

Impact of Accounting Practices on Organizational Performance of Small and Medium Enterprises in Sri Lanka (Gampaha District)

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Abstract

Accounting practice is defined as the typical way a business entity's day-to-day financial actions are gathered and recorded. There is some empirical evidence that could be found to identify whether the accounting practices would impact the organizational performance of SMEs. Therefore, this study attempted to explore how accounting practices affect the organizational performance of SMEs. This study adopted a quantitative research approach. Thus, a self-administered survey questionnaire was applied to a sample of 220 Small and Medium Enterprises (SMEs). The sample was determined using the random sampling technique. The data were collected from the respondents through Google Forms. The multiple linear regression analysis was performed using the SPSS 20.0 version to test the hypothesized impacts between the constructs. According to the results, it is revealed that record keeping, budgeting practices, and inventory management have a significant positive impact on organizational performance. In contrast, payroll accounting did not significantly affect the organizational performance of SMEs. It can be recommended that academic institutions and other bodies that are responsible for SMEs should organize training programs for those operators who do not have the technical knowledge of how to apply accounting practices in the field of accounting and provide some SME-specific accounting guidelines and forms for capturing accounting practices for the operators to use.

Keywords: Accounting Practices, Record Keeping, Budgeting Practices, Organizational Performance, Small and Medium Enterprise