

Impact of Budgetary Management Process on the Financial Performance of Small and Medium Enterprises in Kurunegala District

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The purpose of this study is to examine the impact and relationship of budgetary management process on financial performance of Small and Medium Enterprises (SMEs) in Kurunegala district. 130 SMEs had been selected based on the stratified sampling method from a population of 1749 SMEs. This study adopted an explanatory survey design. The researcher has collected primary data by distributing a structured questionnaire to the respondents such as owners, managers and accountants. Reliability analysis, descriptive analysis, correlation and regression analysis were done using Statistical Package for Social Sciences (SPSS) to analyze the data. The study was conducted on six hypotheses which were constructed to reveal whether budgetary planning, coordination, monitoring, control, communication and budgetary evaluation have significantly influenced the financial performance of SMEs in Kurunegala district. Correlation results highlighted that all six independent variables are positively and significantly correlated with financial performance. Hypotheses were tested based on regression results and it indicated that budgetary monitoring and evaluation have insignificant effects on financial performance while the other four variables have positive and significant impacts. Therefore, the study recommended that the management and owners of SMEs should enhance the budgetary planning, coordination, control and budgetary communication to improve the financial performance. The findings of the study hold practical implications for policymakers, managers, financial staff and investors. In addition, the study confirms that budgetary process and selected control variables contribute to higher levels of financial performance.

Keywords: Budgetary process; financial performance; small and medium enterprises