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Cash Management Practices and the Financial Performance of Micro-Enterprises

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ABSTRACT: *Cash management practices play an important role in improving the financial performance of the micro-enterprises. This study explores the relationship between cash management practices and the financial performance of 163 micro-enterprises in Baco, Oriental Mindoro. The study delves into the cash management practices applied by micro-enterprise owners to their enterprises, especially budgeting and managing cash flow which if properly practiced will result in the success of financial performance. The study identifies budgeting, cash flow management, sales growth, profitability, and liquidity as key indicators. The findings indicate that while microenterprises moderately practice cash management, gaps still exist in sticking to budget, monitoring cash flow, and planning finance. This also reveals that cash management practices have a strong positive correlation with improved financial performance. Owners who practice cash management are more likely to experience sales growth, increased profitability, and better liquidity. Gaps put this study to recommend financial literacy programs to enhance budgeting and cash flow management skills, emphasizing disciplined financial practices and updated cash flow records. Furthermore, tools and training should be provided to encourage and support microenterprises in achieving consistent financial performance growth and stability.*

KEYWORDS – *cash management practices, financial performance, micro-enterprises*

I. INTRODUCTION

Micro-enterprises are vital in job creation and economic development, especially in small communities like Baco, Oriental Mindoro. These enterprises, however, face challenges in managing their financial resources while striving for growth and sustainability. This issue frequently led to operational disruptions and eventual business closures. The researchers aimed to know and recognize the vital role of cash management practices in enterprise sustainability; thus, the conduction of Cash Management Practices and the Financial Performance of Micro-enterprises.

The Department of Trade and Industry (DTI) categorized micro-enterprises as having Php 3,000,000 or less in assets and one to nine employees. While micro-enterprises constitute a significant portion of the economy, many need help to survive past their first few years of operation. Efficient cash flow management is one of these businesses' most significant issues.

According to the pre-survey conducted, the problems faced by the owners of micro-enterprises are low liquidity, insufficient income, financial illiteracy, and lack of cash management practices. Micro-enterprises face liquidity challenges due to a small number of customers and high competition. In addition, the increase in supply costs and high expenses hinder the maximization of the enterprises' profit. A need for cash management practices also causes budgeting problems due to insufficient financial knowledge. Lack of records of their daily income causes difficulties in budget planning, leading to owners having mixed up personal and business money. This results in business income being used for personal endeavors, causing a lack of capital. Moreover, the majority of owners do not use formal accounting systems but rather use just their memory. Micro-enterprise owners also often need help creating strategies for better managing their cash flow due to insufficient knowledge of financial management and a lack of formal training in proper cash management and financial planning. Cash is necessary for any business to operate, but microenterprises are particularly reliant on it due to their limited financial resources. Businesses must create effective cash management practices and generate income from their operations; this entails maintaining an optimal cash balance for immediate and long-term requirements. Micro-enterprises often struggle with cash management skills, leading to financial burden and potential collapse. Otieno (2021) and Pandey (2020) highlight the importance of proper cash management in supporting and upholding financial performance. Emphasizing proper techniques is crucial for small businesses to overcome financial burdens [1] [2]. In the study of Dolorso (2023), the majority of participants thought cash management practices were the least effective, which was differed by Cabido et al. (2022), who believe cash management serves as one of the tools used to support and uphold the companies' financial performance; hence, there should

be more emphasis on proper cash management techniques in small businesses as the need and importance of it has been evident (Avika, 2014).
[3] [4] [5]

Cash management enables business owners to monitor the inflow and outflow of funds, ensuring sufficient resources to cover costs, mitigate financial risks, and seize investment opportunities. Effective cash management enhances an enterprise's liquidity and optimizes profitability. Therefore, this study investigates the cash management practices of 163 micro-enterprise owners in Baco, Oriental Mindoro, their impact on financial performance, and potential programs to promote effective cash management awareness. Specifically, the objectives are to determine the influence of cash management practices, including budgeting and cash flow management, on financial performance, focusing on sales growth, profitability, and liquidity of micro-enterprises in Baco.

1.1 Review of Related Literature

Micro-enterprises significantly influence economic growth in terms of increased employment, poverty alleviation, and contribution to GDP, as it is the case in Kenya (Onyango, 2023) [6]. Unfortunately, they face many issues, including poor cash management, lack of capital, financial illiteracy, and various technological issues that result in their failure in the first few years of operation. With these issues in mind, the paper investigates the moderating effect of financial literacy on cash management practices and financial performance.

Few studies have applied sales growth, profitability, and liquidity as indicators of financial performance at micro-enterprises. This current study embraces these indicators to bridge the gap. The study by Onyango et al., therefore, found that budgeting practices and cash flow management are significantly influential on the financial performance of microenterprises. Besides, financial literacy moderated the associations of such practices with performance.

1.1.1 Cash Management Practices

Cash management is the planning, controlling, and accounting for cash transactions and balances [7]. Cash management is the planning, controlling, and accounting for cash transactions and balances (Williams et al., 2015) [7]. It is the management of all financial resources of an enterprise; therefore, its performance depends on it. By efficiently managing these resources, an organization can improve and survive its ongoing business activities, mobilize funds, and optimize liquidity (Odo and Udodi, 2022) and (Obure, 2016). [8][9].

Budgeting and cash flow management are essential in tracking cash flow, from revenues to payments, and mitigating financial risks. However, failure to generate cash statements or monitor income and expenses can lead to insufficient funds and business failure (Smirat, 2016) [10]. These challenges highlight the essence of improved cash management practices to enhance the liquidity and financial resilience of micro-enterprises. Thus, to fill the existing literature gaps, this study focuses on cash management practices, specifically budgeting and cash flow monitoring, to assess their impact on micro-enterprises liquidity.

Cote (2022) elaborates that developing and managing an income statement estimate and expenditure for a certain period represents an integral skill that owners should possess to ensure enterprises have the resources to perform well and meet their set goals [11]. According to the findings of Kasim and Antwi (2015), non-budgeting has resulted in cash shortages, where most enterprises fail in the first few years due to poor financial planning.
[12]

The adoption of effective cash flow management strategies by micro-enterprises would contribute to improvement in their financial performance and long-term sustainability. Cash flow management incorporates the continuous monitoring, assessing, and optimizing of cash inflows and cash outflows within the business; failure to do so will make an enterprise overspend and, therefore, directly affect the profitability and the financial sustainability of the enterprise (Lyon, 2024) and (Akinyomi, 2014) [13] [14]. Ahmad (2016) noted that expenditure matched with available liquidity can facilitate improved profitability. Inadequate cash management- for example, more than budgeting on certain lines when not well-resourced, would lead to accumulated debts, thus limiting the scope of businesses or even eventual shutdown [15]. Cash management can ensure minimization in the absence of a correlation between cash inflow and cash outflow, thereby ensuring an improvement in profitability (Paul, 2015) [16]. Hence, efficient cash management is critical to timing cash receipts and payments so businesses can have liquidity while maximizing profitability. Ramil and Yekini (2022) reported that many micro-enterprises do not practice cash flow management because they believe it is unnecessary or too time-consuming. Thus, cash flow arising from operating, financing, and investment activities were adopted as measures for cash flow management in the context of a microenterprise. [17]

1.1.2 Financial Performance

According to the Corporate Finance Institute, financial performance is a critical determinant of the sustainability and success of micro-enterprises as it provides a comprehensive evaluation of a company's overall standing, including assets, liabilities, equity, expenses, revenue, and profitability, allowing a space for assessment to achieve an enterprise's objectives [18]. To fill these gaps, this study will explore how effective cash flow management and capital allocation in micro-enterprises influence financial performance, particularly sales growth, profitability, and liquidity.

Sales growth refers to the continued improvement in the sales of either a product or service. It is an important indicator of how an enterprise generates revenues (DealHub Experts, 2023) [19]. It also indicates the critical interest of customers in a product or service, which in turn ignites profitability and market reputation (Covin et al., 2016) [20]. However, one of the challenges that can hinder the sales growth of micro-enterprises is the competition, particularly in the early stage of their operations (Alom et al., 2016) [21]. Rustan (2023) opposed the idea because he believed quality cost management could effectively minimize the problem [22]. To him, optimizing production and increasing customer satisfaction can help improve brand reputation and sales growth. Businesses will not only be successful with stable sales but also be able to reinvest in future opportunities for long-term growth. This study, therefore, tries to find out how consistent sales growth can influence effective cash flow management and customer engagement in ensuring the long-term success and sustainability of microenterprises in Baco, Oriental Mindoro.

One of the significant factors determining an enterprise's survival and growth is profitability. It reflects the ability of management to convert sales, assets, and equity into profits (Faisal, 2015) [23]. Without profitability, no business can acquire capital, settle operational expenses, or survive long. Another significant financial performance indicator is liquidity, which is the ability of an enterprise to convert its assets into cash quickly to meet short-term obligations. This also measures the capacity of an enterprise to utilize its most liquid assets, which is cash, to cover financial obligations such as bills, liabilities, and unexpected expenses (Ombworo, 2014) [24]. Enough liquidity will be guaranteed by quickly accessing cash, and businesses can instantly respond to financial needs (Hayes, 2024) [25]. Therefore, liquidity is an important element that keeps the business working and constantly flowing, like the blood running through one's veins.

1.2 Theoretical Framework

This section deals with the theoretical aspects of the independent variable, which is cash management practices, and the dependent variable, which is financial performance. This study theorizes the extent of Cash Management Practices in the Financial Performance of Micro-enterprises, alongside applicable theories in analyzing the study.

1.2.1 Baumol Model Approach

The Baumol model is a model of cash management that determines the optimal cash balances by the business entities (Baumol, 1952) [26]. Cash management is approached similarly to inventory management, where the goal is to determine an "optimal cash balance" that minimizes both the opportunity cost of holding cash and the transaction costs of obtaining it. In this study, the Baumol Model provides a practical basis through which micro-enterprises can maintain a level of cash sufficiency to meet operational needs, with minimal excess cash that could be invested or used to compensate for other expenses.

1.2.2 Miller-Orr Cash Management Model

Miller-Orr cash management model allows businesses to make realistic assumptions of uncertainty that cash flows are not constant (Miller & Orr, 1966) [27]. It was a model developed for enterprises with uncertain cash inflow and cash outflow. The model allows the upper and lower limits of cash balance and the target cash balance. Speaking within the context of micro-enterprises whose inflows and outflows keep fluctuating, this Miller-Orr model is more adaptive than Baumol's model. Unlike Baumol's assumption of constant cash flows, the Miller-Orr model considers the variability of cash within a business, especially in small enterprises with erratic revenue and limited financial resources. This model will better suit micro-enterprises' needs for prudent cash management, given their limits in accessing external financing and their reliance on self-generated cash flow. This model will, therefore, enable micro-enterprises to mitigate surplus and deficient cash positions better and maintain sufficient liquidity to meet operational expenses while maximizing returns from surplus cash.

1.3 Conceptual Framework

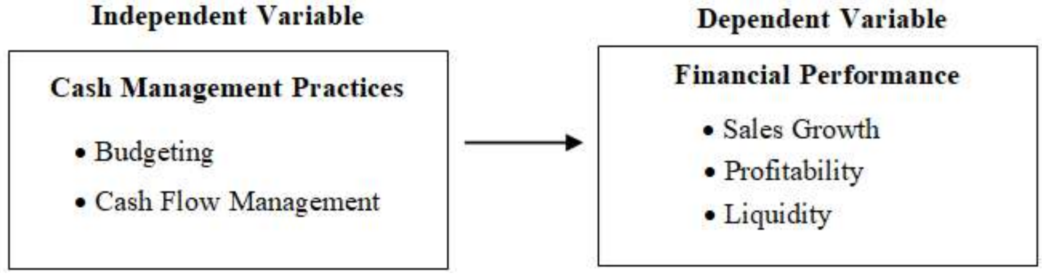

Figure 1. Conceptual Framework

The above diagram shows the conceptual framework of the study. It presents the relationship between cash management practices as the independent variable and financial performance as the dependent variable. Cash management practices are an independent variable that suggests the combination of planning, controlling, and accounting for cash transactions and cash balances along with its underlying factors, budgeting, and cash flow management. Effective cash management is essential for micro-enterprises to achieve long-term financial stability and improve their sustainability, profitability, and long-term planning.

On the other hand, financial performance is a complete evaluation of a company's overall standing in categories such as assets, liabilities, equity, expenses, revenue, and overall profitability alongside its indicators such as sales growth, profitability, and liquidity.

1.4 Statement of the Problem

This study seeks to determine the effects of cash management practices to the financial performance of micro-enterprises in Baco, Oriental Mindoro. Specifically, it seeks to answer the ff. questions:

1. What is the extent of the cash management practices of micro-enterprises in terms of:
   - 1.1. budgeting; and
   - 1.2. cash flow management?
2. What is the extent of cash management practices to financial performance in terms of:
   - 2.1. sales growth;
   - 2.2. 2.2. profitability; and
   - 2.3. 2.3. liquidity?
3. Is there a relationship between the extent of cash management practices and the financial performance of microenterprises?

1.5 Hypothesis

Ho: There is no relationship between the cash management practices of micro-enterprises and their financial performance.

II. METHODOLOGY

2.1 Research Design

This study employed a quantitative method and a descriptive-correlational research design. According to Sreekumar (2023), a quantitative research method is used to observe events that affect a particular group of individuals, which is the sample population [28]. Cronbach's Alpha has been utilized to determine the reliability and validity of the questions. Correlation statistics have been employed to test the significant relationship between the dependent and independent variables of the study.

2.2 Subject and Sampling

This study employed a random sampling method. According to Thomas (2020), it is a type of probability sampling in which the researcher randomly selects a subset of respondents from a population [29]. Each member of the population has an equal chance of being selected. The study's respondents are micro-enterprise owners in Baco, Oriental Mindoro. The data was taken from the Business Permit and Licensing Office (BPLO) in the Municipality of Baco, and there are 404 micro-enterprises. To minimize the number of respondents, the researchers adopted a margin error of 5% and a confidence level of 90%, which totaled 163 respondents.

2.3 Data Gathering Procedures and Instrumentation

The questionnaire of the model study together with researcher-made questionnaires will be developed as a main research instrument for data gathering. It consists of two parts: part one will be about cash management practices and the other part will be about financial performance. A Likert scale of 1-4, whereas 1-Strongly Disagree 2-Disagree 3-Agree 4-Strongly Agree, is used in the survey.

2.4 Reliability

This study tested two independent variables—budgeting and cash flow management, and three dependent variables—sales growth, profitability, and liquidity. To determine the questionnaire's reliability, the test-retest approach was utilized to 10 non-respondents to answer the questionnaire's one-time execution. The reliability coefficient will be calculated using Cronbach's Alpha. Cronbach's alpha reliability coefficient normally ranges between 0 and 1. The closer Cronbach's alpha coefficient is to 1.0 the greater the internal consistency of the items in the scale.

Table 1. Reliability of the result

Variables	Cronbach's Alpha	Interpretation
BUDGETING	0.790	Acceptable
CASH FLOW MANAGEMENT		
Operating Activities	0.886	Good
Financing Activities	0.841	Good
Investing Activities	0.874	Good
SALES GROWTH	0.881	Good
PROFITABILITY	0.913	Excellent
LIQUIDITY	0.925	Excellent

Table 1 shows the reliability analysis to evaluate the internal consistency of various financial management constructs using Cronbach's alpha. The analysis indicated acceptable to excellent reliability across the constructs measured. Specifically, Budgeting showed an acceptable level of reliability, with a Cronbach's alpha of αα=0.790. Cash Flow Management was divided into three subcategories, each demonstrating good reliability: Operating Activities (α= =0.886), Financing Activities (α=0.841), and Investing Activities (α=0.874). The Sales Growth construct also exhibited good reliability, with a Cronbach's alpha of αα=0.881. Profitability and Liquidity also demonstrated excellent reliability, with Cronbach's alphas of α=0.913 and α=0.925, respectively.

These results suggest that the scales used to measure these financial constructs exhibit sufficient internal consistency, as all constructs reached or exceeded the threshold of 0.7, indicating reliable measurement.

2.5 Scaling and Quantification

Table 2. Interpretation for the extent of cash management practices to financial performance of micro-enterprises

Scale	Statistical Range	Description	Interpretation
4	3.28-4.00	Strongly Agree	High Extent
3	2.52-3.27	Agree	Moderate Extent
2	1.76-2.51	Disagree	Low Extent
1	1.00-1.75	Strongly Disagree	No Extent

Pimentel, Jonald. (2019). Some Biases in Likert Scaling Usage and its Correction. International Journal of Sciences: Basic and Applied Research (IJSBAR). 45. 183-191.

Table 2 shows the statistical range, description, and interpretation of the results. The range between 3.28 and 4.00 is described as Strongly Agree (SA) and is interpreted as a high extent. 2.52–3.27 is described as agreeing and thus interpreted as having a moderate extent; 1.76-2.51 is disagreeing and having a low extent; and lastly, 1.00–1.75 is strongly disagreeing and thus has no extent on the financial performance of the respondents.

2.6 Data Analysis

The data derived from the questionnaire items were systematically collected, aggregated, and analyzed utilizing statistical methodologies. The utilization of weighted mean, a descriptive statistical technique, facilitated the quantification of responses pertaining to the research variables outlined in the distributed questionnaire.

2.7 Ethical Consideration

The researchers adhered to ethical guidelines throughout their study, securing consent from respondents, ensuring the confidentiality of responses, and implementing measures to prevent the disclosure of personal information. They maintain academic integrity by appropriately citing sources and authors in their references, thereby avoiding any instances of plagiarism during the survey and data processing.

III. RESULTS AND DISCUSSION

3.1 Descriptive Statistics

Table 3. Extent of the cash management practices of micro-enterprises in terms of budgeting

Indicators	Mean	SD	Interpretation
1. I set aside money for unexpected expenses of my enterprise.	3.26	0.744	Moderate Extent
2. I prepare budgets to help monitor business performance.	3.28	0.641	High Extent
3. I stick to prepared budgets during the implementation.	2.70	0.802	Moderate Extent
4. I avoid non-business expenses.	2.96	0.834	Moderate Extent
5. I regularly review the budget to see if adjustments are needed.	2.99	0.698	Moderate Extent
Overall	**3.04**	**0.539**	**Moderate Extent**

The results indicate that cash management practices regarding budgeting among micro-enterprises are generally at a moderate application level. More precisely, the budgeting to monitor the performance of the business had a high extent of application. This suggests that, while micro-enterprises are actively engaged in budgets to track performance, other budgeting practices such as setting aside unexpected funds, adhering strictly to a budget, avoiding non-business expenses, and periodic review of budgets for adjustments are only done to a moderate extent. These results imply that while micro-enterprises recognize the importance of budgeting, the implementation may need to be completed, particularly in adhering to budgets and reviews. This deficit, as disclosed by Kasim & Antwi (2015), contributes to the financial instability of micro-enterprises and thus requires more discipline and enforcement in budgeting. More consistency in budget management may improve financial resilience, leading to a better financial planning capacity and stability within micro-enterprises, and hence the need for adequate support or training on budget practices among such institutions. [12]

Table 4. Extent of the cash management practices of micro-enterprises in terms of cash flow management from Operating Activities

Indicators	Mean	SD	Interpretation
1. I can easily manage the day-to-day operations of my enterprise.	3.23	0.614	Moderate Extent
2. I easily manage the money coming in and out.	2.81	0.946	Moderate Extent
3. I make sure my enterprise always has enough money coming in.	3.02	0.638	Moderate Extent
4. I adjust spending based on the cash flow available each month.	2.90	0.678	Moderate Extent
5. I avoid spending more money than my enterprise earns.	2.87	0.766	Moderate Extent
Overall	**2.97**	**0.537**	**Moderate Extent**

In short, cash management practices, from the perspective of the cash flow from the operating activity, generally resulted in moderate results. Correspondingly, this ability concerning the management of daily operations indicates that these micro-enterprises believe in managing routine work for continuity. This agrees with the works of Atieh et al. (2020) and Lyon (2024), which indicate that the routine management of cash inflows and outflows is essential in maintaining liquidity, hence sustaining the continuity of operations [30] [13]. According to Ouma (2021), the practice has been instrumental in achieving financial stability; proficient operating cash flow management ensures growth with a low risk of interruption [31]. However, the challenges in managing cash inflows and outflows reveal certain areas for improvement in the more extended cash flow management strategies. This relates to research by Nyamwange et al. (2017), who noted that irregular income and unanticipated expenses often pose difficulties for micro-enterprises. [32]

Table 5. Extent of the cash management practices of micro-enterprises in terms of cash flow management from financing activities

Indicators	Mean	SD	Interpretation
6. I make sure my enterprise has enough cash saved up.	2.96	0.781	Moderate Extent
7. My enterprise cash flow is positively improving.	3.10	0.594	Moderate Extent
8. I ensure that my enterprise has extra cash after paying expenses.	3.16	0.577	Moderate Extent
9. I regularly update cash flow plans to prepare for the future.	2.69	1.003	Moderate Extent
10. I make sure the money going out is balanced with the money coming in.	2.88	0.792	Moderate Extent
Overall	**2.96**	**0.584**	**Moderate Extent**

The cash management practices of micro-enterprises concerning cash flow management from financing activities were generally moderate. Among the indicators, ensuring extra cash remains after expenses suggested that micro-enterprises prioritize maintaining surplus funds. The respondents prioritize maintaining surplus funds and savings to overcome financial problems. This agrees with the findings of Athia & Hermawan (2023) and Paul (2015) that excess liquidity arises when inflows exceed outflows. However, such a practice as regularly updating the cash flow plan reflects only fair consistency [33] [16]. Most businesses periodically update cash flow plans, tracking income and expenses to forecast future needs (Ouma, 2021) [31], an aspect of micro-enterprises in Baco that falls short. Improvements in this area can enable enterprises to set sales targets, generate financial reports, and improve decision-making, stability, and growth.

Table 6. Extent of the cash management practices of micro-enterprises in terms of cash flow management from investing activities

Indicators	Mean	SD	Interpretation
11. I regularly check my enterprise's credit rules.	2.80	0.976	Moderate Extent
12. I try not to give too much credit to customers.	2.77	0.997	Moderate Extent
13. I turn extra items I do not need into cash.	2.81	0.551	Moderate Extent
14. I adjust cash flow plans when needed to keep the money flowing smoothly.	2.58	0.922	Moderate Extent
15. I keep updating my enterprise's cash flow records.	2.56	1.000	Moderate Extent
Overall	**2.70**	**0.534**	**Moderate Extent**

The extent of cash management practices among micro-enterprises in terms of cash flow management from investing activities has an overall moderate extent of application. The results suggest that while microenterprises engage in basic investing-related cash management practices, there may be an opportunity to strengthen ongoing cash flow adjustments and record-keeping. Enhancing these practices could lead to more efficient cash utilization and improved investment capacity for future growth. Many enterprises convert excess inventory into cash by selling items at lower prices to maintain liquidity, aligning with Paul (2015) [16] and Ouma's (2021) [31] emphasis on converting assets, particularly inventory, for covering expenses, investing in growth, and maintaining profitability.

Table 7. Extent of cash management practices to financial performance in terms of sales growth

Indicators	Mean	SD	Interpretation
1. My enterprise's sales level has been growing over time.	3.01	0.653	Moderate Extent
2. Gaining new customers increases my sales.	3.07	0.713	Moderate Extent
3. My enterprise generates sufficient cash through sales that meet immediate obligations.	3.10	0.640	Moderate Extent
4. My enterprise continues to increase its sales despite having competition.	2.88	0.665	Moderate Extent
5. My enterprise meets its sales targets consistently.	2.63	0.685	Moderate Extent
Overall	**2.94**	**0.473**	**Moderate Extent**

The extent of cash management practices related to financial performance in terms of sales growth shows a moderate level of achievement overall. These findings suggest that while micro-enterprises moderately achieve sales growth and cash generation, consistent target attainment and competitive sales growth are areas that could benefit from enhanced strategic planning to strengthen financial performance in the face of competition. This indicated that micro-enterprises experience moderate sales growth, occasionally meeting sales targets. Regular customers primarily drive growth, providing consistent demand and stable cash flow (DealHub Experts, 2023) [19].

Table 8. Extent of cash management practices to financial performance in terms of profitability

Indicators	Mean	SD	Interpretation
1. My enterprise has grown significantly in terms of operating profits over the last three months.	2.78	0.762	Moderate Extent
2. The profits from my enterprise are higher compared to the liabilities.	3.10	0.678	Moderate Extent
3. The profit of my enterprise has been increasing over time.	2.91	0.656	Moderate Extent
4. The revenue of my enterprise often exceeds the expenses it incurs.	2.87	0.634	Moderate Extent
5. Lowering the cost of producing my products increases my profit.	3.22	0.685	Moderate Extent
Overall	**2.97**	**0.432**	**Moderate Extent**

The extent of cash management practices with financial performance concerning profitability indicates moderate profitability achievement. The findings imply that while micro-enterprises demonstrate a moderate capacity to manage profitability through cost control and maintaining positive profit margins, there is room for improvement in achieving consistent profitability growth. Strengthening practices in cost control and revenue generation could further enhance overall profitability. The profitability risks confirm entrepreneurs' need to use better tools and techniques to manage their finances (Mendoza, 2015) [34]. According to the respondents, this profitability is attributed to their effective management of operating costs and their practice of buying in bulk or wholesale, which helps minimize production costs and maximize profit margins. In alignment with Juniarti (2014), profitability reflects the enterprise's ability to manage resources effectively to yield income that exceeds its costs. [35]

Table 9. Extent of cash management practices to financial performance in terms of liquidity

Indicators	Mean	SD	Interpretation
1. My enterprise has enough cash to cover its day-to-day expenses daily.	3.12	0.642	Moderate Extent
2. My enterprise avoids situations that could lead to financial problems.	3.15	0.663	Moderate Extent
3. My enterprise is financially secure and steady.	2.83	0.634	Moderate Extent
4. My enterprise does not face the risk of going bankrupt.	3.21	0.506	Moderate Extent

5. My enterprise can quickly convert its assets into cash if needed.	2.72	0.811	Moderate Extent
Overall	**3.01**	**0.420**	**Moderate Extent**

The extent of cash management practices related to financial performance in terms of liquidity demonstrates a moderate level of liquidity management among micro-enterprises. Enterprises are assured that they can cover the day-to-day expenses. This indicates that enterprises have enough money to cover short-term obligations. Contradictory, while the enterprises can manage their daily operation, these enterprises lack financial security in the long run. As enterprises should only keep productive assets and less on idle assets, enterprises' inability to quickly convert the assets to cash could decrease the efficiency of an enterprise's possible productive assets (Wild, 2017) [36]. Onyango (2023) mentioned that liquidity is one of the main objectives of maximizing an enterprise's wealth; a lack of this aspect would harm the enterprise. [6]

Table 10. Result of correlation analysis Relationship between the extent of cash management practices and the financial performance of micro-enterprises

Cash Management Practices	Financial Performance	rho	Interpretation	pvalue	Decision	Conclusion
Budgeting	Sales Growth	.506*	Strong	.000	Reject Ho	Significant
	Profitability	.536*	Strong	.000	Reject Ho	Significant
	Liquidity	.526*	Strong	.000	Reject Ho	Significant
Cash Flow Management	Sales Growth	.648*	Strong	.000	Reject Ho	Significant
	Profitability	.558*	Strong	.000	Reject Ho	Significant
	Liquidity	.589*	Strong	.000	Reject Ho	Significant

The table presents the relationship between cash management practices and the financial performances of micro-enterprises, using Spearman's correlation due to non-normality in the data distributions. All the cash management practices, budgeting, and cash flow management are positively and significantly correlated with all the financial performance indicators: sales growth, profitability, and liquidity at the 0.05 percent level.

Specifically, budgeting is strongly correlated with sales growth (rho = .506, $p < .001$), profitability (rho = .536, $p < .001$), and liquidity (rho = .526, $p < .001$). Similarly, cash flow management shows an even stronger association with sales growth (rho = .648, $p < .001$), profitability (rho = .558, $p < .001$), and liquidity (rho = .589, $p < .001$). All the correlations lead to rejecting the null hypothesis, which means a significant association exists between cash management practices and financial performance. The results imply that proper budgeting and cash flow management are crucial in improving financial performance among micro-enterprises. The high correlations imply that micro-enterprises practicing them will likely witness growth in sales, increased profitability, and good liquidity. This points to structured cash management approaches for stability and performance gains, thereby underlining various benefits accruable to a micro-enterprise that prioritizes such financial strategies.

IV. CONCLUSION

1. Micro-enterprises have difficulty adjusting their spending depending on the available cash. In addition, the enterprises face problems in monitoring the inflows and outflows of cash. An issue in adjusting the cash flow is also present as the micro-enterprise owners mostly fail to do so.
2. Cash management practices positively impact the financial performance of the micro-enterprises. Microenterprises struggled to meet the sales target and operating profit consistently resulting in instability. Issues in quickly converting assets into cash were also experienced. Moreover, cash management practices directly affect the sales growth, profitability, and liquidity of the micro-enterprises which also contribute to the overall financial health of the enterprises.
3. There is a positive relationship between all cash management practices and financial performance, specifically, budgeting is strongly related to sales growth, profitability, and liquidity. Furthermore, cash flow management shows a better relationship with sales growth, profitability, and liquidity. This indicated that effective budgeting and cash flow management enhance the financial performance of the micro-enterprises. Micro-enterprises that focus on more structured cash management practices are likely to achieve financial stability through improved sales growth, profitability, and liquidity. The results thus strengthen the sense for

micro-enterprise firms to adopt and strengthen these practices as they form the foundation strategies for sustainable growth in the face of improved financial performance.

4.1 Recommendation

In the context of the study's conclusion, the researchers recommended the following:

1. Micro-enterprises should place a stronger emphasis on sticking to and following their budgets and conducting regular reviews. Establishing clear budgeting frameworks, with regular updates, can help improve the consistency of budget implementation and better track financial performance. Microenterprises need to enhance their cash flow management by focusing on the monitoring of both inflows and outflows, adjusting spending based on availability, and avoiding spending more than they earn. Implementing more precise cash flow tracking tools and regularly reviewing cash flow will increase their efficiency.

2. Micro-enterprises should enhance strategic planning to improve consistent target attainment and competitive sales growth. They can work towards sustainable financial performance and resilience in a competitive landscape by developing more robust plans to reach sales targets and strengthen their market position. Practices like cost control and revenue generation should be focused on continuously and efficiently to achieve the desired long-term profitability and improve financial performance. Microenterprises should focus on more money-generating assets than idle ones. Through this, they will be able to maximize profits while decreasing the chances of low liquidity due to the inability to liquefy idle assets.

3. Micro-enterprises should improve their cash management practices to achieve better financial performance. They should participate in workshops to learn proper budgeting, record-keeping, and cash flow management. As a result, micro-enterprise owners will gain focus on balancing inflows and outflows, avoiding overspending, and reviewing and updating their financial plans regularly.

4. Further studies can consider adding other cash management practices not included in this study to have a better measurement of the financial performance of the micro-enterprises and focus on a broader scope like uncontrollable risks faced by the enterprises and how they navigate it to identify other factors affecting the financial performance.

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