

The Effects of Financial Management Practices on SMEs Financial Performance: Evidence of Nangarhar, Afghanistan

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Abstract: Small and Medium Enterprises (SMEs) contribute towards the key aspects of the economic growth and development of a country. For the successful development and survival of small and medium enterprises, sensible financial management practices are largely recognized as the key elements for the profitability and sustainability of a small-scale business. The purpose of the study is to examine the effects of financial management practices on the financial performance of small and medium enterprises in the service sector of Province Nangarhar, Afghanistan. Questionnaires were used to collect primary data as per the need of the study. The survey involves 300 employees of small and medium enterprises of the service sector for the empirical examination of the financial management practices such as accounting Information System, Financial Information System, and Working Capital Management over the financial performance; out of which 287 respondents were found satisfying. Descriptive, correlation & regression analyses were used to analyze the data. Results revealed that good financial management practice is a backbone to small and medium enterprises' profitability. The study found that financial management practices such as Accounting Information System (AIS) and Working Capital Management (WCM) have a positive significance except the Financial Information System (FIS) on financial performance (FP). Accordingly, policymakers are recommended to design a supportive policy for small and medium enterprises as far as the variables are concerned. The study recommends that the financial practices of Accounting Information systems, Working Capital management are to be given core consideration along with consideration towards other Financial Practices by the management of SMEs specifically at Jalalabad, Nangarhar, Afghanistan. By improving the financial performance of the small and medium businesses, the employees need to be aware of the accounting-related soft wares with the introduction of modern techniques of how to handle financial transactions for the sake of reliability and timely accurate reporting system.

Keywords: SMEs, Financial Performance, Financial Management Practices.

INTRODUCTION

The Core contribution of Small and Medium-sized Enterprises (SMEs) towards the overall economic boom and sustainability cannot be ignored (Muneer, Ahmad & Ali, 2017). Small and medium-sized business organizations are those where certain limits of personnel are employed. It is dependent upon every country whether the enterprises are considered on assets, sales, employee strength, or the combination among these. It is different for every industry. There are countries where most of the businesses are SMEs. Financial performance is decisive for the survival of SMEs. Small & medium businesses also play an important role regarding labor absorption, market penetration, and expand economies in innovative ways. In both advanced and developing economies, small and medium businesses are considered as the "engines of growth" and a key source of innovation, flexibility, and dynamism" for their colossal share towards total Enterprise and many contributions to new market development & job creation, actual GDP growth, and poverty reduction (Hailu & Venkateswarlu, 2016). SMEs are really important towards the future financial sustainability and the unceasing evolution of a modern knowledge-based economy. For

the successful development and survival of SMEs; financial management has an important key role as it has been largely recognized by the various previous studies conducted in the very areas of financial management. Financial management of Working capital, Capital structure, and Investment practices are identified as having no clear relationship with profitability. Their study concludes that financial and accounting knowledge, the capacity of dealing with financial statements, and the owner-manager attitudes & involvement regarding financial aspects of the organization are decisive towards the financial performance (Gwalior & Gadekar, 2017). Karadag (2015) stated the drivers for the socio-economic growth are considered as Small & Medium Enterprises (SMEs), even in advanced and developing countries. Turkey is a country where almost 99.9 % of enterprises are small & medium-sized. Therefore; the significant contribution of SMEs is extremely higher for the Turkish economy and society as compared to other developing and developed economies. Many numbers of challenges are faced by Small and Medium-sized Enterprises that aroused many problems and are recognized as the main reasons for failures of small and medium-sized businesses; this is the poor management of financial practices. But certain main issues are impeding the growth of SMEs in Afghanistan such as the uncertain and unpredictable environment of the businesses, weak capacity of initiative towards industrialization, poor or no market access, what the education system offers, and a lack of vivid connection between the market needs. As the whole focus is to realize the causes and solutions of the poor management of small and medium-sized businesses, the study is centered to organize a logical framework that will help us know how to improve the performances of Small and Medium Enterprises in Afghanistan, using Nangarhar Province as the organization of the study. This current study is aimed at the impacts of practices of financial management on Small and Medium Enterprises at Jalalabad city Nangarhar. The financial management practices constructs for the study are Accounting Information System, Financial Information System, and Working Capital Management (WCM). The main purpose of the study is to clarify the relationship between financial performance and financial management practices of SMEs in Nangarhar, Afghanistan. The literature above reflects that the above financial practices are mostly considered to be significant towards the financial performance of SMEs, therefore; the first reason behind this study is to find out whether these practices are significant with the financial performance of small and medium enterprises at Nangarhar, Afghanistan. Secondly; in Nangarhar province, most of the enterprises are in the service sector, therefore; it is to check the impact of financial management practices on the Financial Performance of service enterprises at Nangarhar, Afghanistan.

PROBLEM STATEMENT

As it is observed throughout the literature that small and medium business organizations are facing some challenges but “poor financial practices” such as (Financial Information systems, accounting information systems & Working Capital Management practices) are the major causes of arising problems such as low financial performance which tends to business failures in SMEs even in Afghanistan. This relation of the financial performance and practices of financial management of SMEs in Nangarhar, Afghanistan has not yet been clarified so it is not obvious how financial practices have affected the financial performance of SMEs irrespective of other major challenges in Afghanistan.

Therefore; the current study aims to specify the relationship of Financial Information System (FIS), Accounting Information System (AIS), and Working Capital Management (WCM) on Financial Performance (FP) of SMEs in the service sector of Nangarhar, Afghanistan.

RESEARCH OBJECTIVES

- [1] Identifying financial management practices affecting SMEs' Financial Performance in Nangarhar, Afghanistan
- [2] Investigating the identified financial management practices affecting SMEs' Financial Performance in Nangarhar, Afghanistan.

RESEARCH QUESTIONS

- [1] Which type of financial management (FM) practices affect SMEs' Financial Performance (FP)?
- [2] Whether the identified financial management (FM) practices influence SMEs' Financial Performance?

LITERATURE REVIEW

The most profitable business organizations which take a great part in boosting the economy of any country are Small and Medium Enterprises. SMEs are those firms where certain limits of personnel are employed. It is dependent upon every country whether the enterprises are considered on behalf of assets, sales, employees' strength, or the combination among these. It is different for every industry. There are countries where the majority of businesses are SMEs. Financial Performance is most important for the survival of SMEs. The very profitability is only achieved through core consideration towards financial information (FI) practices, accounting information (AI) practices, and working capital management (WCM) practices and their relation to the Financial Performance of small and medium business organizations. Muneer, Ahmad, and Ali (2017) mentioned in their study that the importance of SMEs towards economic development and growth is considerable. They have checked the linkage between the Financial management practices and return of Small and medium-sized enterprises, and also checked the effect of the relationship of agency cost. The result was positive between Financial Practices and Financial Performance (FP) of SMEs using the structural equation model. The researchers used three independent variables Financial Information System (FIS), Accounting Information System (AIS) & Financial Management Practices, and dependent variable as Financial Performance of Small and Medium Enterprises. It was found that an accounting information system is the best option for a business rather than the organization's systems that are contingent on the circumstances it faces. It is therefore suggested that contingency theory be followed to shed light on the role of accounting information systems on accounting performances in SMEs. As per the contingency theory, the performance will improve if there would a good fit between accounting information systems and SMEs' performance (Harash, 2017). Karadag (2015) concluded that there are certain numbers of challenges to small and medium enterprises but those problems arising from poor management of financial practices are the main reasons for less growth and decline of small and medium-sized business organizations. A conceptual model has been presented which includes independent variables (working capital practices, financial planning, fixed asset management practices & financial reporting and control) which has a significant positive relation with Dependent Variable (Performance of SMEs). To analyze the organizational impact of information technology/ socio-technical systems perspective theory is the best suit. The theory is based on the concept of departmental working units of the organization with unique inputs and outputs having an interdependent connection. It is to design a framework for the technology that could provide job satisfaction and user participation in the overall growth of the organization. Therefore; the theory recommends the analysis of the stakeholders of the organization in the sense of using the technology for the better performance of the organization. Another approach is the activity theory which emphasis the long-term well-being of the employees while working with technology. The action theorist also seeks to design the practices in such a way to pave way for the worker to develop their skills and relevant knowledge of the technology. The activity theory is particularly aligned with the broad humanistic aims and the methods of the socio-technical approach (Robert & Agada, 2016). Saah (2015) stated that (SMEs) are decisive regarding the economic development and sustainability of any nation. The author has observed the effect of independent variables (financing, investing, and financial reporting) impacting positively on the dependent variable (Profitability of SME's).

According to Hailu and Venkateswarlu (2015), the importance of small and medium businesses is a core appreciated phenomenon in both developed and developing countries around the world. For this purpose,

the authors have provided the financial management (FM) practices as independent variables (accounting information practices, working capital practices, analysis of financial statements and reporting, fixed asset management, financial planning) to show a positive relation towards the dependent variable (SMEs, profitability)

Nyakundi (2016) focused on the impact of working capital practices and the profitability of small and medium-sized enterprises (SMEs) for Kenya (Machakos Sub-county). They have addressed the impact of working capital practices such as the management of practices of collection, cash, and inventory on the financial performance of small and medium-sized businesses (Dependent Variable). A survey was adopted through which primary quantitative data was collected using structured questionnaires and interviews.

Adebiyi (2017) in their study investigated the influence of finance over the growth of SMEs in Lagos State. Data analysis has been carried out using Pearson correlation and regression method. The authors have found a positive significant relationship between the dependent variable (SMEs performance; profitability) and the independent variable (SME Finance; financial management practices).

According to Adongo, Onditi, Ojera & Anyago (2015) efficient working Capital management (WCM) can contribute a significantly clear distinction between the failure and success of small and medium businesses. In the study, the authors have studied the linkage of the Working Capital practices and profitability. They also adopted a survey; designed for the study. Data has been analyzed using descriptive statistics. Correlation and multiple regression models have been used.”

Enow and Brijlal (2014) in their study mentioned that working capital practices are crucial for small and medium-sized business organizations. Therefore, the paper has explored the impact of practices of working capital (independent variable) on the dependent variable as profitability. Data for the study has been analyzed through multiple regression models.

M and Dennis (2015) stated that SMEs have vital in the overall economy and the civilization of a society in a country. They have checked the impact of financial practices on the dependent variable (SMEs performance). They have collected primary data from 41 SMEs in Nairobi County, Kenya using questionnaires. A Sample random sampling technique has been used to select SMEs. Descriptive and inferential statistics have been used to analyze the data.

Rugui and Omagwa (2018) determined the effect of financial management practices on the performance of SMEs in Lemur, Town Kenya. The financial performance of the small and medium enterprises was indicated using tools such as financial illiteracy, financial constraints, ownership structure, and working capital management, the framework of regularity, and microeconomic factors. The study used descriptive analysis with a target population of 388 registered small and medium enterprises based on the purposive sampling technique. Primary data is used following correlation and multiple regression analysis. Their study showed positive relation except cash management with financial performance.

Yogendrarajah, Kengatharan, & Suganya (2017) checked the impact of efficient financial practices following the profitability of SMEs in Jaffna District, Sri Lanka. WCM, Capital structure, investment appraisal, AIS, and overall financial analysis were used to measure the financial performance of the small and medium firms. to gather information from 60 registered SMEs. Analysis was based on using (SPSS). A positive relationship was the founding of their study. It was suggested by the authors to give attention to financial management practices to enhance the business's financial performance.

Rathnasiri (2015) investigated the difference among various financial practices and techniques used by Sri Lankan small businesses. The author included independent variables (Financial practices).

Improvement and increase in profitability are identified as dependent variables representing performance. (Non-parametric Kruskal-Wallis test and Mann Whitney U test) have been used to check the relationship.

The study conducted by Nyakundia, Charlesb, Zablone, and Jared (2016) focused on the impact of working capital practices on the financial performance (FP) of small businesses in Machakos Sub- County, Kenya. The objectives of the study were to check the impact of the measures of working capital management practices (Independent Variables) on the financial performance of SMEs (Dependent Variable). Primary data was collected by conducting the survey.

FINANCIAL PERFORMANCE (FP)

Financial performance declares all aspects of the financial move of the business. It can tell us about the degree to which financial objectives are being or have been met. Financial analysis of a business paves the way to financial performance. The financial performance of a business is mainly comprised of four areas such as financial activity analysis, structure analysis, working capital, and profitability analysis. (Nthenge & Ringera. 2017). Financial performance is a tool to show that how a business uses its primary resources to generate sufficient revenue. It is a metric for the attention of the investors in the business. Various ratios are employed to measure the financial performance of the business (Nyongesa, 2017). The current study is focused on primary data as adopted questionnaires for the financial performance construct have been utilized to measure the financial performance for the current study.

ACCOUNTING INFORMATION SYSTEM (AIS)

The accounting information system is considered to be one of the most important systems of any business organization. Accounting is a system that is used to provide information to any interested user of the business to enable them to make the informed decisions (Saeidi 2014). The use of the computer as an information system boosts the level of collecting information, processing, sharing, and storing all sorts of data & information. However, the accounting information system is concerned with financial & non-financial data and information. The accounting information system is now considered a good competitive edge in the modern era (Bwana, Augustus, and Aaron, 2017).

FINANCIAL INFORMATION SYSTEM (FIS)

A financial information system (FIS) is a processing system that converts numerical input into accurate financial data. The system is used to generate the processed results and notify managers of the businesses to have effective control over them. Various necessary reports can be generated using financial information system as cash flow, operating budgets, capital budgets, working capital report and all sorts of analysis reports. Data evaluation is also possible using financial information systems such as ratio analysis, trend assessment, and other types of financial planning and models. Financial Information System covers all phases of the information system either micro or macro (Rouhani & Mahmoodian, 2012).

WORKING CAPITAL MANAGEMENT (WCM)

To check the effect of business profitability and risk, working capital management is really important. Working capital management practices are usually comprised of receivable, cash, and inventory management. Working capital management reveals that by investing more in current assets; the business will have lower profitability and lower risk (Hailu & Venkateswarlu 2016). It has been concluded that practices regarding working capital are very weak in small and medium enterprises due to having no formal capital working routines of the businesses. Lack of working capital is the main weakness in the area of financial management in most cases (Jennifer & Dennis et. al 2015).

Auguri and Omagwa et. (2018) determined the effect of financial management practices on the performance of SMEs in Lemur, Town Kenya. The financial performance of the small and medium enterprises was indicated using the tool such as working capital management; Primary data is used following correlation and multiple regression analysis. Their study showed a positive relationship with financial performance.

HYPOTHESES DEVELOPMENT AND PROPOSED RESEARCH MODEL

AIS & FP

H1: Accounting Information System (AIS) has a significant impact on Financial

PERFORMANCE (FP) OF SMALL AND MEDIUM ENTERPRISES

Muneer, Ahmad, and Ali et. (2017) checked the linkage between the Financial management practice such as Accounting Information systems and return (Financial Performance) of Small and medium-sized enterprises, The result was positive between Accounting Information systems and Financial Performance (FP) of SMEs using structural equation model. Adebisi et al/ (2017) in their study investigated the influence of financial management of the Accounting Information System over the growth of SMEs in Lagos State. Data analysis has been carried out using Pearson correlation and regression method. The author has found a positive significant relationship between the dependent variable (SMEs performance; profitability) and the independent variable (Accounting Information system).

FIS & FP

H2: Financial information system (FIS) has a significant impact on Financial Performance

(FP) OF SMALL AND MEDIUM ENTERPRISES

Yogendrarajah, Kengatharan, & Suganya (2017) checked the impact of the efficient financial practice of financial information systems on the following profitability as the financial performance of the SMEs in Jaffna District, Sri Lanka. Analysis was based on using (SPSS). A positive relationship was the founding of their study. It was suggested by the authors to give attention to the financial information system to enhance the business's financial performance.

WCM & FP

H3: Working Capital Management (WCM) has a significant impact on Financial

PERFORMANCE (FP) OF SMALL AND MEDIUM ENTERPRISES

Enow and Brijlal (2014) in their study mentioned that working capital practices are crucial towards the financial performance of small and medium-sized business organizations. Therefore, the paper has explored the impact of practices of working capital (independent variable) on the dependent variable as financial performance. Data for the study has been analyzed through multiple regression models and has shown positive results

Conceptual Framework

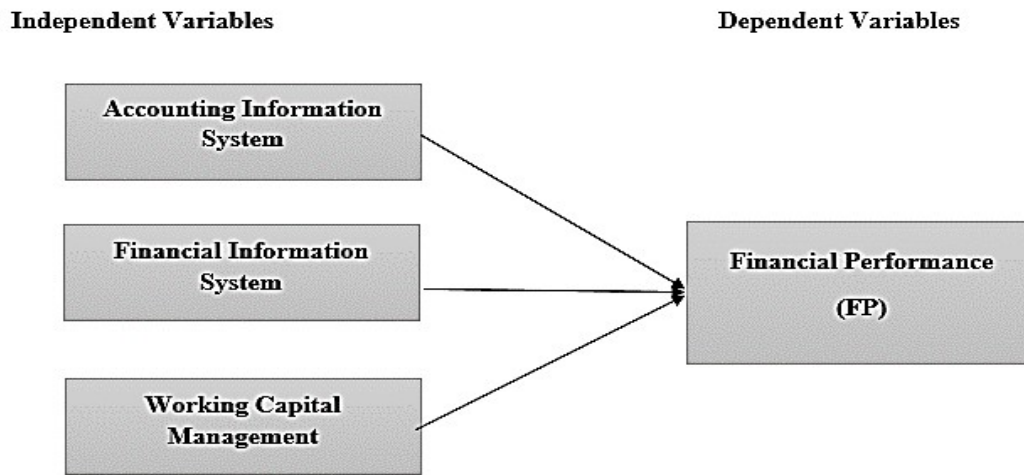


Figure 1: Conceptual Framework of the study

RESEARCH METHODOLOGY

RESEARCH DESIGN

The design of the research is an adopted plan for the sake of achieving the different objectives of the current study. The study employed a design as descriptive to collect data regarding the impact of financial management (FM) practices on the financial performance of the small and medium enterprises of 300 service sector employees at Nangarhar, Afghanistan, and also to describe the characteristics of variables based on past literature review. The descriptive research design is used to collect information about the existing phenomenon with minimal interference of the researcher and to get an acceptable result (Creswell, 2008). Therefore; the current descriptive design enabled the collection of quantitative data about the study constructs of financial management practices and the relationship among these variables. The deductive method is used in the study because there are seven steps mentioned in the book of (Sekaran and Bougie, 2016) and the same method is followed to conduct the current study.

Analysis of quantitative data can be carried out to find if certain relations are important (Sekaran and Bougie, 2016) for checking the relationship between the variables of the quantitative data for this study.

POPULATION AND SAMPLING

In this study, the researcher is focused on the service sector of SMEs in Nangarhar Province, Afghanistan. The reason behind the selection of Nangarhar Province is the size because it is the fifth-largest province and according to the statistics of the Directorate of Industry and Commerce Nangarhar, Afghanistan; most of the SMEs are comprised of the service sector. Therefore, the data is collected from service sector firm employees and is considered as a population. The sample size of SMEs employees in the service sector is 300 based on a convenient sampling technique.

MEASUREMENT AND INSTRUMENTATION

The primary data is collected by conducting surveys for the year 2019 using adopted questionnaires to collect the responses from the target population in Jalalabad city, Nangarhar Afghanistan. Data is collected based on availability. The measurement item scale made through past literature is adopted by different researchers to fill this gap. A scale of twenty-four items was used to collect the data regarding dependent & independent variables of the study. Seven items were used to measure accounting

information system adopted by (Hashem & Nejad, 2008; Kilonzo, 2012; Opiya, 2017; Cherono, 2017; Tabot, 201), five items were used to measure financial information system, used by (Odero 2014; Marshall & start, 2006; Beg, 2018) three items were used to measure working capital management adopted by (Addo, 2017; Ngrey, Smit, Bruwer & Ukpere, 2014) and nine items were selected to collect data on financial performance adopted by (Bruwer & Ukpere, 2014).

PROCEDURE

Three hundred questionnaires have been distributed among Telecom and higher education institutes of the service industry based on the convenient sampling technique used for the study. As a result, 287 filled questionnaires were collected while thirteen questionnaires were not received for the study. The 287 respondents were considered for the analysis.

Analysis was carried out using (SPSS). The reliability of the constructs was checked out using a reliability test (Table 5). The study includes multiple variables as; more than one independent variable and only one dependent variable. Therefore, the multi-linear regression model is used to check the relationship between the variables' values. The multiple regression model used by the study is followed by descriptive analysis, model summary, ANOVA table, and coefficient results table.

ANALYTICAL MODEL

$$FP_{i,t} = \beta_0 + \beta_1 AIS_{i,t} + \beta_2 FIS_{i,t} + \beta_3 WCM_{i,t} + e_{i,t} \quad \text{Where}$$

FP= Financial Performance

β_0 = intercept $\beta_1 AIS_{i,t}$ = Accounting Information System, $\beta_2 FIS_{i,t}$ = Financial Information System, $\beta_3 WCM_{i,t}$ = Working Capital Management, $e_{i,t}$ = Random Error term

RESULTS OF THE STUDY

The survey data analysis reports are as follows

Table: 1 Status of Position

	Frequency	Percent	Valid Percent	Cumulative Percent
Manager	179	62.4	62.4	62.4
Accountant	83	28.9	28.9	91.3
Auditor	25	8.7	8.7	100.0
Total	287	100.0	100.0	

Table 1: shows the position status of the respondents. The majority of the respondents are working as managers i.e. 179 (62.4%), while 83 (28.9%) are working as an accountant post and 25 (8.7%) are working as auditor post.

Table: 2 Gender

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Male	210	73.2	73.2	73.2
Female	77	26.8	26.8	100.0
Total	287	100.0	100.0	

Table 2: shows the gender of the respondents. In the current study majority of the respondents, 210 (73.2%) are male and 77 (26.8 %) are female.

Table: 3 Level of Income

Salary scale	Frequency	Percent	Valid Percent	Cumulative Percent
>25000	196	68.3	68.3	68.3
25000-35000	47	16.4	16.4	84.7
36000-45000	44	15.3	15.3	100.0
Total	287	100.0	100.0	

Table 3: shows the income level of the respondents. The majority of the respondents 196 (68.3%) have income levels above than 25000Afghani; while 47 (16.4%) respondents have an income level of 25000-35000Afghani and 44 (15.3%) respondents have an income of 36000-45000Afghani per month

Table: 4 Level of Education

	Frequency	Percent	Valid Percent	Cumulative Percent
Secondary School Certificate SSC	53	18.5	18.5	18.5
Bachelor	150	52.3	52.3	70.8
Master	49	17.1	17.1	87.8
PHD & others	35	12.2	12.2	100.0
Total	287	100.0	100.0	

Figure 4.4 shows the education level of the respondents. The study shows that the majority of the respondents 150 (52.3%) are Bachelor's degree holders, while 53 (18.5%) are Secondary school certificate holders, 49 (17.1%) are master degree holders and 35 (12.2%) are Ph.D. and other degree holders.

Table: 5 Reliability Statistics

Variable	Accounting Information System	Financial Information System	Working Capital Management	Financial Performance
Cronbach's Alpha	0.762	0.632	0.764	0.758
Number of Items	7	5	3	9

The reliability statistics are put forward to provide an accurate assessment. The internal consistency of the variables has been tested using Cronbach's alpha coefficient. The above results show that alpha (Cronbach) for each variable exceeds the standard criteria of 0.5 other than Financial Information System. The data collection made regarding various practices of financial management small and medium enterprises at Jalalabad; Nangarhar was reliable based on related questionnaires. Twenty-four 24 items were found reliable for the data collection as mentioned in the table of reliability statistics.

Table: 6 Descriptive Statistics

	Mean	Std. Deviation	N
Financial Performance	3.6160	.68862	287
Accounting Information System	3.5674	.87997	287
Financial Information System	3.5714	.72970	287
Working Capital Management	3.6190	.33049	287

The Descriptive statistics tell more than the Mean and Standard Deviation of the related data of the study, but here, the researcher is focused on Mean and Standard Deviation. The above tables reveal that there is a stable average of more than 3.5 for the selected variables. While the Standard Deviation represents that how to spread out a group is from the average (mean) or expected value. The above standard deviation of the data reflects the more spread out for the financial performance, accounting information system, financial information system except for Working Capital Management.

Table: 7 Correlations Matrix of dependent and independent variables

		AIS	FIS	WCM	FP	
AIS	Pearson Correlation		1			
	Sig. (2-tailed)					
	N	287				
FIS	Pearson Correlation	.280**		1		
	Sig. (2-tailed)	.000				
	N	287	287			
WCM	Pearson Correlation	-.333**	.113		1	
	Sig. (2-tailed)	.000	.055			
	N	287	287	287		
FP	Pearson Correlation	.401**	-.052	-.078		1
	Sig. (2-tailed)	.000	.381	.186		
	N	287	287	287	287	287

****.** Correlation is significant at the 0.01 level (2-tailed).

A correlation matrix reveals the relationship among various variables of the study. The correlation coefficient of the variables is usually from -1 to +1. The sign reveals the direction of the relationship while the number reflects the strength of interrelated variables. In the above correlation matrix; the variable accounting information system has a positive significant effect with the variables Financial Information System and Financial Performance of 28 % & 40.1 % accordingly except with the variable Working Capital Management of -33.3 %. Similarly, the variable Financial Information System has a positively significant correlation with Accounting Information System and Working Capital management except for Financial Performance. The variable Working Capital Management is positively significant with Financial Information System except for the variables Accounting Information System and Financial performance accordingly. In addition, the variable Financial Performance is positively Correlated with Accounting Information System except for the variables Financial Information System and Working Capital Management according.

Model	R	R Square	Adjusted R Square
1	.593 ^a	.352	.298

Table 8: Model Summary

Table: 9 ANOVA

<i>Model</i>	<i>Sum of Squares</i>	<i>Df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
Regression	27.183	3	9.061	23.7	.000 ^b
Residual	108.437	283	.383		
Total	135.620	286			

a. Dependent Variable: Financial Performance

The Anova test is run to check the degree of differences between two or more variables. It is used to test the hypothesis against means of population. As the table above shows that $P = 0.000$ which is considered significant that rejects the null hypotheses and accepts alternative hypotheses and concludes that the mean of the population is not equal. It does have the degree of freedom with 3 and regression square with 27.183 which predicts the 23.7 % of frequency.

Table: 10 Table of Coefficient

Model	Unstandardized Coefficients		Standardized Coefficients Beta	T	Sig.
	B	Std. Error			
(Constant)	2.096	.502		4.172	.000
Accounting Information System	.387	.047	.495	8.253	.000
Financial Information System	-.192	.054	-.203	-3.569	.000
Working Capital Management	.227	.121	.109	1.886	.060

In the above table of Coefficient, the default beta value of the constant is 2.096 even if the variables are not affecting with a standard error of 0.502 which shows significance. Similarly, one unit of increase in Accounting Information System increases financial performance with 0.387 units with a standard error of 0.047 and shows a positive significance. One unit of increase in Financial Information System decreases the Financial Performance by 0.192. The standard error is 0.054 with a negative significance. One unit of increase in Working Capital Management increases the Financial Performance by 0.227 units along with a standard error of 0.121 showing a poor positive significance of 0.060.

DISCUSSION & CONCLUSION

The current study is focused on investigating the relationship of financial management practices on behalf of the financial performance of SMEs of Jalalabad, Nangarhar Afghanistan. The nature of the Data collection for the study is primary and is based on the adopted survey questionnaires from 287 satisfying Service sector respondents. Reliability analysis was used to ensure the reliability of the questionnaires in response to study nature. Consequently, a Multi-linear regression model was used to identify the impact of the predictors (Accounting Information System, Financial Information System, and Working Capital Management) on the dependent variables as Financial Performance. As it is observed in the literature of the study by various researchers that financial management practices are effective in almost all comparative factors necessary to be considered, taking into account for long survival of the small and medium enterprises regarding financial performance is tested through conducting field surveys. Many other practices were also considered to be predictive for the financial performance, though the above practices were the core of all. In the study, the researcher has developed three hypotheses that Accounting Information System, Financial Information System, and Working Capital Management have significant relation with the financial performance of small and medium scale businesses that were later on

supported by comprehensive literature and analyzed through statistical software to authenticate what has been hypothesized.

The significance between Accounting Information System and Financial Performance is positive as the study finding shows; where respondents were asked about accounting system, cost of recording data, and interpretation of data, financial reporting process, facilitating company's transactions, contribution to quality control and cost reduction of recording transactions. This urges that professional and well-skilled employee are the asset of the organization. Thoroughly it puts a positive effect on the financial performance of the small and medium enterprises as justified by (Muneer, Ahmad, and Ali 2017, Adebisi et al. 2017 & Hailu and Venkateswarlu 2015) accordingly.

An accounting information system is significantly effective by Financial Performance. Return on investment, improved efficiency in service delivery, measure tool for performance, improving the level of accuracy of financial reports were taken into account for the sake of realizing the overall impact on financial performance (FP) of SMEs at Jalalabad, Nangarhar, Afghanistan. But the results have shown a negative sign in this regard of my case of study, as the reason is that many employees in Nangarhar small service enterprise sector are not well familiar with techniques applied in controlling the financial system as per the standard rules necessary in case of financial information management practices. Though in the literature the effect is positively significant on the financial performance of SMEs as agreed by (Muneer, Ahmad, and Ali 2017, Rouhani, Mahmodian et. at 2012) respectively.

There is a positive significant effect of working capital management on the financial performance of SMEs. The sub-factors were taken into account as maintaining a bank account, working capital system, cash flow, regular updates on inventory records, and preparing a cash budget to show its effect on the financial performance of the business. This finding of the study is supported by the previous studies of the literature (Jennifer M & Dennis et. at 2015, Hande Karadag 2015, Peter Eddison Saah 2015, Lamptey, Frimpong & Morrison 2017) accordingly.

From the results, it is concluded that the financial practices contribute a significant role to the performance of SMEs of Jalalabad City, Nangarhar Afghanistan. Similarly, it was found in the results that the main practices of financial management (FM) as (Accounting Information System, Financial Information System, and Working Capital Management) affect the financial performance (FP) of small businesses. Therefore, the study indicates that financial practices (Accounting Information System and Working Capital Management) have a positive significance except the Financial Information System (FIS) on the Financial Performance (FP) which was derived from primary data as a survey conducted in 2019 from 287 satisfying respondents.

This main financial management (FM) practices are deeply decisive in case of indicating the performance of SMEs. All the sub-factors surrounding these financial practices need core attention to boost the financial performance and growth of small and medium scale businesses. Accurate data collection and proper statistical analysis of the observations reveal the desired results regarding the successful financial performance of SMEs.

LIMITATIONS AND DIRECTIONS

The study reflects a limited number of objectives due to limited financial & non-financial resources and scarcity of time. There are many other areas related to financial management practices either direct or indirect per research problem and research questions cannot be investigated thoroughly. Therefore; due to the limited resources, all SMEs in Afghanistan cannot be taken into study for the case. As most of the businesses are concerned with Service and manufacturing sector; the selected number of SMEs are considered as a target population in the service industry of Jalalabad, Nangarhar, Afghanistan

The study of the researcher recommends that the financial practices Accounting Information System, Working Capital management are to be given core consideration along with consideration towards other Financial Practices by the management of SMEs specifically at Jalalabad, Nangarhar, Afghanistan. By improving the financial performance of the small and medium businesses, the employees need to be aware of the accounting-related soft wares with the introduction of modern techniques of how to handle financial transactions for the sake of reliability and timely accurate reporting system.

The study further recommends professionalism must be adopted by the employees of small and medium businesses to enhance financial performance by giving attention to financial management practices. it is even advised that these financial management practices need to be taken into account for the sake of the long-term survival of small and medium enterprises as they have a significant effect on the financial performance of such businesses.

As there are limitations of the study towards three major financial practices of the current study but other financial and non-financial practices and events my impeded the performance of the SMEs such as at the more micro level of financial practices are to be realized as the impact of cash budgeting practices, financial statements, sources of investment and for the non-financial practices; uncertain and unpredictable environment of the businesses, weak capacity of initiative towards industrialization, poor or no market access, what the education system offers and a lack of vivid connection between the market needs could also be the gap to be realized that could pave the way for the better financial performance of the SMEs at Kabul, Herat, Qandahar and Nangarhar-the industrial provinces of Afghanistan.

IMPLICATIONS OF THE STUDY

The study is implacable towards the service industry of the Nangarhar, Afghanistan as most of the business concerns are service in nature. The variables under study are decisive and of key importance towards the success or failure of service concerns. The different sectors of the service industry need awareness about the impact of financial management practices specifically accounting information system, financial information system, working capital management, and their relation with the financial performance of small-scale businesses. The study has indicated that proper awareness and knowledge about professional use of accounting soft wares, timely consideration towards the financial practices pave the way towards successful and long term survival of the small.

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