



# **Analysis of Modern Methods for Corporate Financial Management in Business Systems**

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**Abstract:** The objective of this study was to witness the effect of the financial management practice on the financial performance services companies in India. This study viewed the effect of financial management practice of all the mechanisms of financial management those were specifically; working capital, investment decision and financial decision of the services companies in the Mogadishu area. The study employed explanatory and descriptive research design. A sample of 145 respondents was selected using the stratified sampling technique. The data collected through a cross sectional questionnaire. The findings discovered that Working capital, investment decision, are significant determinants of financial performance of the services companies in Somalia. The findings indicated that the most important variable in the model was investment decision ( $\beta = 0.544$ ). This was followed by working capital management ( $\beta = 0.419$ ), while financial decisions were ( $\beta = -0.010$ ), these showed rejected. The study, therefore, recommends that services companies in Mogadishu needed to have Working capital management policy and investment decision policy which were impacted positively on the overall financial performance.

Keywords: Working capital management, Investment decision and financial decision and financial performance

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## **1. INTRODUCTION**

The administration of the firm is defied with many prerequisites inside its business in the ongoing setting of the extension of the globalization peculiarity, because of the powerful changes of the endlessly market conditions, with the emphasis being on the accomplishment of the laid out objectives. This recommends that it is vital for set up and guarantee the productive activity of an organization the executives, which, as well as playing out a great many obligations, gives the open door to defensively surpass expected obstructions to objective accomplishment as well as a successful method for settling recent concerns in their profession.

In addition to its fundraising-related objectives, financial management's main focus is on managing funds in order to maximize shareholder returns by making wise business decisions.

A discipline inside present day monetary hypothesis, corporate money (business finance and monetary administration) looks to make sense of the genuine monetary and venture choices that organization chiefs should make. Monetary supervisors and financial backers cooperate to make decisions, in this way to totally fathom them; one should grasp the crucial thoughts behind the speculations. For sane specialists like financial backers and directors, present day or neoclassical monetary hypothesis gives regulating dynamic standards.

A process of innovation entails planning and putting new ideas into action, as well as other linked stages that work together to form a complicated whole. This method (a systemic approach to inventive changes) produces an innovation—a change that is implemented and used in corporate operations or decision-making. This study situates the idea of innovation in the firm's financial management in this framework.

A systemic approach encourages management to maintain the appropriate balance between, for example, the needs of certain divisions and the organization as a whole. Firm managers can carry out their duties, such as predicting, planning, organizing, managing, and controlling, more effectively by using a holistic approach to management. It also aids in removing factors that lead to bad choices.

#### *A. Creative methods of financial management can significantly raise a company's worth.*

The need of viable monetary administration is expanded for key chiefs at the firm because of the quick development of contemporary market economies, developing intra-European and overall financial connections, and increasing competition.

Thus, this grants investors to achieve their essential goal — expanding corporate worth. The examination of changes in business esteem, then again, focuses to the requirement for better monetary administration techniques and instruments. As there is no single, generally acknowledged assessment on the pith of monetary administration in logical writing, the scope of procedures and approaches can be fairly expansive, as shown by the different meanings of monetary administration.

The accompanying definitions and clarifications of monetary administration have been advanced as another option:

- According to Amoako et al. (2013), financial management is a crucial component of total firm management operations.
- According to Maheswari (2010), financial management entails securing financial resources and using them effectively to further the goals of the company;
- According to Massie (1986), financial management is a business operation that helps control the acquisition of assets required for an effective firm operation and the appropriate use of these assets.
- From the perspective of long-term corporate objectives, financial management is the act of using the available cash most effectively (Brealey, 2008);
- Applying general administrative plans to the domain of monetary direction is what monetary administration is (Howard and Upton, 1953).

All of the aforementioned definitions accept that a firm's financial resources are what generate its economic advantage; yet, neither of these definitions specifically includes corporate objectives and strategies.

## **II. REVIEW OF LITERATURE**

### *A. Financial Management*

Compelling monetary administration of a business is straightforwardly connected with business the board. The particular undertaking of general administration known as "monetary administration" manages the procurement of capital and its effective application to the achievement of an association's overall goal (McMenamin, 1999). To

achieve authoritative objectives through compelling navigation, monetary administration involves accounting, monetary estimating, fiscal summaries, and subsidizing. It manages acquiring cash from different sources, contingent upon accessibility and the association's ongoing capital design (Fabozzi and Drake, 2009). As per Avika (2014), Okelo (2013), Mazzarol, Reboud, and Clark (2015), monetary administration is the best way to decide if an organization is productive. It additionally helps the entrepreneur in settling on choices on the spot (Ahomka 2015), stock buys, work force, and hardware. It gives the necessary resources to foster designs for extending the extent of the organization, enhancing its item contributions, or breaking into new business sectors. Monetary administration features the center business activities that help the organization's development. Monetary information on administration detailing, monetary investigation, planning, and determining activities are profoundly esteemed (ICAEW, 2011). These are errands that have a significant chance for the money the executives to impact business development. To help business system, execution, and development, finance experts presently go past the customary monetary capabilities (Joined Package Administration of America, 2014). They are in a unique situation to guarantee that capital is accessible and distributed to new open doors, to distinguish and eliminate development limitations, to utilize information examination to diminish vulnerability and work with navigation, to recognize and follow potential market disturbances, and to give the knowledge to evaluate underperformance. Notwithstanding, one justification behind insufficient income arranging is proprietors' and the executives' absence of monetary skill (Uwonda, Okello, and Okello, 2013). Effective organizations will presumably require additional subsidizing from the monetary business sectors to fund their development. In any case, to esteem the association's protections, monetary business sectors require proof of a laid out, sound monetary record of achievement, exchange history, returns, and strong improvement possibilities (McMenamin, 1999).

The vital monetary capabilities and the essential job of the money administrator are major necessities for the endurance and long haul reasonable development of business, as per research connecting the money director and the money capability in organizations (Ekpo, Etukafia, and Udofot, 2017). To lessen the pace of organization discontinuities, they encouraged finance supervisors to keep up with monetary trustworthiness and discipline. As per a connected hypothesis, firm supervisors that have major areas of strength for a for monetary administration ought to consider the accessibility of subsidizing and adaptable assets to grow their organizations (Adomako and Danso, 2014). As indicated by research on the variables influencing the exhibition of monetary associations, firms with a suitable capital design perform better monetarily (Mirza and Javed, 2013). To decrease the impeding impacts of obligation supporting, the review recommended utilizing momentary funding instead of long haul funding. Monetary directors have a section to play in finding the proper capital, distributing that capital really, and overseeing reserves effectively. In any case, monetary directors ought to tell the truth and shouldn't let personal circumstance overshadow business targets, as per (Olaoye and Saheed, 2016). Monetary administration ought to assign capital assets to drives with the most noteworthy potential for new cycles and advances for organizations to develop (Kerr and Nanda, 2014). An individual's information and range of abilities, especially those expected to distinguish and effectively follow an enterprising open door, increment with reasonable monetary administration (Hazrita, 2014). In order to control liquidity and price pressure, businesses must implement novel approaches and technologies that enable cost and manufacturing time reductions (Saniuk, 2011). Notwithstanding, it ought to be recollected that SMEs and enormous organizations have various ways to deal with monetary administration. Contrasted with huge organizations, SMEs normally experience more prominent benefit unusualness, less liquidity, and a higher utilization of momentary obligation (Yichen, 2013). Because of these varieties, new capital arranging methodologies and it are expected to support choices. For example, SMEs should foster their capacity to introduce sound advance application bundles, including proper monetary and marketable strategies, take full advantage of the advances, and work on their capacity to support the obligation by tending to credit issues, all of which will build admittance to credit funding. IFAD, the Global Asset for Agrarian Turn of events, 2011.

### *B. Firm Growth*

In contrast to profitability, leverage, and insolvency, innovation, and notably R&D, had a positive impact on business growth in a study on the determinants of firm growth in Belgian companies (Loi & Khan, 2012). Growth in firm sales served as the study's definition of firm growth. Hermelo and Vassolo (2007) alluded to financial

resources, investment in more modern technology, and geographic market diversity as factors influencing a firm's growth in Argentina. There are positive relationships between the management of the capital structure, financial reporting, and accounting information systems and firm growth. According to this study, generalized management style should be avoided because each dimension is distinct and has a varied impact on business growth. Faster expansion of SMEs may result from the provision of incentives for management and staff to get ongoing training in new technology, modern methods of financial management, and strategic planning (Voulgaris, Asteriou, & Agiomirgianakis, 2003). Working capital management strategies, investment practices, financial planning procedures, accounting information systems, and financial reporting and analysis practices were all associated with increased firm growth in Kenya (Kilonzo & Ouma, 2015). ICT and financial management improvements, however, can help businesses expand to new heights. According to Henok (2015), who studied the relationship between working capital and company profitability, businesses with stronger working capital develop better competitive advantages and are better at raising money internally. Regardless of the type of business, an adequate level of working capital should be available for efficient operation. Access to financing, innovation, and business growth are all related to financial literacy. Financially literate businesses see strong growth and a competitive advantage (Javed, Unpublished). Beginning businesses' financial limitations have an impact on profit growth (Banerjee, 2014). Their nature and bad financial habits both play a role in this. For instance, (Dhliwayo, 2014) found that SMEs shift monies meant for the business' expansion and growth to family and other personal and family interests.

### **III. RESEARCH METHODOLOGY**

To survey segment information and another aspect, this exploration utilized an illustrative and spellbinding examination plan technique. Moreover, we utilized insightful examination strategies to make sense of elements. This approach is similar to that used by (Kabethi 2013), whose examination on the effect of monetary administration rehearses on SME firm execution was finished. An enlightening examination configuration makes sense of or describes a point by developing a profile of a bunch of issues, people, or occasions through information gathering, recurrence classifications for research factors, and cooperation investigation.

For this study, a cross-sectional descriptive survey research style was chosen since it is both time and money efficient.

In light of the analyst's aim to accumulate explicit and state-of-the-art information that would empower distinguishing and describing the current situation with respect to monetary administration on execution in administrations associations in Bangalore, India, this examination approach was pertinent for this review. The study enabled a fair comparison of the financial management variations across major and small service companies in the Bangalore region.

#### *A. Measuring Different Factors*

Monetary execution and monetary administration practices' consequences for designs in A 29th thing, five point span scale type scale going areas of strength for from with inquiries to conflict, with questions regular and firmly concur with questions concur was utilized to gauge working capital, speculation decision, monetary choice, and monetary exhibitions (Ali and Ali 2014). Working capital, speculation choice, and monetary choice were every parts of monetary administration practice that portrayed three inquiries. Utilizing a five point stretch size of the sort going from firmly dissent, differ which has questions, impartial with questions, emphatically concur with questions, and concur with questions, monetary exhibitions are estimated for resource development, benefit development, and business development.

#### *B. Sample Size*

The study's target populations were service providers in Bangalore India, including banks, colleges, and the power and telecommunications industries. The exact number of people was not known. As a result, the researcher used both a population and sample literature review. The researcher interviews a few managers and staff members who work in the department of financial management services companies in Bangalore, India, because there are so many businesses that time and money alone will not be able to overcome them. The target audiences of each institution were chosen by the researchers based on the required pertinent information that can influence this study's dependability. These populations included managers and staff who are familiar with accounting and financial

management. 130 supervisors and staff members working in the financial department were chosen by the researchers.

Our most memorable inclination is chiefs, workers, or whether the proprietor is, the individuals who are knowledgeable about monetary administration. This is like the way in which the analyst gathers supervisors and workers of the Branch of Money for every association. The scientist likewise considered all of the line directors for every business who had bookkeeping or monetary commitments.

### *C. Research Modeling*

The specialist is endeavoring a reasonable examination plan to feature on concentrating on a condition or an issue to portray the connections between Working capital administration and monetary execution, impacts of Speculation the board and monetary execution, and impacts of supporting and monetary execution. The ongoing review begins the causal connection between factors.

The information for this examination was dissected utilizing both illustrative and inferential factual strategies. In view of cross-sectional information accumulated from respondents to a survey about working capital administration, ventures, monetary choices, and monetary execution measures, a multivariate relapse model was made.

Relationship examination was utilized related to relapse investigation to investigate the association between working capital administration, monetary administration, speculation the executives, and monetary execution. The t-test was utilized to investigate the impacts of all factors with a 95% degree of importance and a 5% standard blunder. Pearson relationship coefficients were created to inspect the connection between these factors (DEMBA 2013).

### *D. Data Gathering Methods and Tools*

Self-administered questionnaires were utilized as the research instrument to gather information from the owners, finance managers, and staff members of the identified services companies' finance departments. In addition, a cross-sectional questionnaire is being used by the researcher. With a few open-ended questions, the poll primarily employed closed-ended questions.

Five components made up the questionnaire. The respondent's demographic data is recorded in Section A. Working capital management information is contained in Section B. Investment decisions are the emphasis of Section C, and finance decisions are the focus of Section D. In Section E, financial performance is captured (Addo 2017).

## **IV. RESULT AND DISCUSSION**

### *A. Demographic Information*

The respondents' finished data, including orientation, age, and conjugal status, measure of instruction and work insight, title, organization age, work held, industry position, organization size, and yearly deals turnover, was important to start the review. Men made up 76% of responders, while women made up 24%. According to the study, 48% of respondents were between the ages of 25 and 35. 40% of respondents ranged in age from 36 to 45, while 12% of respondents were in the 46 and older age bracket.

Regarding marital status, 75% of respondents reported being married, 24% reported being single, and 1% of the complainant had experienced a divorce. The table below presents the results. The most significant level of training achieved by the respondents was one more objective of the review. The discoveries showed that 59% of respondents held a four year college education, 19% held a graduate degree, 13% held a confirmation, 5% held a doctoral certificate, and 4% held a testament.

According to the consequences of the overview, which took a gander at respondents' business narratives, 38% of litigants had somewhere in the range of six and a decade of involvement, 32% of offended parties had somewhere in the range of one and five years, and 30% of respondents had somewhere in the range of ten and twenty years.

**Demographic table 1:**

<b>Gender</b>			
	<b>Category</b>	<b>Frequency</b>	<b>Percentage</b>
1	Male	99	76%
2	Female	31	24%
	Total	130	100%
<b>Age</b>			
	<b>Category</b>	<b>Frequency</b>	<b>Percentage</b>
1	25-35	63	48%
2	36-45	52	40%
3	46 Above	15	12%
	Total	130	100%
<b>Category</b>			
	<b>Category</b>	<b>Frequency</b>	<b>Percentage</b>
1	Single	31	24%
2	Married	98	75%
3	Divorce	1	1%
	Total	130	100%
<b>Educational Level</b>			
	<b>Category</b>	<b>Frequency</b>	<b>Percentage</b>
1	Secondary	5	4%
2	Diploma	17	13%
3	Bachelor	77	59%
4	Master	24	19%
5	PhD	7	5%
	Total	130	100%
<b>Work Experiences</b>			
	<b>Category</b>	<b>Frequency</b>	<b>Percentage</b>
	1-5 years	42	33.2%
	6-10 years	49	37.7%
	10 years and above	39	30%

According to the report, partnerships account for 88% of respondents' businesses, followed by sole proprietorships at 8% and limited liability companies at 6%. The side with the company names on it 58% of respondents identified as employees, 36% as managers, and 6% as owner managers.

The size of the organizations uncovered that 71% of the offended parties were significant organizations with in excess of 250 workers, 26% of the respondents were medium-sized organizations (50-249 representatives), and 3% were private ventures (10-100). As indicated by the review, 58% of respondents were beyond ten one and five years old, one and five years of age, and 19% were somewhere in the range of six and a decade old.

According to the researcher's investigation into the positions held by the respondents, 88% of them worked as finance personnel for their employers, 6% in public relations, and 6% in marketing.

In the review's assessment of different businesses, 96% of respondents were administrations firms, while 4% of respondents were monetary organizations and brokers. The review took a gander at yearly deals turnover, and 62% of the respondents showed that it was more noteworthy than \$3 million, 23% that it was between 1.5 and 2 million, and 14% that it was between 150,000 and \$1 million.

**Table 2: Companies Information**

<b>Type of Business</b>		
<b>Category</b>	<b>Frequency</b>	<b>Percentage</b>
Single Proprietor	11	8%
Partnership	112	86%
Limited Liability Company	7	6%
Total	130	100%
<b>Title</b>		
<b>Category</b>	<b>Frequency</b>	<b>Percentage</b>
Owner Manager	7	6%
Manager	47	36%
Employee	76	58%
Total	130	100%
<b>Size of the Company</b>		
<b>Category</b>	<b>Frequency</b>	<b>Percentage</b>
Small 10-49	4	3%
Medium 50-249	33	26%
Large 250 and above	93	71%
Total	130	100%
<b>Table 4.4 Continue</b>		
<b>Firm Age</b>		
<b>Category</b>	<b>Frequency</b>	<b>Percentage</b>
Less than 5 Years	30	23%
6-10 years	25	19%
More than 10 years	75	58%
Total	130	100%
<b>Position</b>		
<b>Category</b>	<b>Frequency</b>	<b>Percentage</b>
Public relation Personnel	8	6%
Financial Personnel	115	88%
Marketing Personnel	6	4%
Operations Division	2	2%
Total	130	100.0
<b>Industry</b>		
<b>Category</b>	<b>Frequency</b>	<b>Percentage</b>
Trading	4	3%
Service	125	96%
Financial Institution	1	1%
Total	130	100.0
<b>Annual sales turnover of the Companies</b>		
<b>Category</b>	<b>Frequency</b>	<b>Percentage</b>
150th-300 <sup>th</sup>	9	7%
350th- 1 M	10	8%
1.5 M- 2 M	30	23%
Greater than 3 M	81	62%
Total	130	100.0

The unwavering quality of the relative multitude of factors will be evaluated utilizing the develop blend dependability coefficient (Cronbach alpha). This test's goal is to decide if the instruments precisely estimated what they were intended to gauge. For this examination, a Cronbach alpha of 0.6 and higher for each develop will be considered adequate. As indicated by an alternate report, an unwavering quality examination ought to be utilized to measure the things' interior substance utilizing Cronbach's alpha. When the alpha is 0.70 and above, a variable is consistently and internally dependable. However, according to (Bowling, 2002), an alpha of 0.50 or above is a recommendation from internal consulting.

The working capital management scale's Cronbach's alpha, which recorded as approved, was 0.819, according to the dependability table. The table likewise showed that the things (briefly cash excess is put resources into attractive protections - WC4) and (the business has a set credit strategy set up - WC8) didn't consider Cronbach's alpha were removable. Accordingly, the inquiry was eliminated from the scale since they dropped the unwavering quality of the

forms. Cronbach's Alpha for Venture Choice scale was 0.765, which enrolled as adequate, as indicated by the security of the subsequent thing. The inquiry was removed from the scale as they uncovered the unwavering quality of the shapes since the table exhibiting that the issue (the firm contributes without examining the speculation — ID6) didn't get for Cronbach's Alpha was eliminated. The third thing's legitimacy was resolved monetarily by the Cronbach's Alpha scale perusing of 0.788, which was viewed as agreeable. The Cronbach's alpha for the monetary exhibition scale was 0.726, which enrolled as endorsed, as indicated by the security table. An inquiry was consequently taken out from the scale when they figured out how solid the scale was, as per the table that showed that the thing that didn't get the Cronbach's Alpha was FP5.

The working capital management scale has the highest alpha at 0.819 (or 0.852), followed by the financial decision (or 0.788) and the investment decision (or 0.765) scales. Financial performance was shown to have the lowest alpha (= 726).

**Table 2: Reliability report**

Variables	Cronbach's Alpha	Number of items	Number of items deleted
Working Capital	0.819	8	2
Investment Decision	0.765	9	1
Financial Decision	0.788	4	0
Financial Performance	0.726	4	1

**B. Correlations Analysis**

This study's primary goal is to better understand how working capital affects financial results for businesses in Bangalore, India. As you can find in table 4, an examination of the relationships between's functioning capital, speculation decisions, monetary decisions, and monetary execution yielded the discoveries.

Thus, there is areas of strength for a relationship between's functioning capital and monetary achievement ( $r=.753^{**}$  and  $p=.000$ ). Furthermore, firm effectively current upgrades and in working capital administration in administrations business, changes in assistance line have been very impacted and immovably support the advancement of representatives' thoughts for business improvement. Therefore, firms with higher working capital administration will quite often accomplish higher development rates, representatives keeping better, and expanding efficiency

**Table 4: Correlation Analysis**

No	Variables	1	2	3	4
1	Working capital	1			
2	Investment decision	.796**	1		
3	Financial decision	.248**	.209*	1	
4	Financial Performance	.753**	.773**	.168	1

**C. Regressions Analysis**

Relapse examination was utilized to research the connection between the review's factors. Subsequent to fostering a few speculations, the first uncovered a relationship. Working capital administration and monetary execution (H1), the relapse examination bring about Table (4) showed that functioning capital administration affects the monetary exhibition of administrations associations in Bangalore, India, ( $r=.419$ ,  $t= 4.318$ ,  $p= 0.000$ ). This revelation along these lines approves H1. Like the past table, the one underneath shows that decisions made with respect to ventures essentially affect monetary execution ( $r=.544$ ,  $t=5.467$ ,  $p=0.000$ ). H2 was in this manner supported. Monetary choices, be that as it may, show negative and inconsequential consequences for monetary execution ( $r=-.010$ ,  $T=-.483$ ,  $p=.630$ ), consequently H3 was ignored as a figure deciding how well administrations organizations in Bangalore, India, perform monetarily. 66.6% of the progressions in the reliant factors were being made sense of by the autonomous variables.

As indicated by the aftereffects of the relapse study, the best indicator of monetary execution was working capital administration, speculation choices, monetary choices, and monetary exhibitions of supervisors and proprietors possessed help organizations ( $R=80.6\%$ ). This shows that the monetary exhibitions of each administrations organization would improve assuming the administrators and proprietors of administration organizations in Bangalore, India, concentrated working capital administration and venture choices to become monetary administration practice. Supervisors and proprietors of administration organizations in Bangalore, India, then again, are not entrusted with pursuing monetary choices since relapses show that



**Table 4: Regression analysis**

No	Variables	Beta	T	Sign	Remarks
1	Working Capital	0.419	4.318	0.000	H1:Accepted
2	Investment decision	0.544	5.467	0.000	H2:Accepted
3	Financial decision	-0.010	-0.483	0.630	H3:Rejected
	R	0.806 <sup>a</sup>			
	R Square	0.650			

## V. DISCUSSION AND CONCLUSION

The meaning of putting together monetary administration rehearses with respect to the monetary presentation of the administrations business area in Bangalore, India, was featured by this review. The review took a gander at this and presented the defense that the best practices in working capital administration, venture decision, and the board may be utilized to track down monetary execution.

The discoveries of this study support the idea that sound monetary administration strategies significantly affect the monetary exhibition of specialist organizations in Bangalore, India. This implies that all that monetary administration practices can improve the monetary presentation of administration organizations like banks, broadcast communications, colleges, and electrical power. In light of examination, the discoveries were affirmed assuming they appeared as expanded capital, prepared and advanced staff, changes in monetary turnover, and higher benefits.

Financial performance will improve when financial management practices are used effectively. That is why it is anticipated that strong financial management practices will continue to spread and improve. This means that companies can use working capital management and investment decisions to grow their profit while employee, managers, and owner-manager confirmed there is no significant relationship between financial decisions on financial performances for all sample of services companies. The benefit of preparing, worker, energized and animated directors the outcomes will be the reflect through genuine and moral obligation in firm exercises.

Relapse examination uncovered two components of monetary administration strategies that are frequently utilized by administrations associations in Bangalore, India, regardless of the way that three speculations were assessed in view of the writing survey. Hence, as demonstrated in the table underneath, the scientist will just research two speculations. A linear compound regression analysis will demonstrate how to obtain the best predictor in the direction of testing these hypotheses.

This study's secondary goal was to determine how financial management practices affected the financial performance of service organizations in Bangalore, India. Therefore, the purpose of this study was to determine how working capital management affected financial returns. The study used Pearson product thrust correlation to examine the correlation and see whether it had a favorable impact on financial performance. And the outcome revealed a significant favorable relationship.

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