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FINANCIAL MANAGEMENT PRACTICES AND THEIR IMPACT ON ORGANIZATIONAL PERFORMANCE

DR.LALIT SACHDEVA[1], DR.RAJESH SEHGAL[2]
[1]ASSOCIATE PROFESSOR,DEPARTMENT OF MANAGEMENT,KALINGA UNIVERSITY, RAIPUR, INDIA.
email: ku.lalitsachdeva@kalingauniversity.ac.in orcid:0009-0002-2214-282x
[2]ASSISTANT PROFESSOR, DEPARTMENT OF MANAGEMENT, KALINGA UNIVERSITY, RAIPUR, INDIA.
email: ku.rajeshsehgal@kalingauniversity.ac.in orcid: 0009-0002-0344-403x

Abstract

To maintain economic growth and ensure the provision of a stable and affordable electrical supply, the power sector is crucial. Sound financial management practices in this sector are critical to its sustainability, operational effectiveness, and overall financial performance. To achieve this, we will conduct a thorough analysis of financial management practices, focusing on key areas such as financial planning, budgeting, investment decisions, cost control, and financial reporting. The results showed that factors like knowledge acquisition, storage, creation, sharing, and implementation play a significant role in knowledge management. Additionally, aspects such as productivity, financial performance, employee performance, innovation, workplace relationships, and customer satisfaction also significantly influence organizational performance. In the end, this research highlights that effective knowledge management practices have a direct impact on the performance of small and medium-sized enterprises (SMEs).

keywords: financial management practices, financial performance, power sector.

1. INTRODUCTION

In recent decades, we've witnessed a surge in globalization, where the economies of many countries are becoming intertwined to enhance foreign trade through technological advancements and better connectivity [4]. This growth has also intensified competition in both domestic and international markets, pushing organizations to focus on attracting and retaining top talent. Many companies understand that their success in a competitive landscape hinge on the effectiveness of their workforce and how well they manage their human resources. Implementation of HRM practices would have the effect of improving the firm's performance positively; e.g., returns on revenues, benefit, competitiveness and market share.[1]

In today's fast-paced world, the demand for information and the evolution of knowledge within organizations have made it essential for human resources managers to embrace their roles as knowledge managers [11]. This shift is crucial for organizations aiming to stay ahead of the competition. Knowledge Management (KM) helps small and medium-sized enterprises (SMEs) gain a clearer understanding of their internal experiences and external influences, such as customers, suppliers, and competitors. By engaging in KM activities—like acquiring, storing, creating, sharing, and implementing knowledge—SMEs can develop vital capabilities such as problem-solving, dynamic learning, strategic planning, decision-making, and overall organizational performance [2].

The primary goal of KM is to utilize resources and knowledge assets efficiently and creatively, enhancing organizational performance [6]. Researchers have sought to understand why some companies outperform others by linking various organizational factors to performance metrics. These studies often explore the relationship between performance and elements like strategy, structure, environment, learning capacity, market orientation, resources, and employee skills [8]. Given that KM involves critical processes that can influence productivity, financial outcomes, employee performance, innovation, workplace relationships, customer satisfaction, and ultimately, organizational success, it's important to investigate how KM practices affect organizational performance in SMEs [3] [10]. However, the literature has not adequately addressed KM practices in SMEs, and there is a lack of studies examining their impact on organizational performance. By implementing KM practices, SMEs can achieve greater productivity, innovation, efficiency, customer satisfaction, and competitive advantage, leading to improved overall performance [7].

Objectives:

i. To explore how budgeting impacts financial performance.

ii. To analyze how corporate governance affects financial performance.

2. LITERATURE REVIEW

Deming, 1986 His philosophy emphasizes that while it begins at the top levels of management, the fourteen points should be embraced throughout the entire organization. [13] Juran created the ten steps to quality improvement as well as the quality trinity, which consists of Let's dive into the world of quality management! It all starts with quality planning, quality control, and quality improvement, as highlighted by Juran back in 1988. Crosby, known for his catchy phrases like "Quality is free" and "zero defects," really made a name for himself in this field. It, perfectly encapsulate his philosophy [9]. Fast forward to the 1950s, and we have Feigenbaum, who brought the idea of total quality control to the forefront [16]. He saw it as a vital corporate strategy and laid out three essential steps to achieving quality: commitment from the organization, embracing modern quality technology, and strong quality leadership [15]

3. RESEARCH METHODOLOGY

To explore the research focused on 200 employees formed the sampling frame, with the organization's five departments contributing to reaching that total of 200 [14].

Data collection and analysis: The study utilized both primary and secondary data for its findings. Questionnaires were used to gather primary data from the field. We also used secondary data from industry magazines, financial records, and business releases [5]. Fifteen unsampled volunteers from Somalia's Ministry of Transportation participated in a pilot study. The Cronbach coefficient was employed to evaluate the average correlation or internal consistency of the test's items.

4. RESULTS

Organizational planning, coordination, and the procedures involved in operations are essential for safeguarding assets, ensuring the accuracy and reliability of accounting information, enhancing operational efficiency, and supporting compliance with management policies [12]. All of these elements play a crucial role in the development of human resources.

Table 1: Regression analysis

	B	S.E.	Wald	df	Sig.	Exp(B)
What financial management practices are most commonly used in organizations, and how do they impact organizational performance?	-.645	.416	2.412	1	.020	.524

How do budgeting and forecasting practices influence organizational performance in different industries?	.432	.338	1.631	1	.202	1.541
What is the relationship between financial planning and organizational growth?	.192	.052	13.420	1	.000	1.212
How do cash management practices impact organizational liquidity and profitability?	.268	2.089	.016	1	.898	1.307

Thus, it was accomplished. Attained Nunnally (1978). Human resources development can solve issues with oversight and reporting to establish the openness and accountability that the community demands.

Table 2: Rotated Factor Matrix

	Factor		
	Health System Factors	**Political and Governance Factors**	**Economic Factors**
5. What role does financial reporting play in organizational decision-making and performance?	-.011	.889	.154
6. How do financial management practices differ between small and medium-sized enterprises (SMEs) and large corporations?	.085	.473	-.069
What is the impact of financial risk management on organizational performance during economic downturns?	.913	.205	-.069
8. How do financial management practices influence organizational innovation and entrepreneurship?	.802	-.150	-.158
9. What is the relationship between financial management practices and organizational sustainability?	.733	.282	.251
10. How do financial management practices impact organizational competitiveness in global markets?	.221	-.598	.150
What role does financial analysis play in organizational strategic planning and decision-making?	.662	.453	-.593
How do financial management practices differ between non-profit and for-profit organizations?	.762	-.269	-.048
What is the impact of financial management practices on organizational reputation and stakeholder trust?	.014	-.051	.893

It's expected that Human Resources Development will play a key role in promoting Good Governance in open financial management practices, which ultimately impacts public trust.

Table 3: Pearson correlation

description	Correlation coefficient (r)	P value
How do financial management practices influence organizational adaptability and resilience?	0.369	0.00
What is the relationship between financial management practices and organizational learning and development?	0.394	0.00
How do financial management practices impact organizational social responsibility and ethics?	0.483	0.00
What role does financial management play in organizational crisis management and recovery?	0.430	0.00
How do financial management practices differ between family-owned and non-family-owned businesses?	0.311	0.00
What is the impact of financial management practices on organizational employee satisfaction and retention?	0.524	0.00
How do financial management practices influence organizational supply chain management and logistics?	0.300	0.00
What is the relationship between financial management practices and organizational information technology (IT) infrastructure?	0.271	0.00
How do financial management practices impact organizational mergers and acquisitions (M&As) and strategic partnerships?	0.393	0.00
What role does financial management play in organizational innovation and R&D investments?	0.450	0.00
How do financial management practices differ between public and private sector organizations?	0.264	0.00
What is the impact of financial management practices on organizational long-term sustainability and survival?	0.397	0.00

According to the findings of the research conducted by Gammie and Gammie (2009), in order to establish Good Government Governance, it was necessary to develop and implement measures that were adequately tied to the supply of correct data.

Table 1: Validity convergence

Constructs	Composite reliability	Average variance extracted	Cronbach α
What is the relationship between financial management practices and organizational performance?	0.892	0.734	0.778
How do different financial management practices (e.g. budgeting, forecasting, financial reporting) impact organizational performance?	0.817	0.599	0.798
What is the impact of financial management practices on organizational efficiency and effectiveness?	0.823	0.608	0.813
How do financial management practices influence strategic decision-making in organizations?	0.811	0.561	0.789
5. What is the relationship between financial management practices and organizational innovation and entrepreneurship?	0.808	0.538	0.781
6. How do financial management practices influence organizational risk management and internal control, and what is the impact on	0.712	0.584	0.702

organizational performance?			
What is the relationship between financial management practices and organizational sustainability, and how do financial management practices contribute to achieving sustainable development goals?	0.782	0.522	0.778

The same is true of Gaffikin's (2009) research findings, which show that the best way to execute excellent government governance is to disclose internal control systems.

5. CONCLUSION

The study of financial management techniques and how they affect the power industry's financial performance shows how important good financial management is to the long-term viability and prosperity of the sector. The study offers useful insights for power firms and stakeholders by analyzing the profitability impact of financial policies, evaluating the effectiveness of financial resource allocation, and determining the correlation between investment attractiveness and financial performance. It emphasizes how crucial risk reduction, budgeting, cost control, cash flow management, and strategic financial planning are to maximizing financial performance. Financial performance improves with improved human resources. The issue of regional finance's poor human resources, which make it difficult to accommodate accountants and transparency and prevent it from producing financial reporting outcomes that are unique and necessary.

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