



**THE IMPACT OF COMPENSATION
MANAGEMENT PRACTICES ON THE
PERFORMANCE OF SMALL AND MEDIUM
ENTERPRISES IN WESTERN PROVINCE OF
SRI LANKA**

This dissertation is submitted as a partial fulfilment of the degree of
Bachelor of Business Management in Entrepreneurship and Management

November, 2017

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UWU/EX/13/0209

Management Sciences

ABSTRACT

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

Small and Medium Enterprises 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 fits 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 none or a rare number of researches have been conducted to find whether there is moderating effect of Nature of the firm between the relationship of compensation practices and firm performance in Small and medium enterprises. Therefore in this study the data was collected from a sample of fifty SME firms in Western province of Sri Lanka and by using a standard questionnaire. 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 between the relationship of Compensation practices and firm performance the moderation effect Nature of the firms also have been tested and the results shows that the firm size and firm age have a significant moderation effect on the relationship while the third variable which is industry type doesn't show a moderation effect between the relationship of compensation practices and small and medium firm performance.

Key Words: Human Resource Practices, firm performance, compensation practices, firm size, firm age, industry type