive process (Fagbemi & Olaoye, 2016). Due to a lack of new technical resources and regulatory resources, most SMEs do not follow basic accounting information system practices (Harash, 2017). It creates a massive disadvantage for the company. AIS considers the final integration of the company's required business information subsystems, both financial and non-financial. Overall, it is required to analyse how the use of AIS correlates with SMEs' accounting performance (Harash, 2017). Therefore, the study formulated the below hypothesis.

H 4: there is a significant relationship between accounting information systems and financial performance.

Financial Performance of SMEs

The goal of well-planned and implemented financial management in an organisation is to positively influence business value creation. Achieving the appropriate trade-off between liquidity, solvency, and profitability is a challenge in financial management. (Lazaridis & Tryfonidis, 2006). Organisational financial performance is typically measured using a combination of financial ratio analysis, benchmarking, performance against budget, or a combination of these strategies (Macharia, 2015).

Methodology

Churchill & Lacobucci (2021) define research methodology as methodically resolving a research issue. A quantitative methodology was used in the study. An in-depth investigation into a social issue based on testing a theory made up of variables, evaluated quantitatively, and analyzed using statistical techniques to ascertain whether the prediction generalization is valid is known as quantitative research (Levitt et al., 2018). The methodology will describe the research design and the specific procedures used to build this paper.

This study adopts the survey research design. The survey aims to find a relationship between SME performance in Sri Lanka's Southern Province and financial management practices. Based on Kitonga's research on the relationship between financial management practices and financial performance in Kenya's shipping industry, the author of this study developed a structured questionnaire (2013).
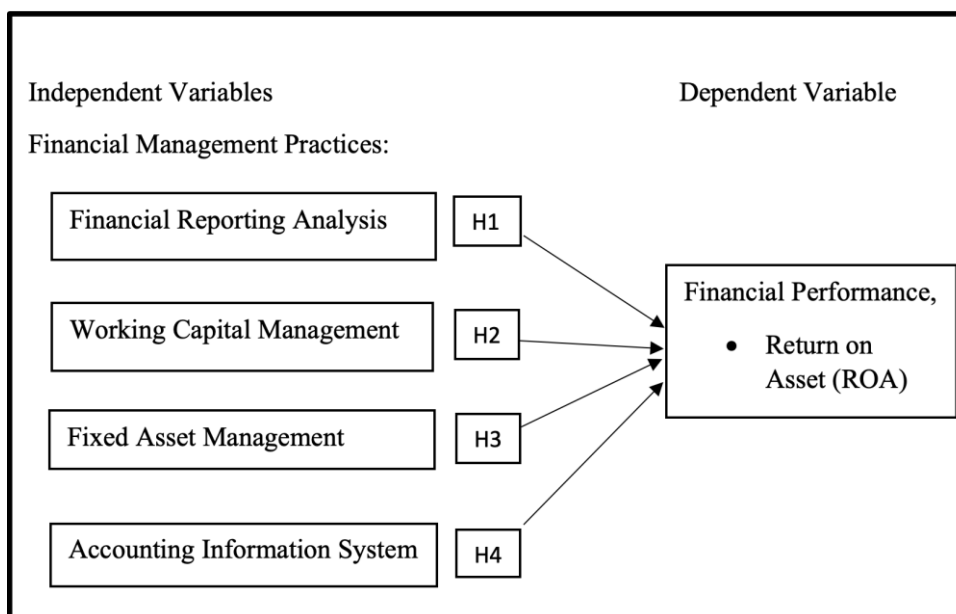

Figure I: Conceptual Framework of the Study

The sample was identified using the convenience sampling technique.

Table I: Population

District	Number of SMEs
Galle	48,584
Matara	43,423
Hambanthota	31,638
Total	123,645

The sample will be a subset of 107 SMEs operating in Galle, Matara, and Hambanthota Districts.

Table II: Sample

District	Number of SMEs
Galle	40
Matara	51
Hambanthota	16
Total	107

Source: Survey Data

Data Analysis Technique

Using multiple regression analysis, this study tests hypotheses to ascertain the relationship between financial management techniques and the financial performance of SMEs in Southern Province, Sri Lanka. Data analysis is facilitated by the statistical package for social scientists (SPSS) software.

Results and Discussions

This section describes how descriptive and inferential statistics were applied to the data analysis. It shows the levels of financial performance using ROA and financial management practices (fixed asset management, working capital management, accounting information systems, and financial reporting practices). This section also discusses the validity and reliability of data using Cronbach's alpha and fundamental statistical analysis to check for normality, linearity, and multicollinearity. The study's findings were examined concerning the study's aims and hypothesis.

Outliers

The author verifies that the acquired data is prepared and ready for further statistical analysis. The box plot was used to classify outliers connected with the sample.

Table III: Missing Value Analysis

Description	Number and Percentage
Questionnaire distributed via google forms	250
Questionnaire distributed by physical visit	67
Total Questionnaire distributed	317
Questionnaire collected	113
Response rate	35.65%
Outliers removed	6
Final sample size	107

Testing for Normality

The author employed the Shapiro-Wilk statistic test and the Kolmogorov-Smirnov statistic (K-S test) in this investigation.

Table IV: Test of Normality

	Tests of Normality					
	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Average_ROA	.152	107	.000	.944	107	.000
Average_FRA	.192	107	.000	.925	107	.000
Average_WCM	.284	107	.000	.851	107	.000
Average_FAM	.261	107	.000	.908	107	.000
Average_AIS	.237	107	.000	.906	107	.000

Source: Compiled by the Author based on Data derived from SPSS version 23.0

The assumption of normalcy for the data set cannot be met because none of the variables has a significant value greater than 0.05, as demonstrated above. To address this, Skewness and Kurtosis were evaluated. This allows to evaluate whether the material is typically distributed using statistical analysis or visual assessment. A distribution can deviate from the standard in two ways: lack of consistency (skewness) and sharpness (kurtosis).

Table V: Normality Test (Skewness and Kurtosis Test)

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Average_ROA	107	-.356	.234	-.023	.463
Average_FRA	107	-.087	.234	-.333	.463
Average_WCM	107	-.046	.234	.572	.463
Average_FAM	107	-.241	.234	.080	.463
Average_AIS	107	-.451	.234	-.155	.463
Valid N (listwise)	107				

Source: Compiled by the Author based on Data derived from SPSS version 23.0

As per the study's findings, all the variables' skewness and kurtosis values are within acceptable limits.

Testing Multicollinearity

VIF test was used to test multicollinearity.

Table VI: Testing Multicollinearity of Independent Variables

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.106	.296		3.744	.000		
	Average_FRA	.008	.093	.009	.088	.930	.429	2.333
	Average_WCM	.256	.118	.246	2.165	.033	.357	2.798
	Average_FAM	.263	.118	.269	2.218	.029	.314	3.188
	Average_AIS	.263	.091	.292	2.883	.005	.448	2.230
a. Dependent Variable: Average_ROA								

Source: Compiled by the Author based on Data derived from SPSS version 23.0

There is no multicollinearity as the VIF value is less than 5 and the tolerance level is more than 0.2.

Validity and Reliability of Data

Validity

In contrast to Bartlett's test, which displays context variables, KMO valuation calculates the study's sample size for factor analysis. As per the results, the data collection can be concluded as scientifically sound.

Table VII: KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.873
Bartlett's Test of Sphericity	Approx. Chi-Square	331.613
	df	10
	Sig.	.000

Source: Compiled by the Author based on Data derived from SPSS version 23.0

Reliability

Cronbach's coefficient alpha is one of the most often utilized indicators of internal consistency, according to Bizuneh (2016). As results depict a Cronbach's alpha value larger than 0.7 for all variables, it may be assumed that the data is credible and acceptable.

Table VIII: Test Reliability

Variable	Number of Items	Cronbach's alpha
ROA	4	0.776
FRA	3	0.781
WCM	4	0.823
FAM	3	0.775
AIS	3	0.757

Source: Compiled by the Author based on Data derived from SPSS version 23.0

Correlation Analysis

Table IX displays the correlation coefficients and their significance at the 0.01 level (2-tailed test), revealing that all independent variables are significant and positively linked with ROA. Furthermore, the Pearson correlation values of 0.534, 0.639, 0.669, and 0.650,

the association between FRA and ROA, WCM and ROA, FAM and ROA, AIS and ROA can be characterized as a moderate positive relationship.

Table IX: Correlation Analysis

Correlations		Average_ ROA	Average _FRA	Average_ WCM	Average _FAM	Average _AIS
Average _ROA	Pearson Correlation	1	.534**	.639**	.669**	.650**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	107	107	107	107	107
Average _FRA	Pearson Correlation	.534**	1	.715**	.695**	.558**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	107	107	107	107	107
Average _WCM	Pearson Correlation	.639**	.715**	1	.741**	.645**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	107	107	107	107	107
Average _FAM	Pearson Correlation	.669**	.695**	.741**	1	.725**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	107	107	107	107	107
Average _AIS	Pearson Correlation	.650**	.558**	.645**	.725**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	107	107	107	107	107
**. Correlation is significant at the 0.01 level (2-tailed).						

Source: Compiled by the Author based on Data derived from SPSS version 23.0

Multivariate Analysis

Multiple Regression Analysis

To validate the significance of the specified variables, multiple linear regression tests are utilized.

Table X: Model Summary

Model Summary					
Model	R	R Square	Adjusted R Square	Std. The error of the Estimate	Durbin-Watson
1	.729[a]	.531	.513	.31783	2.032
a. Predictors: (Constant), Average_AIS, Average_FRA, Average_WCM, Average_FAM					
b. Dependent Variable: Average_ROA					

Source: Compiled by the Author based on Data derived from SPSS version 23.0

The Durbin-Watson statistics for the model is 2.032, so the random error can be determined to be independent. The independent variables FRA, WCM, FAM, and AIS, are all 72.9 percent connected to the dependent variable ROA in this study. The model's R^2 is 0.531, suggesting that the selected variables FRA, WCM, FAM, and AIS account for 53.1 percent of ROA variation.

The model is determined to be statistically significant at a 95 percent significance level (Sig value 0.000 is less than 0.05), according to the ANOVA test table (Table 12), which shows that the model is statistically significant.

Table XI: ANOVA Table

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.672	4	2.918	28.887	.000[b]
	Residual	10.303	102	.101		
	Total	21.975	106			
a. Dependent Variable: Average_ROA						
b. Predictors: (Constant), Average_AIS, Average_FRA, Average_WCM, Average_FAM						

Source: Compiled by the Author based on Data derived from SPSS version 23.0

Coefficients
The regression coefficient shows how a unit change in the independent variable causes an average change in the dependent variable (Griswold et al., 2018).

Table XII: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.106	.296		3.744	.000
	Average_FRA	.008	.093	.009	.088	.930
	Average_WCM	.256	.118	.246	2.165	.033
	Average_FAM	.263	.118	.269	2.218	.029
	Average_AIS	.263	.091	.292	2.883	.005
a. Dependent Variable: Average_ROA						

Source: Compiled by the Author based on Data derived from SPSS version 23.0

As a result, Table 13 shows that Accounting Information System is the most critical organizational element in predicting financial performance, with a beta value of 0.292. Working capital management (B=0.246), financial reporting analysis (B=0.009), and Financial Accounting Management (B=-0.269) are the other three organizational factors in descending order of standard coefficients that the variables make essential to the prediction of financial performance. Table 13 also shows the significant levels of fixed asset management, working capital management, and accounting information system as 0.033, 0.029, and 0.005, respectively, which are all less than 0.05. At a 95% confidence level, this shows a statistically significant association between these three practices and financial performance.

FP = 1.106+ .008FRA+ .256WCM+ .263FAM+ .263AIS

According to the above-stated equation, when working capital management, financial reporting analysis, fixed assets management, and accounting information system are zero, the financial performance level is 1.106, which means other factors influence SMEs' financial performance.

Testing Hypotheses

Table XIII: Summary of the overall outcome of the research hypothesis

Hypothesis	Results
H_1: There is a significant relationship between financial reporting analysis and financial performance.	H_1: Accepted
H_2: There is a significant relationship between working capital management practices and financial performance	H_2: Accepted
H_3: There is a significant relationship between fixed asset management and financial performance.	H_3: Accepted
H_4: There is a significant relationship between Accounting Information Systems and financial performance	H_4: Accepted

Source: Compiled by the Author

Conclusion and Recommendations

Section five describes the conclusions and findings of section four in connection to the objectives intended to be attained and the underlying significance of the findings.

This study's objective was to determine whether there was a relationship between SMEs in Southern Province's financial performance and their financial management practices in Sri Lanka. The questionnaire was distributed among the SMEs by physical visits and through emails. The study's findings showed a strong correlation between financial management approaches and the financial performance of SMEs. Financial management practices were represented by working capital management, financial reporting analysis, accounting information systems, and fixed asset management while financial performance was represented by return on assets. Overall, it can be stated that financial management practices such as working capital management, financial reporting analysis, fixed asset management, accounting information systems, and financial performance of SMEs in Sri Lanka's Southern province have a significant relationship. As a result, all financial management approaches will help to improve financial performance in all businesses. Thus, financial management practices significantly impact small and medium-sized businesses' financial performance, as supported by Muneer et al., 2017; Feranita et al., 2017; and Hailu & Venkateswarlu, 2015.

The primary financial management (FM) techniques have a significant impact on how well SMEs succeed. To improve the financial performance and expansion of small and medium-sized enterprises, these financial practices' supporting elements require primary focus. Precise data gathering and appropriate statistical evaluation of the observations yield the intended outcomes with reference to the prosperous financial performance of SMEs (Dennis et al., 2015; Karadag, 2015 and Saah, 2016)

Implications

The findings of this study can be applied to practically any SMEs to help them achieve their optimal financial performance. These findings can aid managers in formulating organizational policies around financial management. Management should also pay attention to reasonable financial management procedures in their firm, gradually growing the owners' wealth.

Recommendations

In Sri Lanka, SMEs are adding a significant amount to the GDP. So, the findings of this paper recommend adopting financial management practices in every SME.

Also, a study should be conducted on large corporations with diverse practices and tactics to determine their success. It will help and guide SMEs to adopt financial practices more.

Limitations of the Study

The study will be limited by the degree of correctness of the data gathered from the respondents, which may contain omissions, human errors, or misstatements. To overcome these restrictions, basic and straightforward questions must be asked. The investigation had to be completed within a certain amount of time. Due to the Pandemic situation and prevailing fuel problem in Sri Lanka, the physical visit is also not easy to conduct. As a result, selecting a large sample for the study was difficult. As a result, this study was conducted with a small sample size. Furthermore, this sample does not include agricultural businesses.

Direction for Future Research

Future researchers can expand the area and sample size of the study. Because this research only investigated SMEs in Southern Province and chose a small sample.

Other than Return on Assets, several methodologies for measuring financial success may be found in the literature.

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Appendices

Appendix A: Research Questionnaire

Relationship between Financial Management Practices on SMEs' Performance in Sri Lanka: Evidence from Southern Province

This questionnaire consists of 03 sections. All questions are obligatory to attempt, and you are supposed to select the most appropriate answer for given questions. Importantly, before you attempt the questions, please read the respective instructions and technical terms for clarity.

Section A: General Information

Instructions: Tick in the appropriate answer

1. Designation
   - ☐ Owner
   - ☐ Accountant

2. Location
   - ☐ Galle
   - ☐ Matara
   - ☐ Hambanthota

3. Number of employees
   - ☐ Less than 10

☐ 11 - 51

☐ 51 - 200

☐ 201 - 300

☐ Above 300

4. How long has the company been in operation in Sri Lanka?

☐ Less than five years

☐ 5-10 years

☐ Over 10 years

5. Annual turnover

☐ Less Than Mn.15

☐ Mn. 16 – 250

☐ Mn. 251- 750

☐ More than Mn. 750

Section B: Financial Performance

6. Please put (X) as appropriate your agreement with each of the following statements.

Return on Assets (ROA)	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

The company returns are profitable relative to its assets.					
The use of assets by management are efficient					
There are adequate company assets					
The earnings generate by the company are adequate					
The process of acquisition of assets are tied to the company's long term plan					

Section C: Financial Management Practices Adopted by SMEs

7. If your enterprises have financial reporting practices, please put (X) as appropriate your agreement with each of the following statements.

Financial Reporting Analysis (FRA)	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The financial statements of the company are prepared in line with the financial accounting standards					
The financial statements are prepared in accordance with GAAP					

The financial statements are published regularly					

8. If your enterprises have working capital management practices, please put (X) as appropriate your agreement with each of the following statements.

Working Capital Management (WCM)	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The company has a working capital management system					
Maintains inventory records which are updated regularly					
Receivables management system is fully automated					
Optimal cash balances are maintained by the company at all times					
Maintains proper records for all payables					

9. If your enterprises have fixed (non-current) assets management practices, please put (X) as appropriate your agreement with each of the following statements.

Fixed Assets Management (FAM)	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

The company maintains a non-current asset register				
The non-current assets have been tagged				
Movement of non-current assets have to be authorized by senior management				

10. If your enterprises have accounting information system, please put (X) as appropriate your agreement with each of the following statements.

Accounting Information System (AIS)	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The business uses computer assisted software in recording transactions					
AIS is formal					
The accounting department is properly staffed and operates efficiently					

I appreciate your invaluable commitment in completing the survey.

Thank You.