

Assessing the influence of financial management practices on organizational performance of small- and medium-scale enterprises

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Abstract

Purpose – Optimal application and commitment toward financial management practices enhance organization performance. This study aims to assess the influence of financial management practices on the organizational performance of small- and medium-scale enterprises.

Design/methodology/approach – Data were collected from 45 small-sized and 72 medium-sized firms. Data supported the hypothesized relationships. Construct reliability and validity were established through confirmatory factor analysis. The conceptual model and hypotheses were evaluated by using structural equation modeling.

Findings – The results indicate that working capital significantly influenced organizational performance. Capital budget management significantly influenced organizational performance. A non-significant influence of asset management on organizational performance was observed.

Research limitations/implications – The generalizability of the findings will be constrained due to the research's SMEs focus and cross-sectional data.

Practical implications – The study's findings will serve as valuable pointers for stakeholders and decision-makers of SMEs in developing well-articulated and proactive financial management systems to ensure competitiveness, sustainability, viability, and financial competencies.

Originality/value – The study adds to the corpus of literature by evidencing empirically that financial management practices significantly influenced SMEs' performance.

Keywords Asset management, Working capital management, Capital budget management, Financial management practices, Organizational performance

Paper type Research paper

Introduction

Small and medium enterprises play a significant role in fostering innovation, generating employment opportunities, and lowering income inequality (Awad-Warrad, 2018; Kiyabo and Isaga, 2019; Zaridis *et al.*, 2021). SMEs constitute about 99% of businesses globally (Dzomonda and Fatoki, 2019; Mahmudova and Kovács, 2018; Zada *et al.*, 2021). SMEs contribute to improved economies in many developing nations (Gumede, 2019; Lugongo,



2022; Moise *et al.*, 2020). SMEs boost economic activity, which fosters national growth and development (Belás *et al.*, 2018; Horváth and Szabó, 2019; Godke Veiga and McCahery, 2019).

In Ghana for instance, SMEs constitute about 92% of businesses (Abudu *et al.*, 2021; Otoo, 2022; Quaye and Mensah, 2018), provide over 80% of employment (Abor and Quartey, 2010; Biney, 2018; Fraser *et al.*, 2015) and contribute over 70% of the nation's gross domestic product (Nketiah, 2018; Otoo, 2019; Quaye, 2014). Organizations are constantly under pressure to design, implement and swiftly modify their financial management strategies to reduce risk, and improve financial performance and capacities (Erambo *et al.*, 2016; Kimutai and Muigai, 2018; William, 2018). An improved commitment and execution of financial management practices lead to improved business performance (Coleman and Cohn, 2017; Ekanem, 2017; Raheman, 2010). Indigent financial management leads to poor financial judgment (Dwangu and Mahlangu, 2021; Kiyabo and Isaga, 2019; William, 2018).

Financial management practices improve organizational performance by influencing performance efficiency and success (Erambo, 2017; Dittenhofer, 2018). However, despite the evidence showing a favorable association between financial management practices and organizational outcomes, the mechanisms by which financial management practices influence performance are significantly underrepresented (Akpan *et al.*, 2022; Boisjoly *et al.*, 2020; Musah *et al.*, 2018). Most research on financial management practices in SMEs focuses on developed economies such as the UK (McMahon, 2001), USA (McMahon and Holmes, 1991), Italy (Sensini, 2020), Canada (Bahri *et al.*, 2017), Germany (Henschel, 2006), Spain (Chalmers *et al.*, 2020) and The Netherlands (Maes *et al.*, 2005).

However, with some exceptions (Abor, 2007; Adegbe and Alawode, 2020; Ahmed and Mwangi, 2022; Osei *et al.*, 2023), scant studies on financial management practices in the West Africa SMEs. Financial management practices are essential elements of effective SME performance (Mwangi and Biruda, 2015; Nketiah, 2018; Zaridis *et al.*, 2021). Literature underscores the important role of financial management practices in organizational competitiveness and performance (Adegboye and Iweriebor, 2018; Brijlal *et al.*, 2017; Nthenge and Ringera, 2017). Financial management practice is a source of competitive advantage and a valuable resource (Bismark *et al.*, 2018; Mwashu and Miroga, 2018; Tang *et al.*, 2019).

Drawing on these arguments, the study endeavors to fill this gap by proposing a model to explore the nexus between financial management practices and organizational performance. The study contributes to the strategic financial management literature in twofold. First, the study theoretically supports the relationship between financial management practices and organizational performance. Second, the study provides empirical evidence of the financial management practices–organizational performance relationship using both financial and non-financial performance measures. Previous studies have analyzed this relationship by using perceptual non-financial or financial measures (Matsoso and Benedict, 2014; Muneer *et al.*, 2017; Turyahebwa *et al.*, 2013).

The findings contribute to the literature by providing theoretical arguments that justify that financial management practices positively influence both financial and non-financial performances. To set the groundwork for the study, the theoretical underpinnings of financial management practices and organizational performance are described. The conceptual model that links financial management practices to organizational performance is then used to frame the hypotheses. Structural equation modeling is used to assess the efficacy of the proposed conceptual model and hypotheses, and the results are then contrasted with those of prior studies that came to similar conclusions. The study's limitations, implication, and suggestions for future investigation are provided.

Literature review

Theory and hypothesis development

The resource-based view (RBV) theory (Khan *et al.*, 2020; Onjewu *et al.*, 2022; Zhang *et al.*, 2021) and system management theory (Khan *et al.*, 2022; Samuel and Jacobsen 1997; Yoon and Kuchinke, 2005) serve as the theoretical underpinnings in determining the association between financial management practices and organizational performance. RBV postulates that the efficient utilization of an organization's capabilities and resources determines its performance (Sadraei *et al.*, 2022; Shan *et al.*, 2019; Shiri and Jafari-Sadeghi, 2022). According to RBV theory firm's gain a competitive advantage by using resources that are valuable and non-replaceable (Bhandari *et al.*, 2020; Biancone *et al.*, 2022; Satyanarayana *et al.*, 2022).

The system management theory asserts that the relationships between distinct subsystems, interdependence, and integration propel organizational growth and development (Saad *et al.*, 202; Schneider and Somers 2006; Teece, 2017). According to the systems management theory, actions and decisions taken by a division of an organization will have an effect on other divisions (Caesar *et al.*, 2017; O'Connor, 2008; Poole, 2014).

Financial management practices

Financial management is at the heart of managing financial resources (Coleman and Cole, 2017; Deakins *et al.*, 2018; Pinegar and Wilbricht, 2009). The future of best practice organizations lies in financial management (Mathiba, 2018; Vohra and Dhillon, 2014; Waweru and Hgugi, 2014). Financial management practices are a collection of standard procedures developed for handling financial reporting, budgeting, and other operations involving firm funds (Ahmed and Mwangi, 2022; Brock, 2007; Ross *et al.*, 2016). Financial management practices are an integral part of financial resource management and financial decision-making (Dwangu and Mahlangu, 2021; Sooriyakuman *et al.*, 2022).

Working capital management, capital budget management, and asset management are outlined as components of financial management practices by several authors (Alles *et al.*, 2021; Chohan, 2019; Tang *et al.*, 2019). Working capital management is essential for an organization's fiscal viability and a determinant of its profitability and success (Le, 2019; Louw *et al.*, 2022). Capital budgeting is a major terrain of the sphere of financial management is extremely important for capital investment decisions (Farooq and Subhani 2021; Page and Okeke, 2019). Asset management integrates quality asset information from a wide range of sources to inform decisions (Abdirad and Dossick, 2020; Fang *et al.*, 2022).

Financial management practices ensure the financial stability and profitability position of organizations (Farooq 2019; Orobia *et al.*, 2017; Stephen *et al.*, 2017). Effective financial management practices ensure the adequacy of cash flow generation (Deakins *et al.*, 2018; Salazar *et al.*, 2013; Wild *et al.*, 2015).

Organizational performance

Organizational performance is an intricate and multifaceted concept (Ateke and Akani, 2018; Singh *et al.*, 2016; Wood and Ogbonnaya, 2018). Organizational performance is the degree to which an organization succeeds in achieving its goals (Nitzl *et al.*, 2018; Zhang *et al.*, 2008). Several authors concurred with the above view when they posited that an organization's performance is a function of its ability to develop strategies that align it with the changing environment's complexity and dynamic nature (Abubakar *et al.*, 2019, Rehman *et al.*, 2019; Shea *et al.*, 2012). Similarly, many scholars postulate that organizational performance is a key measure of achieving set organizational goals and objectives (Laaksonen and Peltoniemi, 2018, Schwens and Wagner, 2019; Singh *et al.*, 2016).

Organizational performance can be measured subjectively by using non-financial indicators or objectively by using financial performance indicators to establish the attainment of organizational goals and objectives (Marzall *et al.*, 2022; Richard *et al.*, 2009; Singh *et al.*, 2019). However, literature advocates the use of both financial and non-financial measures (Dryer and Reeves, 1995; Harris and Mongiello, 2001; Meinhardt *et al.*, 2018). Capital market, financial, organizational and human resource attributes of organizational performance were examined in this study.

Financial management practices and organizational performance

Theoretical and conceptual approaches have been examined to establish a synergy between financial management practices and organizational performance (Abakah, 2019; Wolmorans, 2015; Zada *et al.*, 2021). Financial management practices add value and are a key source of competitive advantage (Deloof, 2003; Jindrichovska, 2013; Sooriyakumaran *et al.*, 2022). Eminent scholars assert that efficient financial management practices enhance organizational performance and economic growth (Atrill, 2016; Dwangu and Mahlangu, 2022; Jarvis *et al.*, 2013). In a similar vein, many authors contend that financial management practices guarantee effective resource utilization and business profitability (Brigham and Ehrhardt, 2016; Muthama and Warui, 2021; Singh *et al.*, 2019). Subsequent reviews shed light on the relationship between selected financial management practices and organizational performance.

Working capital management and organizational performance

Several studies have advocated the relationship between working capital management and firm's performance (Aldubhani *et al.*, 2022; Gloy and LaDue, 2011; Mazlan and Choong, 2018). Working capital management is the strategic decision of managing payables, inventories and receivables (Farooq and Subhani, 2021; Tarkom, 2022). Working capital management determines a firm's financial performance, liquidity, risk and value (Enqvist *et al.*, 2014; Lee *et al.*, 2022; Sniazhko, 2019; Mazlan and Choong, 2018) concurred with the above view when they accentuate that firms with optimal levels of working capital maximizes their value.

Similarly, numerous academics postulate that an ineffective working capital management practice has a direct impact on a firm's liquidity, profitability and transparency (Farooq, 2019; Lefebvre, 2022; Louw *et al.*, 2022). The following hypothesis is advanced:

H1. Working capital management has a significant influence on organizational performance.

Capital budget management and organizational performance

Many scholars have examined the connection between capital budget management and organizational performance (Balarabe, 2020; Pearce, 2019; Pratheepkanth *et al.*, 2018). Al-Mutairi *et al.* (2018) opined that capital budgeting is a planning mechanism in making evaluation decisions in the allocation of resources among investment projects. Several scholars emphasize the importance of capital budgeting in managerial decisions and in determining a firm's long-term financial performance (Alles *et al.*, 2020; Garrison *et al.*, 2018; Orobia *et al.*, 2020). Along the same line, many authors argue that capital budgeting is essential for the firm's strategic decisions in respect of cost maximization, firm expansion, asset decisions (Alleyne *et al.*, 2018; Awinja and Fatoki, 2021; Toloo *et al.*, 2018). The following hypothesis is advanced:

H2. Capital budget management has a significant influence on organizational performance.

Asset management and organizational performance

The relationship between asset management and organizational performance has drawn considerable attention, as investment in asset management has expanded (Dennis *et al.*, 2017; Maletić *et al.*, 2018; Nel and Jooste, 2016). Asset management is the entity responsible for all asset-related strategies, decisions and actions that are risk-based and related to the objectives of the firm (Kumar and Lin, 2020; Mehairjan, 2017; Srinivasan and Parlikad, 2017). Asset management is premised on the underlying principle of leadership value, assurance and alignment (Pragale *et al.*, 2018; Tang *et al.*, 2019; Woodhouse, 2019). Asset management provide a source of quality asset information to inform strategic, tactical and operational decisions (Abdirad and Dossick, 2020; Kelly and Hardy, 2018; Gavrikova *et al.*, 2020).

Academics postulate that asset management enhance the conditions of the organizations' assets and promote organizational effectiveness, competitiveness, sustainability and compliance (Broo and Schooling, 2020; Cecconi *et al.*, 2017; Parida, 2016). The following hypothesis is advanced:

H3. Asset management has a significant influence on organizational performance.

Methods*Research setting and data structure*

SMEs fosters innovation and economic transformation (Lugongo, 2022; Nkwabi, 2019). SME performance hinges on well-articulated financial management practices, making it distinct in addressing financial management-related issues (Hunjra *et al.*, 2019; Nguyen, 2019). The study used a positivist methodological paradigm (Nyein *et al.*, 2020; Park *et al.*, 2020). The National Board for Small Scale Industries Directory (2023) was sourced in obtaining information on the SMEs. Data were obtained from 45 small-sized and 72 medium-sized firms. A structured questionnaire was used in a cross-sectional study design (Lincoln *et al.*, 2018; Schmidt and Brown, 2019).

The study sample consisted of 1,136 respondents. SMEs were selected using a purposive sampling technique (Campbell *et al.*, 2020; Esfehiani and Albrecht, 2019). Employees served as the study's primary informants (Coghlan *et al.*, 2019; Hansen and Madsen, 2019). A total of 826 respondents (72.5% response rate) provided complete responses. Inference from Table 1, men constituted 57.5% (majority) of respondents. The age range of 26–35 years was represented by (37.2%) of the respondents. A total of 38.5% of SMEs were small-sized enterprises, whereas 61.5% were medium-sized enterprises.

Measures

The measures were scored using a Likert scale, with 1 denoting (“strongly disagree”) and 5 denoting (“strongly agree”). The construct standards estimate criterion proposed by Hair *et al.* (2022); Henseler (2021) was applied. A construct's statements that fell short of the ideal threshold of 0.60 or higher were removed (Mehmetoglu and Venturini, 2021; Rhemtulla *et al.*, 2020).

Financial management practices scale

Working capital management (Mazlan and Choong, 2018), capital budget management (Balarabe, 2020) and asset management (Kelly and Hardy, 2018) were adopted in measuring financial management practices. Sample items include “A robust working capital system”. The reliability each of the three dimensions of financial management dimensions was 0.89, 0.86 and 0.82, respectively. The reliability score for all 14 items was 0.82. The inter-dimensional correlations which ranged between 0.56 and 0.77 were high.

Table 1.
Profile of
respondents

Variables	Frequency (s)	(%) of totals
<i>Gender</i>		
Male	515	62.3
Female	311	37.6
<i>Age</i>		
18–25	128	15.4
26–35	237	28.7
36–45	307	37.2
46–55	86	10.4
56–65	68	8.3
<i>Education</i>		
Senior high	127	15.4
Diploma	146	17.7
HND	317	38.4
Bachelor's degree	197	23.8
Master's degree	39	4.7
<i>Size of Firm</i>		
Small (9–15 employees)	45	38.5
Medium (20–99 employees)	72	61.5

Source: Table by author

Organizational performance scale

Financial outcomes (Rowe and Morrow, 1999), organizational outcomes (Chenhall and Langfield-Smith, 2007), human resource outcomes (Dryer and Reeves, 1995) and capital market outcomes (Richard *et al.*, 2009) were adopted in measuring organizational performance. Sample items include “In comparison to other firms over the last three years, the firm has seen a return on its investment”. The reliability for each of the four dimensions of organizational performance was 0.87, 0.85, 0.88 and 0.81, respectively. The reliability score for all 15 items was 0.83. The inter-dimensional correlations which ranged between 0.54 and 0.76 were high.

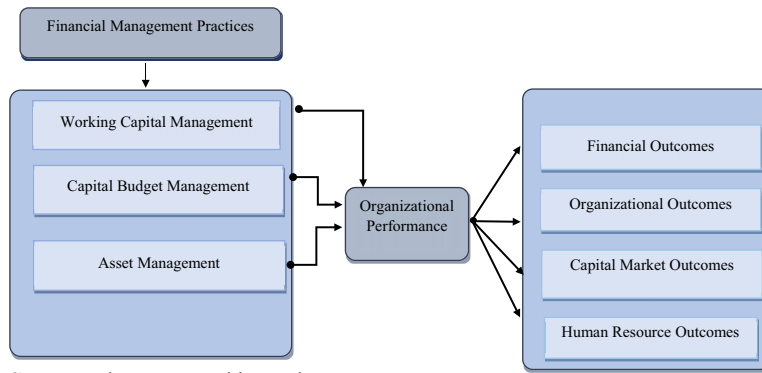
Analytic approach

A confirmatory factor analysis was conducted to ensure proper representation of the proposed constructs (Henseler and Schubert, 2020; Schubert *et al.*, 2018). A two-level hierarchical linear model was developed (Hair and Sarstedt, 2021; Hwang *et al.*, 2020). The proposed conceptual model and hypothesis were assessed by using the Statistical Packages for Social Science (SPSS) 21.0 and Analysis of Moment Structure (AMOS) 26.0 (Ringle *et al.*, 2020, Sarstedt *et al.*, 2020). The association between sub-dimensions and the nexus between observable indicators and their latent construct were examined (Kuppelwieser *et al.*, 2019; Rasoolimanesh *et al.*, 2021). Construct reliability, construct validity and convergent validity were examined (Cheah *et al.*, 2018; Hair *et al.*, 2022). Discriminant validity between constructs were examined (Franke Sarstedt, 2019; Radomir and Moisescu, 2019). Figure 1 depict a representation of the conceptual model.

Common method bias

Several *a priori* measures were applied in addressing the issue of common method bias (Delpechitre *et al.*, 2018; Williams and McGonagle, 2016). During the pretest study, mid-point scales for each survey item were provided and ambiguous questions were clarified, and

Figure 1.
Conceptual
framework



Source: Figure created by author

psychological separation of constructs were ensured (Baumgartner *et al.*, 2021; Steenkamp and Maydeu-Olivares, 2021). To lessen social desirability bias respondents' anonymity and confidentiality were assured (Minbashian *et al.*, 2019; Kock *et al.*, 2021). A post hoc evaluation using the Harman's one-factor test was applied (Cooper *et al.*, 2020; Griffiths *et al.*, 2019). The findings demonstrate that the established benchmarks were sufficient (Lin and Tsai 2019; Rodríguez-Ardura and Meseguer-Artola, 2020). Common method bias consequences remained insignificant as warranted by these approaches.

Results

A two-factor CFA model representing financial management practice and organizational performance achieved a good model fit ($\chi^2/df = 2.63$, RMSEA = 0.048, SRMR = 0.042, TLI = 0.984, CFI = 0.986) (Ghasemy *et al.*, 2020; Rigdon *et al.*, 2019). Estimates of the coefficient ranged from 0.81 to 0.89 (Cepeda Carrión *et al.*, 2019; Shmueli *et al.*, 2019). The standard estimates' range was 0.74–0.88 (Danks *et al.*, 2020; Jorgensen *et al.*, 2020). The range of estimates for (AVE) was 0.60–0.70, whereas (CR) was 0.74–0.88 (Liengaard *et al.*, 2021; McNeish *et al.*, 2018). Discriminant validity was established (Shaffer *et al.*, 2016; Voorhees *et al.*, 2016). Table 2 presents descriptive statistics and correlation analysis, whereas Table 3 presents the results of the model test. Table 4 display CFA results, whereas Table 5 presents discriminant validity test results. Table 6 displays the results of the hypotheses test. Working capital management significantly influenced organizational performance (0.767,

Items	Mean	SD	1	2	3	4	5	6	7
1. Working capital management	14.18	5.33	1						
2. Capital budget management	11.66	4.51	0.278**	1					
3. Asset management	6.88	2.46	0.607**	0.388**	1				
4. Financial outcomes	5.96	2.35	0.612**	0.476**	0.778**	1			
5. Organizational outcomes	6.35	2.27	0.518**	0.599**	0.678**	0.678**	1		
6. Capital market outcomes	5.93	2.28	0.618*	0.689**	0.677**	0.668**	0.628**	1	
7. Human resource outcomes	6.44	2.17	0.629**	0.519**	0.697**	0.537*	0.569**	0.669**	1

Table 2.
Descriptive statistics,
correlations and scale
reliabilities

Notes: **Correlation is significant at the 0.01 level (two-tailed); *Correlation is significant at the 0.05 level (two-tailed)
Source: Table by author

Table 3.
Results of the measurement and structural model test

Model	χ^2	Df	χ^2/df	<i>P</i>	RMSEA	SRMR	TLI	CFI
<i>First-order CFA</i>								
Financial management practices	213.516	66	3.23	0.000	0.052	0.053	0.947	0.951
Organizational performance	217.603	68	3.20	0.000	0.054	0.051	0.936	0.943
<i>Second-order CFA</i>								
Financial management practices	209.404	66	3.17	0.000	0.051	0.049	0.953	0.962
Organizational performance	214.572	68	3.15	0.000	0.049	0.047	0.961	0.969
Measurement model–Overall model	207.411	62	3.35	0.000	0.052	0.048	0.972	0.974
Structural model–Overall model	126.357	48	2.63	0.000	0.048	0.042	0.984	0.986

Notes: RMSEA = root mean square of approximation; SRMR = standardized root mean residual; TLI = Tucker–Lewis index; CFI = comparative fit index; * $p < 0.05$

Source: Table by author

$p < 0.05$), thereby supporting *H1*. Capital budget management significantly influenced organizational performance (0.619, $p < 0.05$), thereby supporting *H2*. Asset management had non-significant influence on organizational performance (0.536, $p > 0.05$). *H3* is unsupported.

Discussion

This study provides crucial empirical insights in comprehending the nexus between financial management practices and organizational performance (Coleman and Cohn, 2017; Deakins *et al.*, 2018; Ross *et al.*, 2016). Financial management practices ensure firm survival and success (Nkundabanyanga *et al.*, 2017; Sa'eed *et al.*, 2020). Thabet (2017) posited that the optimal adherence to the financial management practices has the direct benefit to firms. The results indicate that working capital management significantly influenced organizational performance. Working capital management guarantees adequate cash flow to meet short-term debt obligations and operating costs (Gloy and LaDue, 2011; Okphiabhele *et al.*, 2022; Sniazhko, 2019).

Prior studies revealed a positive relationship between working capital management and organizational performance (e.g., Altaf, 2020; Saini and Singhanian, 2018; Sharma *et al.*, 2020). The findings show that working capital management has a significant impact on profitability (Akgün and Memiş Karatas, 2020; Fernández-López *et al.*, 2020) and liquidity (Gharaibeh and Bani, 2020; Pham *et al.*, 2020). Thus, working capital management not only facilitates the enhancement of a firm's profitability but also favors the necessary conditions for firm's sustainability and growth. Capital budget management significantly influenced organizational performance. Capital budgeting is essential for a firm's long-term viability and success (Baker *et al.*, 2017; Li *et al.*, 2020).

Earlier studies found a positive relationship between capital budget management and organizational performance (e.g. Ramasobana *et al.*, 2017; Siziba and Hall, 2021; Zainuddin *et al.*, 2021). The findings show that capital budget management has a positive impact on return on equity (Naresh *et al.*, 2022; Nguyen, 2019) and market growth (Khurana *et al.*, 2019; Qosasi *et al.*, 2019). Hence, capital budget management not only facilitates firm survival and sustainability but also supports the prerequisites for cost effectiveness and competitiveness. Asset management had non-significant influence on organizational performance. A robust asset management system provides a return on investment in the form of improved asset performance (Proença and Borbinha, 2018; Srinivasan and Parlikad, 2017).

Previous studies revealed a positive relationship between asset management and organizational performance (e.g. Dennis *et al.*, 2017; Mehairjan, 2017; Pragale *et al.*, 2018). The findings show that asset management has a significant impact on return on asset

Factor	Items	(λ)	AVE	CR
Working capital management ($\alpha = 0.89$)	A robust working capital system	0.824		
	Preparation of cash flow forecast in identifying future surplus and deficits	0.812		
	Maintenance of proper records of all payables	0.776	0.63	0.88
	Full automated receivable management system	0.796		
	Sufficient cash flow to meet daily needs	0.769		
Capital budget management ($\alpha = 0.86$)	Periodic budget estimation	0.776		
	Proper budget prior to any transaction	0.757		
	Creation of financial statement	0.786	0.60	0.86
	Activity based budgeting	0.759		
	Financial analysis	0.781		
Asset management ($\alpha = 0.82$)	Assets are kept in the best condition until disposal	0.768		
	Laid down procedure for disposing assets	0.818		
	Provision for depreciation of assets	0.786	0.62	0.74
	Maintenance of an up-to-date asset register	0.769		
Financial outcomes ($\alpha = 0.87$)	In comparison to other firms over the last three years, the firm has seen a return on its investment	0.764		
	In comparison to other firms over the last three years, there has been a return on the firm's assets	0.824		
	In comparison to other firms over the last three years, the firm's profit has increased	0.769	0.62	0.75
	In comparison to other firms over the last three years, the firm's revenue has increased	0.791		
Organizational outcomes ($\alpha = 0.85$)	The productivity of the firm has increased	0.829		
	New products or services are developed by the firm	0.881	0.70	0.86
	Quality products or services are offered by the firm	0.839		
	The firm satisfy its customers or clients	0.785		
Capital market outcomes ($\alpha = 0.88$)	In comparison to other firms over the last three years, the firm's market value has increased	0.785		
	In comparison to other firms over the last three years, the firm's market share has increased	0.773	0.61	0.83
	In comparison to other firms, the firm has had a growth in sales over the last three years	0.835		
	In comparison to other firms, the firm's stock price has increased over the last three years	0.743		
Human resource outcomes ($\alpha = 0.81$)	The firm's management and employees <i>get along</i> well	0.803		
	The firm has the ability to retain employees	0.814		
	The firm has the ability to attract employees	0.766	0.63	0.81

Table 4. Confirmatory factor analysis factor names, factor loadings and Cronbach's alpha

Notes: AVE = represents average variance extracted; CR = represents composite reliability. All factor loadings are significant at $*p < 0.05$
Source: Table by author

(Godau and McGeoch, 2016; Trindade *et al.*, 2019) and return on investment (Kelly and Hardy, 2018; Maletić *et al.*, 2018). Therefore, asset management interventions support the prerequisite for compliance and effectiveness and the improvement of the value and condition of a firm's asset.

Theoretical Implications

This study supports the supposition for the improvement of financial management practices and more research into the relationship between financial management practices and organizational performance. The study's findings shed light on the ambiguity in literature

on financial management practices and organizational performance (Muthama and Warui, 2021; Sa'eed *et al.*, 2020; Singh *et al.*, 2019). Working capital management significantly influenced organizational performance. The results corroborate past studies that show that working capital management impacts a firm's profitability and desired level of liquidity (Ahmed and Mwangi, 2022; Garcia-Teruel and Solano, 2017; Tadesse, 2016).

They also concur with earlier studies that show working capital management reduces risk and uncertainty while enhancing business performance (Chowdhury *et al.*, 2018; Jindrichovska, 2013; Le, 2019). The findings validate the supposition of researchers (Aldubhani *et al.*, 2022; Tarkom, 2022). Capital budget management significantly influenced organizational performance. The results parallel past studies which indicate that capital budgeting improves survivability, sustainability, profitability and cost-effectiveness (Imran *et al.*, 2019; Nguyen, 2019; Pratheepkanth *et al.*, 2018). They also support earlier studies which indicate that capital budgeting is a crucial component of the financial management strategy which ensure that every investment decision enhances the firm's competitive advantage (Kinyua, 2018; Pearce, 2019; Siziba and Hall, 2021).

The findings support the postulation of researchers (Alles *et al.*, 2021; Oyelaran-Oyeyinka, 2020). Moreover, the results indicate that asset management had non-significant influence on organizational performance. The results do not parallel the findings of several authors who emphasized that asset management enables congruence between asset management systems and corporate objectives (Cavka *et al.*, 2017; Kumar and Lin, 2020; Lu *et al.*, 2019). They are also not consistent with the findings of earlier studies that show asset management improves the value of a firms' asset and promotes competitiveness, sustainability and effectiveness (Khuntia *et al.*, 2016; Mahmood *et al.*, 2015; Rastegari and Salonen, 2015). The findings do not validate the contention of researchers (Farghaly *et al.*, 2018; Woodhouse, 2019).

	1	2	3	4	5	6	7
1. Working capital management	(0.786)						
2. Capital budget management	0.117	(0.814)					
3. Asset management	0.597	0.283	(0.826)				
4. Financial outcomes	0.219	0.439	0.654	(0.817)			
5. Organizational outcomes	0.275	0.346	0.513	0.448	(0.797)		
6. Capital market outcomes	0.096	0.429	0.317	0.316	0.454	(0.871)	
7. Human resource outcomes	0.227	0.589	0.371	0.321	0.603	0.489	(0.786)

Note: Values in diagonal represent the squared root estimate of average variance extracted (AVE)

Source: Table by author

Table 5. Discriminant validity

Hypothesis	Beta coefficient	p-value	Result
H1. Working capital management has a significant influence on organizational performance	0.767	0.003	Accepted
H2. Capital budget management has a significant influence on organizational performance	0.619	0.019	Accepted
H3. Asset management has a significant influence on organizational performance	0.496	0.318	Rejected

Source: Table by author

Table 6. Inferences drawn on hypotheses

Practical implication

Financial management practices assess a firm's level of financial health over a specific time period (Brigham and Ehrhardt, 2016; Wild *et al.*, 2015). Efficient financial management practices result in higher organizational performance (Davies, 2018; Sherre and Kent, 2017; Simon and Mohamed, 2017). The results show working capital management significantly influenced organizational performance. Working capital management enhance organizational competitiveness and liquidity (Chowdhury *et al.*, 2018; Mazlan and Choong, 2018). Small- and medium-scale enterprises would therefore have a keen interest in (re)evaluating working capital strategies where robust working capital systems are implemented and there is availability of sufficient cashflows (Aldubhani *et al.*, 2022; Knauer *et al.*, 2013).

Working capital management determines the amount of cash flow intended to influence firm performance (Iqbal *et al.*, 2022; Musa and Ibrahim, 2022). SMEs would have to (re) evaluating working capital strategies where a fully automated receivable management systems exit and maintenance of accurate payable records (Alkhataybeh, 2021; Rahayu *et al.*, 2020). The results also reveal capital budget management significantly influenced organizational performance. Capital budgeting determines organizational profitability, viability and value (Balarabe, 2020). SMEs would have to (re) evaluate capital budget management strategies where periodic budget estimation are espoused (Warren and Jack, 2018; Zainuddin *et al.*, 2021).

Capital budgeting decisions are crucial to the success or failure of any organization (Demigurc, 2017; Mushaho *et al.*, 2015). SMEs would have to (re) evaluate capital budget management strategies where activity-based budgeting are advocated and financial analysis conducted (Khurana *et al.*, 2019; Nguyen, 2019). Effective financial management is a cornerstone of efficient governance and sustainable development (Hammed Okikiola, 2019; Nandom *et al.*, 2019; Yusuf, 2016). The study highlights the significance of creating a system for the improvement of financial management practices since financial management practices guarantee effective resource utilization and business profitability (Brigham and Ehrhardt, 2016; Singh *et al.*, 2019).

Financial management practices ensure organizational competitiveness and viability (Bismark *et al.*, 2018; Hunjra *et al.*, 2019; William, 2018). Brijlal *et al.* (2017) accentuate that financially well-managed firms are operationally efficient. Consequently, SMEs would have to develop a well-articulated and proactive financial management systems to ensure competitiveness, sustainability, viability and financial competences.

Limitations and suggestions for future study

The results of this study should be considered in light of its limitations. The possibility that the results could be the result of reverse causality or a causal link cannot be completely rule out because of the cross-sectional nature of the study (Kelly *et al.*, 218; Saunders *et al.*, 2019). Future longitudinal study is necessary (Carroll, 2019; Kneck and Audulv, 2019). The study solely considered the subjective opinions of employees (Schein and Schein, 2019; Otoo, 2022). Objective measures are encouraged in future studies (Hulland *et al.*, 2018; Minbashian *et al.*, 2019). Common method bias is less likely when objective measures are used (Delpechitre *et al.*, 2018; Lin and Tsai 2019). The current study used various financial management practices to assess its influence on organizational performance. However, to conduct an exhaustive and focused inquiry, further theoretical and practical work is required to have a comprehensive grasp of the nexus between financial management practices and organizational performance. The generalizability of the findings will be constrained due to the research's SMEs focus. Applying the model to different fields or sectors might be beneficial.

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