

## **Impact of Compensation Management Practices on the Performance of Small and Medium Enterprises in Western Province of Sri Lanka**

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Small and Medium Enterprises (SME) sector is the largest contributor in Gross Domestic Product in Sri Lanka. But they perform more in a way that is entirely different from that of the large firms in economy. Among them human resource practices are in a questionable stage. Because the practices and policies adopted by larger firms does not fit perfectly to the small and medium sized enterprises. When considering about the firm performance, compensation practices directly influences and helps the firm to grow. Though there are number of studies aimed towards investigating the relationship between compensation practices and firm performance, there is only a few number of researches conducted to find whether Nature of the firm moderates the relationship between the compensation practices and firm performance in Small and medium enterprises. Therefore, in order to assess the moderating effect, the current study collected data from a sample of fifty SME firms in Western province of Sri Lanka by using stratified sampling technique and by using a questionnaire. A fair representation was available from all three districts due to use of this method. Using multiple regression analysis, Pearson's correlation and Andrew F. Hayes's moderation assessment model, the data were analyzed. Finally, this study found that there is strong positive relationship between the compensation practices and the firm performance. In addition, the firm size and age of the firm significantly moderates the relationship between Compensation practices and firm performance while the type of industry does not significantly moderate the relationship between compensation practices and small and medium firm performance.

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