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Desktop Study of The Extent to Which Financial Management Practices Impact on an Organization's Financial Performance

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ABSTRACT

The purpose of this desktop research methodology was to ascertain extent to which financial management practices impact on an organization's financial performance. We have located the research of this paper within a qualitative approach. This decision was informed by the fact that this paper is not interested in the quantification of data. But its main interest lies in the painting of qualitatively rich picture of the phenomena being studied within the context of limited respondents. To this end, the problem of this study is explained descriptively and theoretically for the purpose of generating a crispy understanding of the impact of financial management practices on an organization's financial performance. Among others, these sources included journal articles, books, magazines and newspapers in the area of media related to the Gambia. It was discovered that the financial management strategies had a substantial impact on an organisation's financial performance.

Keywords: Internal Audit Function, Parastatal, Corporate Governance, NSSA.

1. INTRODUCTION

This decision was informed by the fact that this paper is not interested in the quantification of data. But its main interest lies in the painting of qualitatively rich picture of the phenomena being studied within the context of limited respondents (Hall, 2007; Maserumule, 2011; Baugh & Guion 2016). To this end, the problem of this study is explained descriptively and theoretically for the purpose of generating a crispy understanding of the impact of financial management practices on an organization's financial performance. Among others, these sources included journal articles, books, magazines and newspapers in the area of media related to the Gambia. It was discovered that the financial management strategies had a substantial impact on an organisation's financial performance.

2. THEORETICAL LITERATURE

Financial management techniques are explained by a variety of ideas. The technological adoption model, transaction costs of working capital theory, and pecking order theory are the main topics associated with this section.

2.1.1 Transaction cost of working capital

The idea includes working capital activities and levels as well as the implications of transaction cost theory. A transaction occurs when a good or service is exchanged across an interface separated by technology, which can take place inside or outside the business (Ongosi & Otinga 2020). Williamson (1985) asserts that the existence of enterprises is due to the transaction costs associated with employing the market's price mechanism. The author continued by saying that cost-cutting organizations must create value management systems in order to keep track of transactions. Additionally, in order to fulfil the transaction purpose, which is the need for cash on hand in order to pay bills, cash is necessary (Ongosi & Otinga, 2020). They continued by stating that transactional demands are the result of the company's efforts to collect, and that dividends, trading commitments, wages, and salaries are all examples of cash disbursement. The author also claimed that something is transaction particular if it cannot be used for another purpose without losing a significant amount of value.

2.1.2 Pecking order theory

It contends that when available, internal funding sources are preferred over external financing sources, and debt is favoured over stock as an external financing source (Ahmad & Atniesha, 2018). There is no best capital structure for a firm to have, and there is no preference between internal and external sources, claim Myers & Majluf (1984). Equity and debt are categorized as external capital, whereas retained earnings are categorized as internal capital. Atniesha (2018) cites the pecking order theory, which contends that retained earnings are preferred above debt and equity when deciding on capital structure. The mix for the capital structure is not based on the debt-to-equity ratio. Information is lacking for creditors, managers, and investors. Managers are aware of the risks and true value of the company. On the other hand, investors base their evaluation of the company on the share price.

2.1.3 Modigliani and miller model

Choosing between debt and shares is a decision that the Modigliani-Miller theorem addresses particularly in terms of corporate finance. There is no ideal level of debt in relation to the company's resources since it establishes the circumstances under which the choice to issue debt or shares to finance a specific level of investment has no impact on the company's value. The Modigliani-Miller theorem is one of the most significant findings in the last fifty years of the evolution of the financial economy, which among other things has undoubtedly not been devoid of noteworthy contributions to the theory of finance (Giglio, 2022).

2.2.1 Working capital management practices and financial performance

Working capital management, according to Nareswari & Nurimasari (2021), is a routine task that will determine the company's resource availability. “Working capital management is defined as the routine operational activities to ensure that adequate funds are offered and carried out by a company, according to (Nthenge & Ringera, 2017). Working capital is also defined as the short-term assets of an entity. The financial performance of a corporation depends on working capital management since it illustrates the relationship between liquidity and profitability (Alvarez et al., 2021). Businesses need to be aware of how assets and short-term obligations interact in order to survive and expand as well as to lessen the likelihood of financial problems. According to Paul & Mitra (2018), the goal of working capital management is to maximize profits and reduce the danger of not being able to settle approaching short-term debt. The four elements of working capital are cash, inventories, accounts receivable, and account payable.

Working capital management can be identified internally by organization-specific factors like size, age, profitability, growth in revenue, market share, operating risk, and operating cash flow. It can also be identified externally by macroeconomic factors like the gross domestic product, rate of interest, and tax rate. Financial performance is a gauge of how effectively a company can use its resources to generate revenue in its main mode of operation. Financial performance can be used to assess an organization's long-term financial health and to compare it to other companies in the same industry (Nthenge & Ringera, 2017). Matongo (2017) asserts that profitability ratios, liquidity ratios, and efficiency ratios are the three most crucial presentation indicators.

Given its significant impact on business profitability, working capital management is a crucial consideration that all organizations must make, according to Potwana et al. (2022). The choice regarding working capital is even more crucial because it ultimately increases the worth of the company and the wealth of the shareholders.

Using a descriptive and inferential methodology, Potwana et al. (2022)’s study examines the relationship between the policy frameworks of the five JSE-listed South African clothing retailers and the profitability of the working capital components over a seventeen-year period (i.e. 2003 – 2019). The study discovers a strongly negative association between company profitability and inventory turnover, payables repayment, and the cash conversion cycle when looking at the working capital management (WCM) components. However, there is a strong correlation between profitability and the collection of outstanding receivables. Therefore, in order to boost profitability, clothing companies operating in the South African market should focus on increasing inventory turnover and implementing an extended payables management strategy, while also managing their investment in accounts receivable in a way that promotes growth in both sales and profits. According to the study, an aggressive working capital policy has a high negative correlation with profitability. An aggressive working capital financing strategy will hurt profitability and reduce the value of the company. A conservative WCM approach, on the other hand, is positively and significantly associated with increasing profitability. In order to boost profitability, South African textile companies are encouraged to invest more in current assets.

Working capital management and profitability of Nigerian manufacturing businesses were compared from 1988 to 2019 by Oladipo et al. The study's findings suggest that cash and bank balances, trade payables, and trade receivables had a positive and significant impact on Nigerian manufacturing firms. The autoregressive distributed lag technique was used for data analysis. Additionally, Wambia &Jagongo (2020) investigated working capital management in Kenya. The research design included a sample of 47 insurance companies and was descriptive. Data was gathered by a questionnaire survey, and it was then analyzed using social science-specific statistical tools. The choice of working capital management, they concluded, has a positive effect on the financial performance of insurance organizations. Kader & Khan (2019) did another empirical study on the effect of financial management methods on the financial performance of insurance businesses in Bangladesh using a sample of 52 enterprises. The findings indicate that whereas fast and current ratios have a strong, significant, and positive impact on the profitability of deposit money institutions in Somalia, cash ratio has a big, significant, and negative impact on bank performance.

Research on the effect of financial management techniques on the financial performance of Kenyan microfinance firms was done by Ongosi and Otinga in 2020. They looked into how asset management, dividend distribution, working capital management, and financial reporting affect financial performance. A sample size of 48 institutions was used in the descriptive research design for the study. The findings show that working capital management has a significant and advantageous impact on financial success. The research advised management to adopt good working capital management procedures in order to increase their efficiency and financial performance.

Although they conducted research on the effects of non-linear working capital on business performance and examined the variations in the level of optimal working capital across financially restricted and unconstrained enterprises, Nareswari & Nurimasari (2021) offer a different perspective. The information was derived from OSIRIS using observational data from 2010 to 2019. The net trade cycle serves as a proxy for working capital. Fixed effect regression and random effect regression models for panel data are used in this study. When ROA and ROE are used as performance proxies, the study's findings indicate that working capital has a non-linear effect (U-shaped inverted) on firm performance, indicating that the company has an ideal level of working capital. The result also shows that organizations with lower optimal working capital, as measured by cash flow, interest coverage, and the cost of external financing, are those that are not financially limited, suggesting that non-financially constrained enterprises take advantage of working capital's benefits more.

The aforementioned research demonstrates a relationship between working capital management practices and organizational financial success, notwithstanding some adverse relationships. The studies, however, were based on international research, so the current study aims to analyze this association at a local level. Here are a few working capital management factors.

2.2.2 Cash management practices

According to Mrefu & Gichure (2022), managing cash in a business entails managing the ability of the entity or firm to acquire assets, service business debts, meet operating expenses, and control operations. Effectively translated, this translates to proper cash management practices, which are associated with the ability of firms to realize their mission, goals, and objectives. With a primary focus on cash internal controls and cash and cash equivalents as some of the research independent variables, Mrefu & Gichure (2022) investigated the impact of cash management methods on the performance of manufacturing firms listed at the Nairobi Securities Exchange, Kenya. The return on assets ratio was used to gauge the performance of manufacturing companies registered on the Nairobi Securities Exchange in Kenya. The Monetary Theoretic

Approach to Cash Management and the Financial Theoretic Approach to Cash Management were the key study hypotheses. According to CMA data, the study's scope was established to comprise seven (7) listed companies from the manufacturing and Allied sector of the NSE. Correlational research methodology was applied to answer the study's research objectives. The capital Markets Authority-approved audited and published financial statements of the listed manufacturing firms for the seven-year period starting in 2015 and ending in 2021 were downloaded in order to obtain the data. The analysis's findings demonstrated that independent variables significantly impacted the performance of the listed companies. Additionally, the study offered suggestions for management to take into account for upcoming decision-making processes for each of the variables.

In addition, Pangaribuan et al. (2021) conducted a study on the influence of forecasting (FOR) and cash mobilization (CML), two contemporary practices in cash management, on the financial performance metrics of return on assets (ROA) and gross profit margin (GPM) for SMEs in Indonesia. From April to July 2018, the study collected data from 90 SMEs on the Java and Bali islands using a quantitative methodology.

Using a 4-point scale questionnaire, the data were descriptively analysed. To identify significant relationships between the variables, a regression analysis was added. The study discovered that SMEs' owners and managers frequently use forecasting but infrequently use cash mobilization techniques. According to the regression study, there is a substantial correlation between cash management techniques and return on assets (ROA), but not between them and gross profit margin (GPM). Novelty- This study sheds light on how, in the context of SMEs, cash management methods affect financial performance.

The studies that came before this one shows a connection between effective cash management practices and an organization's ability to make money. The studies, however, were based on international research, thus the current study tries to investigate this association at a local level.

2.3 Practices for receivables management

It makes sense to expect that improving working capital will increase profitability if an organization's profitability is impacted by inefficient working capital procedures. Sharif et al. (2021) a study of the account receivables management and performance of pharmaceutical companies in Nigeria was conducted by Olajide & Adobowale in 2022 over a ten-year period, from 2013 to 2021. The study examined the causal relationship between the accounts receivable ratio (ARR), bad debt ratio, and sales growth and performance as evaluated by return on assets. It also examined the impact of the ARR, bad debt ratio, and sales growth on return on assets. The study employed secondary data obtained from selected pharmaceutical companies in Nigeria's annual financial reports for the time under. The study employed secondary data that was gathered from selected pharmaceutical companies' annual financial reports for Nigeria during the study period. Descriptive analysis, correlation analysis, ordinary least squares regression analysis, and Granger causality analysis were used to assess the data collected. The results showed that while the accounts receivable ratio (ARR) had a negative considerable influence on return on assets, the bad debt ratio (BDTR) had an adverse minor impact. However, the study also found that sales growth (SG) had a negligible effect on return on assets. The outcome also demonstrated that there is no causal connection between the accounts receivable ratio (ARR), the bad debt ratio, and the increase in sales and pharmaceutical firms' performance in Nigeria as assessed by return on assets. The outcome also demonstrated that there is no causal connection between the accounts receivable ratio (ARR), the bad debt ratio, and the increase in sales and pharmaceutical firms' performance in Nigeria as assessed by return on assets. According to the study's recommendations, pharmaceutical companies should make sure that their accounts receivable and bad debt are properly managed and maintained at an acceptable level over time. The study suggested that pharmaceutical companies boost sales growth in order to boost earnings and performance over time.

Mbula et al. (2016) are neutral regarding how accounts receivable practices affect an organization's performance, but they did make a suggestion that organizations need to have policies that ensure effective management of long-standing accounts. The relationship between accounts receivable management strategies and financial performance differs by industry, according to Yahaya (2016) research on the pharmaceutical industry, which demonstrates a negative association between those strategies and financial success. Nasieku & Waema (2019) discovered a negative relationship between accounts receivables and financial performance in this situation, with profitability falling as the typical number of collection days increased.

Studies show that the impact of accounts receivable management strategies on financial performance is significantly influenced by credit policies. The current study will investigate the effects of lending policies on the Hwange Colliery Company.

2.3.1 Inventory management practices

Minimizing inventory investment and guaranteeing that the material requirements for efficient production and sales operations are met are inventory management's two main objectives. According to Bhatia's (2016) analysis, there is a trade-off between inventory keeping and a flexible inventory holding policy, which raises holding costs. When there is less inventory on hand, high costs of stock out and ordering rise.

A study on the impact of strategic inventory management practices on the performance of supermarkets in Nairobi County, Kenya, was conducted by Arasa and Odoyo in 2020. The study primarily examined how the performance of supermarkets in Nairobi County was impacted by activity-based costing, lean inventory, vendor-controlled inventory, and e-inventory management systems. Out of the 158 supermarkets that made up the target population, 113 supermarkets were chosen as the sample size. The data were analyzed using multiple regression equations and descriptive statistics in the Statistical Package for Social Sciences (version 21.0). According to the study, effective inventory management practices and supermarket performance are strongly correlated. Particularly, activity-based costing and e-inventory management systems showed the greatest influence on supermarket performance, while lean inventory management solutions had no appreciable effect on performance. The study comes to the conclusion that supermarket performance is significantly enhanced by strategic inventory management practices.

A study on the impact of various inventory management techniques on the operational effectiveness of manufacturing enterprises in Ghana was also conducted by (Opoku et al., 2020). Between November 2019 and February 2020, the survey was done among manufacturing companies in Ghana's metropolises of Accra, Tema, and Kumasi. Methodology: From 246 manufacturing companies registered with the Association of Ghana Industries, 152 managers and officers in charge of procurement and operations were selected at random for the study. The study used structured questionnaires to collect primary data, and mean, standard deviation, and ordinary least square regression were among the statistical tools used for both descriptive and inferential analysis. The survey indicated that, based on 114 genuine replies, Ghanaian manufacturing enterprises preferred Activity Based Costing and Strategic Supplier Partnership more than Just in Time. The results of the ordinary least squares regression analysis demonstrated a significant and positive relationship between operational performance and each of the different inventory management strategies, including just-in-time, strategic supplier partnerships, activity-based costing, vendor managed inventory, economic order quantity, and material resource planning. The study came to the conclusion that strategic supplier partnerships, in particular, play major roles in boosting the operational performance levels of manufacturing enterprises in developing economies, particularly Ghana.

In contrast, Kiptoo et al. (2017) found a negative correlation between the financial success of Kenyan tea processing enterprises and their inventory management strategies. Additionally, Shin et al. (2018) found a negative correlation between optimal inventory levels and firm profitability, with small businesses incurring a bigger negative impact than medium-sized and large businesses.

The researchers focused more on the necessity to consider how effectively these techniques apply to the relevant industry while highlighting differing perspectives on how inventory management practices affect financial performance. On the other hand, accounts payable, inventory control, and accounts receivable are elements of working capital management that have an adverse relationship with financial performance. The application of working capital management strategies has also affected the financial performance of the Hwange Colliery Company, where issues with liquidity and the build-up of accounts receivable have resulted in a minor reduction in reported performance. Furthermore, according to Chebet (2015), businesses should consider more than just profitability when making investments in working capital, which shouldn't exceed equity.

The researchers emphasized various viewpoints on how inventory management procedures affect financial performance, placing more focus on the need to look at how well these practices apply to the relevant industry.

2.3.2 Capital structure practices and financial performance

Combining stock and debt financing is how a company gets the money it needs to grow (Kaderet al., 2019). The debt-to-equity ratio is used to determine the capital structure. The capital structure, which Hirdinis (2019) defines as the amount of corporate leverage (or, more specifically, the percentage of a company's funding that originates from debt), is crucial to an organization's efficiency and performance. To maximize corporate value in accordance with the financing plan for the business, managers must select the optimal ratio of debt to equity. An Indonesian study found that while capital structure has no effect on profitability, it has a favorable impact on business value. Tazvivinga et al. (2021) conducted research on the Johannesburg Securities Exchange, the 16th largest Securities Exchange in the world and a representative of rising economies. Retailing businesses are listed on this exchange. From 2009 to 2018, quantitative data was gathered from 17 retailing companies. Indicating that firm size, firm age, profitability, growth opportunities, and tangibility are the significant determinants of capital structure for listed retailing firms, results from panel regression analysis supported both trade-of and pecking order theories. It was discovered that liquidity was unimportant.

Rajput et al. (2022) used 10 companies in the financial industry ranked by market capitalization to examine the effect of capital structure on firm performance. From 2008 to 2017, the companies were listed on the BSE of the Indian stock exchange. The debt-to-equity ratio was used as an independent variable in the study, and the return on assets, return on equity, earnings per share, return on capital employed, and assets turnover ratio were used as dependent factors. OLS regression testing and the unit root test were used. The analysis found a substantial correlation between the debt-to-equity ratio and earnings per share and return on equity indicators in the general finance sector. Significantly, there is a negative interaction seen between assets turnover ratio, return on assets, and return on capital employed. A vector error correction model was used to apply VAR (Vector Auto-regression). In the general finance industry, there is a significant negative correlation between the debt-equity ratio and the indicators of return on assets, return on equity, earnings per share, return on capital employed, and assets turnover ratio.

According to Amoa-Gyarteng & Dhliwayo (2022), there is a connection between the capital structure and profitability of newly formed small and medium-sized businesses in Ghana. 1106 SMEs registered with the Ghana Enterprises Agency and operating for five years or less make up the study's sample. Regression analysis is used to estimate the functions that link capital structure metrics such the debt-to-equity ratio, equity-to-debt ratio, and return on assets (ROA) and return on equity (ROE). The results demonstrate a strong positive correlation between both profitability indices and the equity and debt to equity ratios. On the other side, it was discovered that there was a bad correlation between profitability and the debt ratio. According to the survey, young SMEs should only use loan if it is combined with internal equity in order to be profitable.

Ajibola et al. (2018) looked into how capital structure affected the financial performance of listed industrial businesses in Nigeria from 2005 to 2014. The finding that capital structure has a positive impact on financial performance was achieved using a panel technique. They suggested that companies take on greater long-term debt. In-depth research was done on the capital structure and financial performance of pharmaceutical companies by (Hung & Cuong, 2020). A sample of 30 companies on the Vietnamese stock exchange were followed from 2015 to 2019. The study used Return on Equity (ROE) as the dependent variable and least squares regression to examine the effect of capital structure on financial performance. The findings show a correlation between financial leverage, long-term asset ratio, and debt to assets ratio that is positive and a correlation between self-financing and corporate performance that is negative. Pharmaceutical firms want to choose a financing plan with more debt than equity. Batchimeg (2017) studied the ratios that impact the financial performance of companies listed on the Mongolian Stock Exchange between 2012 and 2015 using a sample of 100 companies. Return on assets, return on equity, and return on sales are the study's dependent variables; capital structure, profitability, growth, and liquidity are its independent components.

Capital structure, cost structure, and profitability are determinants of financial performance, according to the findings of a panel regression analysis of the drivers of financial performance. Using a sample of 52 firms, Kader &Khan (2019) conducted an empirical study on the impact of financial management practices on the financial performance of insurance businesses in Bangladesh. The analysis of the capital structure and financial performance in the study revealed that the debt ratio is negatively correlated with gross profit, net profit, return on equity, and earnings per share, while the debt to equity ratio is negatively correlated with net profit, return on equity, and price earnings ratio, and the debt to equity ratio significantly affects net profit.

2.3.3 Fixed asset management practices and financial performance

Asset management, according to Porba & Bomantara (2020), is the efficient and effective oversight of current and noncurrent assets with the goal of maximizing profitability. They continued by stating that noncurrent assets are made up of financial, intangible, and tangible assets. The relative impact of non-current asset management on profitability is examined in terms of asset performance, the life cycle system, and decisions on non-current asset replacement or repair. Purba & Bimantara (2020) conducted a study in Indonesia using a sample of companies that were publicly traded on the Indonesian stock exchange and discovered that fixed asset turnover, a measure of fixed asset management, had a favorable and significant impact on financial performance. The profitability of a corporation is greatly influenced by asset management. Oluwaremi & Memba (2016) conducted research on the relationship between asset management and the financial performance of publicly traded companies in Nigeria's industrial sector using a sample of 74 enterprises. Fixed asset management was one of the additional independent variables, while return on assets was the dependent variable. Correlational and regression analysis were performed on the data obtained using the Statistical Package for Social Science (SPSS). The study's conclusions indicate that fixed asset management and corporate performance have a positive and significant link.

Using a sample of 60 SMEs, Jayawardane and Gamlath (2020) carried out an empirical study on the effect of financial reporting practices on the performance of Small and Medium Enterprises (SMEs) in Sri Lanka. Multiple Regression analysis, descriptive statistics, and hypothesis testing were used to examine the relationship between the variables. One of the independent factors utilized to enhance financial performance is fixed asset management. For their investigation into the performance of manufacturing firms in Nigeria, Akinleye & Dadepo (2019) examined 10 publicly traded companies from the years 2012 to 2016. The researcher used regression analysis, correlation, and descriptive statistics to gather and analyze data. Asset utilization and financial performance were found to be significantly and positively correlated.

The study's findings suggest that improved non-current asset management and profitability are supported by performance management. Researchers have shown that in order to ensure that the asset lifecycle system contributes to increased profitability, firms should effectively monitor it. The results show that in order to prevent a decline in profitability levels, the organization must develop a multi-criteria decision-making process to make sure that appropriate asset maintenance and replacement decisions are made at the right time. On the other hand, in order to deliver the best outcomes for the firm, it is necessary to look into asset performance management factors. The current study will instead assess how non-current asset management has impacted Hwange Colliery Company's financial performance.

2.2.4 Influence of investment decision on organisational performance

Investment decisions, often referred to as capital budgeting, are made by the company to allocate its current resources to long-term assets most effectively in anticipation of anticipated rewards over a number of years (Nkuhi, 2015). Long-term asset replacement, upgrading, and expansion are all examples of investment decisions. There are two ways to analyze investment decisions: non-discounted cash flow techniques and non-discounted cash flow techniques. Effective investment plans are determined using both quantitative and qualitative methodologies.

In Uganda, with a focus on Central Uganda, Turyahebwa et al. (2022) investigated the connection between capital structure, investment choice, and financial performance of SMEs. The study used a cross-sectional, descriptive, and correlational design. In Central Uganda, 226 SMEs made up the sample size. The statistics show a reasonably substantial positive link between the financial performance of SMEs and their capital structures and investment decisions. The results show that capital structure and investment decisions can predict changes in the financial performance of small and medium-sized firms in Central Uganda with an accuracy of up to 66.2%. The results show that the capital structure and investment decisions model fits and definitions for the financial performance of SMEs in Uganda are good. The model covers investment options and their ability to estimate financial performance of SMEs in Uganda, as well as four capital structure proportions—equity, long-term debt, and short-term debt. Return on assets (ROA) and investment choices are strongly correlated with each other and with greater financial success. The report suggests a suitable combination of capital structures together with deliberate investment choices to improve the financial performance of SMEs in Uganda. The results of the study, which was based on the Pecking Order theory as well as the Modigliani and Miller theory, show the behaviors that managers exhibit while making decisions about capital structure and investment decisions. Due to this, the SMEs in Uganda's capital structure, investment choices, and financial performance are all Mbevi & Opuodo (2022) conducted a study on the effects of investment decisions on the financial performance of manufacturing companies listed on the Nairobi Securities Exchange. The precise objective is to determine how decisions about renewal and expansion affect the financial performance of industrial enterprises listed on the Nairobi Securities Exchange. The study used current portfolio theory and resource-based theory to provide an empirical analysis of the chosen variables. The population of the observations, which covered the years 2015 to 2019, consisted of nine NSE-listed manufacturing and associated enterprises. As analytical tools to assist interpretation of the relationship of the study's chosen variables, correlation and regression analysis were undertaken. The study found a strong relationship between investment decisions and the financial performance of Kenya's listed industrial enterprises. The study also showed that the decision to expand had a negative impact on the performance of equity return. The implication was that expanding leads to higher expenses, which have a detrimental effect on financial success. This demonstrates the relevance of average investment decisions in analyzing the financial performance of Kenya's listed manufacturing enterprises. The study's findings support the need for businesses, particularly those involved in the stock market, to have management policies that support decisions about renewal and expansion and invest significant resources in this direction in order to boost financial performance.

Niyonsaba (2016) investigated how corporate investment decisions affected business performance, and the results of the study demonstrated how investment assessment methodologies impacted financial performance. On the basis of a sample size of 70 employees, Mashosh et al. (2015) also looked into the impacts of capital budgeting investment choices on organizational performance in Rwanda. The study found that investment choices influence organizational performance favorably and Investment choices have an impact on an organization's growth rate, operating costs, rather than share maximization and cash flow.

The literature suggests that investment decisions should be based on a better comprehension and application of evaluation procedures in order to ensure greater financial performance.

2.3 Impact of financial management practices on financial performance

Working capital management is considered as a highly important factor in evaluating the performance of organizations, according to Njoroge & Opuodo (2022). The impact of particular financial management practices on the financial performance of Kenyan commercial banks was studied by Njeri & Muiru (2021). The specific goals of the study were to ascertain the impact of working capital management, credit risk management, liquidity management, and capital structure management on the financial performance of commercial banks in Kenya. Research methodology: A descriptive research design was used. A census technique of sampling was used, and the study units were all 43 commercial banks. According to the study's findings, liquidity management significantly improved the financial performance of Kenya's commercial banks. To ensure that liquidity issues are promptly identified, it is crucial to measure liquidity risk. The study comes to the conclusion that capital structure management technique significantly improves the financial performance of Kenyan commercial banks. The research discovered a strong positive significant relationship between credit risk management approach and the financial performance of Kenyan commercial banks. The study comes to its logical conclusion by stating that working capital management practices significantly improve the financial performance of Kenyan commercial banks. The research suggests that banks' management should ensure that they maintain high levels of liquidity in order to maintain competitive performance. This is a unique contribution to theory, policy, and practice. Commercial institutions need to have a workable capital structure in place that takes into account issues like flexibility and how well the capital structure should be adapted to changes in the capital market.

Additionally, Edouard (2021) conducted research on the association between Rwandan private insurance companies' financial performance and their methods of financial management. It was motivated by the following specific objectives: to ascertain the impact of financial management methods on the return on equity (ROE), return on assets (ROA), and return on investment (ROI) of insurance companies in Rwanda. The study came to the conclusion that working capital management, capital structure management, and financial reporting analysis had a significant positive influence, whereas fixed asset management had a negative impact on the financial performance of private insurance companies in Rwanda.

Njoroge & Opuodo (2022) looked into the connection between working capital management strategies and financial results of registered real estate developers in Kenya. The study specifically aimed to look into the relationship between registered Kenyan property developers' financial performance and the management practices of creditors, debtors, inventory managers, cash managers, and creditors. The study's primary foundations were the Agency Theory, Working Capital Management Theory, Trade-off Theory, and Pecking Order Theory. The research's sample consisted of 76 registered Kenyan property developers. The results of the descriptive and inferential statistical analyses of the acquired data were presented as tables and figures. The results of the investigation demonstrated a favorable and significant correlation between the financial results of registered Kenyan property developers and their procedures for handling cash, debtors, creditors, and inventories. The study came to the conclusion that there is a positive and significant association between real estate developers' financial performance and their strategies for managing cash, debtors, creditors, and inventory. The study advises registered Kenyan property developers to improve their practices in cash management, debtor management, creditor management, and inventory management because these areas are directly and significantly related to the property developers' financial performance.

Fijabi et al. (2022), looked into how financial management methods affected the success of listed Nigerian manufacturing and oil and gas companies. In order to ascertain whether manufacturing enterprises' financial management procedures and return on equity differ considerably from those of oil and gas companies, the study particularly evaluated these practices. Ex post facto research methodology was applied. Data for the years 2006 to 2020 were taken from the annual reports and balance sheets of the sampled businesses in both sectors. To choose a sample from 52 manufacturing firms and 11 oil and gas firms, a purposive simple random sampling method was used. The results demonstrated that listed manufacturing and oil and gas enterprises' return on equity was significantly impacted by strategic financial management strategies. The regression analysis's findings showed that both sectors' return on equity and debt financing have a positive but unimportant link. Investment activities, dividend payments, working capital, and total asset turnover had a negative impact on manufacturing firms' return on equity but a good impact on Nigeria's oil and gas companies. Before investing their hard-earned funds, the study advised investors to take into account the proper factors that would help them choose a sector for investment purposes.

2.4 Gap analysis

A critical analysis of the literature found that different variables, both dependent and independent, and methods were utilized. Researchers were especially interested in the effect of financial management strategies on financial performance in Kenya, Somalia, Sri Lanka, and primarily Nigeria. With some having no effect and others having a little effect, the effect results show a positive and significant influence. Depending on the industry in which an enterprise operates—including banking and finance, insurance, agriculture, and manufacturing—different results apply. In light of all of that, it would appear that there are still some writings on mining businesses in Zimbabwe that need to be examined.

2.5 Research findings

2.5.1 The study's goal was to investigate the effects of financial management practices on the profitability of Hwange Colliery Company. According to the conclusions of the study, there is a strong significant relationship between financial management techniques and financial performance. Working capital management, non-current assets, capital structure, and investment decisions are all connected to a business's strategic success, according to the study results.

2.5.2 According to the results, working capital mobility has a significant relationship with profitability. With the exception that the firm has had severe cash constraints, the firm's cash management strategies have been effective in this regard. However, there was criticism about the credit laws' inadequacy and the absence of a credit management division which led to lengthy debtors.

2.5.3 The correlation coefficient implies that fixed asset management techniques are related to the financial performance of Hwange Colliery Company. Hwange colliery Company's fixed asset processes were judged effective, with the exception of the implementation of an asset performance management system, which received a negative reaction. Furthermore, exorbitant maintenance expenses have impacted the organization's current success that must be decreased in order to boost profitability.

2.5.4 The analysis found a relatively positive relationship between investing approaches and corporate profitability. The study's findings show that Hwange Colliery Company's investment methods were compatible with usual acceptable financial investments, as it employed suggested project assessment methodologies, net present value and payback time are two examples.

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