Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2024): 8.431 ISSN: 2347-4378
EPRA International Journal of Economics, Business and Management Studies (EBMS)
Volume: 12 | Issue: 1 | January 2025 -Peer-Reviewed Journal

FINANCIAL MANAGEMENT PRACTICES, INVENTORY MANAGEMENT PRACTICES AND FINANCIAL PERFORMANCE OF BANANA GROWERS IN KAPALONG, DAVAO DEL NORTE

Wilfredo C. Mahinay Jr.[1], Dunhill Z. Bilog, DBA[2]
[1]*ORCID No. 0009-0009-1115-9707*

Article DOI: https://doi.org/10.36713/epra19690
DOI No: 10.36713/epra19690

ABSTRACT

Financial performance is a crucial aspect of any business, as it reflects the company's overall health and stability. The aim of this study was to determine how financial management practices and inventory management practices influence financial performance of banana growers in Kapalong, Davao del Norte. A quantitative method was used in the study with 86 respondents composed of owners, managers and employees. Sets of adapted survey questionnaires were used in this study. Mean, Standard Deviation, and Pearson r were the statistical procedures used to analyze the study results. Results yielded that the status of financial management is very high with all of its indicators, while status of inventory management practices is very high in all of its indicators. Similarly, the level of financial performance also got a very high result. However, the result shows that financial management has a positive weak relationship to financial performance and statistical result of inventory management practices reveals a weak negative relationship on financial performance. Finally, the two independent variables do not influence the dependent variable of the study.

KEYWORDS: *Business Management, Financial Management Practices, Inventory Management Practices, Financial Performance, Davao del Norte, Philippines*

BACKGROUND OF THE STUDY

Inadequate financial management procedures of the companies are the cause of poor financial performance (Gloy & Ladue, 2014). Additionally, the failure and delaying of cash flow activities are the primary causes of firms' economic issues and inefficiency. Poor management and lack of oversight of finances might ultimately result in a company's financial failure (Muguchia, 2018). Additionally, some enterprises do not evaluate their financial performance or make financial reports, which can hinder their development (Mukarromah et al, 2020). However, a few of them showed good performance in leverage, activity, and liquidity, but experienced poor profitability. (Mendoza, 2015). According to Pagaddut (2021) financial performance is one of the challenges that ceaselessly crush an organization's abilities. Businesses who face resource challenges in terms of finances hardly thrive due to insufficiency of income and credit.

FPMs, or financial performance metrics, are crucial to the efficiency and productivity of small and medium-sized businesses (Matsoso, 2016). Businesses plays an important part in our economy, such as being a key topic in economic activity throughout a range of industries, offering several job possibilities, empowering individuals and fostering local economic activity (Mukarromah et al., 2020 Likewise, Fazli et al. (2014) claimed that the performance of finances of banana growers is very important as empirical evidence suggests that their survival correlates positively with measures of financial performance.

Numerous studies have revealed the relationship between inventory management and financial management practices and financial performance. According to the Kader & Khan (2019) study, the firm's financial management procedures have a big impact on its financial performance. According to Kennedy (2014), financial management practices have a major impact on the financial performance of small and medium-sized businesses, and incorporating these practices will improve their financial performance. Zada (2021) also discovered that effective financial management practices boost the profitability or performance of businesses. Furthermore, inventory management methods were proven to be a strong predictor of business profitability and can assist organizations in achieving superior financial performance, according to a study by Wanjira & Njagiru (2018).

Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2024): 8.431 ISSN: 2347-4378
EPRA International Journal of Economics, Business and Management Studies (EBMS)
Volume: 12 | Issue: 1 | January 2025 -Peer-Reviewed Journal

Similarly, Vahid et al. (2014) asserted that the company's financial performance is positively impacted by its efficient inventory management procedures.

There is still a substantial research gap because the researcher has not found any studies on the impact of inventory management and financial management practices on the financial performance of banana growers, despite the crucial role that banana growers play in the economy of Kapalong, Davao del Norte. Additionally, the study employed three variables, providing valuable insights that contribute to the existing literature. It fills gaps identified in earlier studies highlighting important aspects of the variables under study.

This study's findings could be used by the Kapalong Chamber of Commerce to formulate various programs that may develop the financial performance of business enterprises. Additionally, the researcher plans to disseminate his findings by supplying copies of the research output to the libraries of the research locale and the University of the Immaculate Conception (UIC) graduate school library. Additionally, he intends to share the findings at national and international research conferences and publish them in a peer-reviewed research journal.

Statement of the Problem

The aim of this study was to determine how financial management practices and inventory management practices significantly influence financial performance of banana growers in Kapalong, Davao del Norte. Specifically, this study sought to answer the following:

1. What is the status of financial management practices of banana growers in terms of:
   1.1 Working Capital Management,
   1.2 Financing Decisions, and
   1.3 Investment Decisions.
2. What is the status of inventory management practices of banana growers in terms of:
   2.1 Storage and Tracing; and
   2.2 Purchasing and Controlling
3. What is the level of financial performance of banana growers?
4. Is there a significant relationship between:
   4.1 Financial management practices and financial performance
   4.2 Inventory management practices and financial performance

Theoretical Framework

This study was anchored on the Pecking Order Theory by Myers & Majluf (1984) which explains that businesses prioritize funding sources in a specific order: starting with internal funds, followed by debt, and finally, equity. To protect shareholder value, businesses issue overvalued securities only when necessary. This hierarchy aims to minimize capital costs, which can significantly impact financial performance and profitability, as businesses seek cheaper financing options before resorting to more expensive ones (Nthenge & Ringera, 2017).

Moreover, an effective and dependable inventory tracking system can assist a business optimize its earnings, according to Virginus (2020), who cites the Economic Order Quantity (EOQ) Model, an inventory control theory. The ideal inventory amount is finally determined by EOQ, which finds the ideal order quantity where the costs of ordering and retaining stock are balanced. By increasing sales, reducing storage expenses, and improving cash flow, effective inventory management can improve a business's financial performance.

Research Design

A descriptive-correlational design was used in this study. Scientific research that methodically describes an occurrence, condition, phenomenon, or fact pertaining to a particular location or population is known as descriptive research (Hanslmeier, 2022). This study employed a descriptive research approach to examine the state of inventory management practices, financial management practices, and financial performance levels.

The research design used in this study was correlational. In a naturalistic setting, correlational research design seeks to determine whether a population's traits vary based on whether or not its respondents have experienced an event of interest (Siedlecki, 2020). This study employed a correlational research strategy to ascertain the association between inventory management methods and financial performance as well as financial management practices and financial performance.

Research Locale

In the Municipality of Kapalong, a first-class municipality in the Philippine province of Davao del Norte, this survey was carried out among banana growers who have been in business for more than three years (PSA, 2023).

Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2024): 8.431 ISSN: 2347-4378
EPRA International Journal of Economics, Business and Management Studies (EBMS)
Volume: 12 | Issue: 1 | January 2025 -Peer-Reviewed Journal

Kapalong is known for its main product which is banana that boost its local economy. There have been more than 70 banana growers before in this municipality but they were gradually reducing due to the problem on their financial performance (BPLS, 2021). The problem present on the banana growers of Kapalong makes this location suitable for this study.

Research Respondents

The researcher used total enumeration sampling method. The respondents of the study were those employees working closely in the financial aspect of the business and also the owners of banana growers in Municipality of Kapalong. The target respondents of this study were 86 individuals which was also the total population of finance personnel of banana growers. In order to have uniformity and authenticity of the respondents, the researcher set an inclusion criteria which include: the business owners must have at least three years in operation, the personnel who were also the respondents of this study must have a finance-related job, the nature of the business must be banana growers and registered in the Business Bureau as well as in the Department of Trade and Industry (DTI).

Research Instruments

This study utilized adapted survey questionnaire for Financial Management Practices from Nthenge & Ringera (2017) with an overall Cronbach alpha of 0.730. Indicators include Working Capital Management with 13 item questions, Financial Decisions with four item questions and Investment Decision with 10 item questions. For Inventory Management Practices, the survey questionnaire was adapted from Ahmad & Zabri (2016) with an overall Cronbach alpha of 0.94. Indicators include Storage and Tracing with 5 item questions and Purchasing and Controlling with 10 item questions. Further, the survey questionnaire of Financial Performance was adapted from Eton et al. (2019) with 18 item questions. This survey questionnaire employed a five-point Likert Scale in which 5 is Strongly Agree and 1 is Strongly Disagree.

Data Collection

Following the Panel of Examiners' approval of the thesis proposal defense, the researcher obtained permission from the Graduate School Dean to carry out the study. After completing all the documents required by the University of Immaculate Conception's Review Ethics Committee (REC), which also reviews the research proposal, the researcher was given permission to move on with the study. Additionally, the banana growers in the Municipality of Kapalong, where the study was carried out, received a letter from the researcher informing them that they would be the study's responders.

Within their establishment, the researcher personally handed the study equipment to the respondents after conducting a brief orientation with them. The researchers collected the test questionnaire from the respondents once they had finished answering it in the allotted time. After that, the researcher collected, examined, and retrieved the research instrument in order to tabulate the data. The duration of collection of data was one month due to the distant location of banana growers.

Statistical Tools

Mean was used to decscribe the level of financial performance among banana growers in Kapalong, Davao del Norte, as well as the status of their inventory and financial management practices

Standard Deviation was utilized to assess the individual response's consistency and inconsistency.

Pearson r was used to assess the significance of the relationship between financial management practices, inventory management practices and financial performance among banana growers in Kapalong, Davao del Norte

RESULTS AND DISCUSSION

Status of Financial Management Practices of Banana Growers

The result of the financial management practices used by banana growers in Kapalong, Davao del Norte, is shown in Table 1. The total mean score for financial management procedures was 4.28, which is considered very high (always applied). Furthermore, the standard deviation falls between 0.41 to 1.52, indicating that while the remaining items are homogeneous, items 3, 10, and 12 are heterogeneous.

The very high financial management result indicates that banana producers are successfully managing their working capital, making investment choices, and making financial decisions for their company, all of which add to the overall financial well-being of the company. This backs up the research by Harash et al. (2014), which

Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2024): 8.431 ISSN: 2347-4378
EPRA International Journal of Economics, Business and Management Studies (EBMS)
Volume: 12 | Issue: 1 | January 2025 -Peer-Reviewed Journal

found that financial management techniques are crucial for businesses to stay profitable while avoiding insolvency or bankruptcy.

Table 1

Status of Financial Management Practices of Banana Growers

	Mean	SD	Description
Working Capital Management			
Our company is…			
1. having a bank account	4.71	.46	Very High
2. not normally experiencing cash shortage	4.76	.43	Very High
3. selling goods or services by cash	4.62	.49	Very High
4. considering cash budget as helpful in decision making	4.74	.44	Very High
5. setting minimum cash balance	4.76	.43	Very High
6. investing the cash surplus in marketable securities	1.47	.63	Very Low
7. having internal control on cash	4.70	.49	Very High
8. having existing separation of cashier duties from accounting duties	4.74	.47	Very High
9. having an owner/manager who is trained on working capital management	4.79	.41	Very High
10. primarily operating on a credit sale.	3.21	1.32	*Moderate*
11. having a set credit policy in place	4.74	.44	Very High
12. applying the set credit policy while extending credit	3.28	1.52	Moderate
13. having existing practice of reconciling sales with inventory change	4.69	.49	Very High
Category Mean	**4.25**	**.19**	**Very High**
Investment Decision			
Our company is...			
1. having cash for investment in long term projects	4.73	.44	Very High
2. investing in non-current assets	4.81	.39	Very High
3. utilizing fully the non-current assets	4.69	.47	Very High
4. using the Net Present Value (NPV) to assess the investment	4.67	.47	Very Low
5. using Payback Back Period to assess the investment	4.72	.45	Very High
6. investing while evaluating the investment	4.69	.47	Very High
7. investing in real estate	4.70	.51	Very High
8. investing in shares on the stock exchange	1.49	.75	Very Low
9. reviewing investment projects after a certain period	4.71	.46	Very Low
10. having owner /manager being trained on investment decision making	4.78	.42	Very High
Category Mean	**4.40**	**.15**	**Very High**
Financial Decisions			
Our company is…			
1. having an easy access to bank loans	4.78	.42	Very High
2. using internally generated cash sources and borrowed funds	4.74	.44	Very High
3. using borrowed funds only	2.53	1.20	Low
4. setting the capital structure based on the theory	4.70	.53	Very High
Category Mean	**4.19**	**.37**	**High**
Overall Mean	**4.28**	**.15**	**Very High**

Working Capital Management. With a category mean of 4.25, this indicator is deemed very high (always applied). It suggests that in order to maintain liquidity and operational effectiveness, banana growers must regularly and skillfully manage their short-term financial resources. According to the study by Hamzah et al. (2024), working capital management is essential to the long-term viability of micro, small, and medium-sized businesses. For MSMEs to prosper in cutthroat marketplaces, liquidity, profitability, and operational efficiency are all improved by effective WCM processes.

The item 9, having an owner/manager who is trained on working capital management got the highest mean score of 4.79, which is described as very high (always applied). Their understanding that competent leadership improves working capital management and upholds the company's financial health is reflected in this high ranking. This result conforms to the study of Afrifa (2014) who claimed that managers' capacity to manage working capital effectively is through formal education and extensive work experience.

Whereas, the item 6, investing the cash surplus in marketable securities got the lowest mean score of 1.47, which is considered as very low (never applied). This indicates a cautious approach to employing cash surplus or a lack

of confidence in marketable securities as a viable investment option, as it implies that the business is minimally engaging in this investment strategy. This finding strengthens the claim of (Arbel et al., 2023) stating that firms frequently refrain from investing in marketable securities because of pricing inefficiencies and information gaps.

Investment Decision. This indicator has a category mean of 4.40 described as very high (always applied). It indicates that the banana growers consistently make well-informed and strategic investment decisions, ensuring the effective allocation of resources to maximize financial growth, stability, and long-term profitability. This is coherent to the study of Suhendah & Nathania (2020) who claimed that investment decisions can amplify profitability by enabling companies to expand operations, improve efficiency, and innovate products or services.

The item 2, investing in non-current assets shows a mean rating of 4.81 described as very high (always applied). This suggests that they likely consider investments such as property, equipment, or long-term assets to be valuable and advantageous for achieving long-term financial stability and growth. This conforms to the study of Noeva (2023) who claimed that purchasing new machinery and equipment increases production speed, minimizes losses, and lowers maintenance costs, leading to improved efficiency and productivity.

On the other hand, the item 8, investing in shares on the stock exchange got the lowest mean rating of 1.49, which is described as low (never applied). This suggests that the respondents might lack confidence in the stock market and people may prefer other investment options which they perceive as safer or more stable. This corroborates to the study of Arora et al. (2023) who stated that the hesitance of the firms to invest in stocks could be due to the risk involved, lack of awareness and they have other preferences for the investment.

Financial Decision. This indicator has yielded a category mean rating of 4.19 described as very high (always applied). It suggests that the banana growers consistently make sound and effective financial decisions while demonstrating a strong commitment to managing their finances in a way that optimizes profitability, minimizes risks, and ensures long-term financial stability. This concur with the research of Winfred et al. (2018) who claimed that financial decisions significantly impact business performance, with capital structure positively affecting return on equity, liquidity decisions enhancing both assets and equity returns, and investment decisions also contributing positively.

Notably, the item 1, having an easy access to bank loans got a mean rating of 4.78 described as very high (always applied). This suggest that respondents view easy access to bank loans very positively, indicating strong confidence in their availability and usefulness. This outcome supports the findings of Amadasun's (2014) study, which found that SMEs' ability to function efficiently and experience substantial growth is significantly influenced by their access to financing.

However, the item 3, using borrowed funds only has a mean rating of 2.53, which is described as moderate (fairly applied). This signifies that respondents have a neutral or cautious view toward using borrowed funds for investments. This is in consonance to the findings of Panina & Gushchina (2022) who stated that a flexible approach to capital generation is necessary because relying solely on internal funds can lead to missed business opportunities, while over-reliance on borrowed funds can pose risks to solvency and financial stability.

Status of Inventory Management Practices of Banana Growers

Presented in Table 2 is the status of inventory management practices of banana growers in Kapalong, Davao del Norte. It shows an overall mean of 4.78 described as very high (always observed). The standard deviation ranges from .37 to .47, which connotes that all of the items are homogenous.

This very high result indicates that banana growers consistently and effectively implement inventory management practices reflecting a strong commitment to maintaining organized and efficient inventory systems. The finding affirms the view of Lijuan (2023) who asserted that effective inventory management boosts customer happiness, optimizes costs, improves and simplifies operations, leading to increased productivity.

Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2024): 8.431 ISSN: 2347-4378
EPRA International Journal of Economics, Business and Management Studies (EBMS)
Volume: 12 | Issue: 1 | January 2025 -Peer-Reviewed Journal

Table 2

Status of Inventory Management Practices of Banana Growers

	Mean	SD	Description
Storage and Tracing			
Our company is…			
1. properly recording every inventory's movement in and out of the firm	4.77	.42	Very High
2. physically counting all inventory every year	4.69	.47	Very High
3. classifying all inventories by category with specific inventory codes.	4.77	.42	Very High
4. properly labelling the shelf space for the storage of inventories and for easy retrieval of inventories.	4.73	.44	Very High
5. keeping all inventory records by storekeeper and being reviewed by manager	4.84	.37	Very High
Category Mean	**4.76**	**.19**	**Very High**
Purchasing and Controlling			
Our company is…			
1. having a mechanism to control defective or slow-moving inventories.	4.77	.45	Very High
2. thoroughly investigating if there is any shortage/excess of inventories.	4.79	.41	Very High
3. maintaining a systematic numbering and control process for purchase orders.	4.85	.37	Very High
4. requiring a purchase order for every acquisition of new inventory.	4.78	.42	Very High
5. requiring that purchase orders be verified by authorized personnel.	4.79	.41	Very High
6. assessing suppliers based on price, purchase quantity, and reliability.	4.78	.42	Very High
7. having a list of valid and reliable suppliers	4.81	.42	Very High
8. identifying inventory re-order point.	4.76	.43	Very High
9. verifying all inventories received from suppliers through the supplier's invoice and purchase order.	4.84	.37	Very High
10. regularly reviewing any discrepancies between purchase orders and supplier invoices.	4.77	.45	Very High
Category Mean	**4.79**	**.12**	**Very High**
Overall Mean	**4.78**	**.11**	**Very High**

Storage and Tracing. This indicator got a mean rating of 4.76 described as very high (always observed). It indicates that banana growers are consistent in the implementation of effective methods that are vital for minimizing losses and it enhances transparency in the supply chain facilitating better tracking of the inventory. This result is in line with the findings of Alvarez et al. (2020), who said that effective inventory record keeping enables companies to maintain ideal stock levels and that by understanding the amount of each product in stock, businesses can prevent overstocking or understocking.

Purchasing and Controlling. This dimension garnered a category mean of 4.79 which is described as very high (always observed). It indicates that the banana growers are well-equipped in their purchasing and inventory control efforts which contributes positively to their operational success and market competitiveness. This result confirms the findings of Ghafour's (2017) study, which found that a clear record of all orders is consistently maintained and that efficient numbering and control of purchase orders are essential for improving operational efficiency, accuracy, and accountability in inventory management.

Level of Financial Performance of Banana Growers

Table 3 shows the level of financial performance of banana growers with an overall mean of 4.80, described as very high (very evident). The standard deviation ranges from 0.36 to 0.47, which connotes that all of the items are homogenous.

This favorable result indicates that banana growers demonstrate strong and consistent financial performance which could attract more investment. This result is consistent with a study by Oncioiu et al. (2020), which asserted that businesses with solid financial bases are more inclined to adopt sustainable business strategies that generate investments and shared value.

Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2024): 8.431 ISSN: 2347-4378
EPRA International Journal of Economics, Business and Management Studies (EBMS)
Volume: 12 | Issue: 1 | January 2025 -Peer-Reviewed Journal

Table 3

The Level of Financial Performance of Banana Growers

	Mean	SD	Description
Financial Performance			
Our company is…			
1. avoiding exposure to financial risks	4.73	.47	Very High
2. having cash flow that is positively improving	4.76	.43	Very High
3. having a stable financial position	4.78	.42	Very High
4. rarely running into bankruptcy	4.80	.40	Very High
5. properly utilizing its resources to generate revenue	4.79	.44	Very High
6. ensuring avoidance of indebtedness	4.79	.41	Very High
7. making prudent management decisions	4.81	.39	Very High
8. highly productive	4.79	.41	Very High
9. laying much emphasis on optimizing capital.	4.80	.40	Very High
10. surviving efficiently	4.79	.41	Very High
11. having adequate free cash flows	4.76	.43	Very High
12. carefully planning for funding liquidity management	4.80	.40	Very High
13. being positively affected by its size	4.84	.37	Very High
14. being highly profitable	4.83	.38	Very High
15. having the relevant skills required to manage finances effectively	4.84	.37	Very High
16. having improved entrepreneurial activities through managing finances	4.83	.38	Very High
17. growing steadily	4.85	.36	Very High
18. having potential strategies for achieving her financial goals	4.83	.38	Very High
Overall Mean	**4.80**	**.08**	**Very High**

Moreover, according to Bartolacci & Soverchia (2019), strong financial performance provides the resources necessary for sustainable practices, allowing businesses to invest in environmentally friendly technologies, efficient processes, and better labor practices. Also, Yilmaz (2021) stated that when a company is financially healthy, it can afford to prioritize long-term goals over short-term gains, making decisions that support both ecological and social sustainability.

Companies aim to reduce financial risks in order to safeguard their operational viability and economic stability, and efficient financial risk management is essential for recognizing, evaluating, and reducing possible threats that could jeopardize a business's capital and revenue (Turan, 2022).

Significance of the Relationship of Financial Management, and Inventory Management Practices on Financial Performance

Table 4 shows that financial management has a positive weak relationship to financial performance with R-value of .13 and it reflects a p-value of .23 which is greater than the alpha set at .05, two-tailed supporting a relationship that is not significant. It means that as the level of financial management practices increases the level of financial performance of banana growers has no significant increase.

This outcome supports the conclusions of Willman & Morris (1995), who claimed that a number of circumstances, including centralization and the adoption of financial management practices, mean that financial management practices do not always have an impact on financial performance. This centralization can lead to more consistent and controlled financial management practices which can create bureaucratic structures that may not necessarily enhance financial performance. Likewise, while adoption of financial management techniques is designed to improve financial oversight and control, they can also increase the cost of the business.

Table 4

Significance of Relationship of Financial Management, and Inventory Management Practices on Financial Performance

	Financial Performance		
	r	p-value	Remarks
Financial Management Practices	.13	.23	Not Significant
Inventory Management Practices	-.06	.62	Not Significant

Small and medium-sized businesses may have little funding and may put survival above profits. There may be a gap between working capital management and financial success as a result of their possible emphasis on preserving liquidity rather than maximizing working capital (Harash et al, 2014). Additionally, Oscar (2018) asserts that there is no statistically significant correlation between the performance of medium-sized and large private family businesses and financing decisions as a component of financial management methods. Similarly, Ariemba (2016) asserts that not all investment decisions, which constitute the third indicator of financial management, have a substantial impact on financial success because some may not result in immediate financial returns..

Veeraraghavan's (2018) study found a weak positive correlation between financial performance and financial management practices such working capital management, financing decisions, and investment decisions. It can suggest that growers of bananas should think about other elements or tactics that could have a greater impact on performance rather than depending just on these methods to improve financial results.

Although there is no correlation between financial management techniques and financial success in this study, Abanis et al. (2014) discovered a strong correlation between the two. In a similar manner, Mensa (2014) found a positive association between the financial management practices of companies listed on the Ghana Stock Exchange. In the Kurunegala Divisional Secretariat, Sooryasena & Palihena (2020) examined working capital management as a component of financial management procedures and found that it has a favorable effect on businesses' financial performance. Furthermore, Turyahebwa et al. (2014) pointed out that investment decision, as part of financial management practices, have a favorable correlation with financial success and help to lower risk, increase growth, and increase survival rates. Udisifan et al. (2021) highlighted that managers' choices regarding the financing mix might have an impact on a company's financial performance as part of financial management practices.

The statistical result of inventory management practices reveals a weak negative relationship on financial performance with r value of -.06. The relationship is not significant as shown by the p-value of .62 which is greater than the alpha set at .05. It means that as the level of inventory management practices decreases the level of financial performance of banana growers has no increase.

Cardoso et al. (2020) found no significant association among inventory and financial performance. Having too much inventory can create a lot of problems for a business. It leads to high costs for storage, handling, and insurance, and it also ties up money that could be used for other important investments. When a company is stuck with excess inventory, it often struggles to adapt to changes in the market or shifts in customer preferences, which can hurt sales. It is also implied that if the products sit on shelves for too long, they might become outdated or unsellable that will affect profits.

According to Bawa et al. (2018), inventory management has no bearing on Ghanaian manufacturing companies' financial success. This implies that there is little to no correlation between good inventory management techniques and financial results like operating cash flow and profitability.

A study on manufacturing companies indicated that raw material and storage costs had a negative and insignificant relationship with profitability, suggesting that inventory management practices may not significantly impact financial outcomes (Bah et al., 2023). Research in the pharmaceutical sector found that the inventory turnover ratio did not statistically affect operating profits, reinforcing the notion that inventory management may not be a decisive factor in financial performance (Ali et al., 2022).

Nonetheless, Onikoyi et al. (2017) discovered a favorable correlation between financial success and inventory management techniques. Additionally, it is important to create a policy framework that promotes the swift adoption of optimal inventory management practices and enhances supplier relations to a partnership level, which can further improve financial performance.

Anantadjaya et al. (2023) cited that inventory performance significantly influences financial performance. Inventory performance impact of financial performance, indicating that improved inventory management directly correlates with enhanced financial outcomes in manufacturing companies. Likewise, Lijuan (2023) asserts that efficient inventory control lowers carrying costs and improves cash flow directly impacting financial performance. By avoiding excess inventory and stockouts, organizations can improve profitability, minimize lost sales opportunities, and maintain a competitive market share, thus supporting better financial outcomes.

The lack of significant relationships suggests that neither financial management nor inventory management practices are strong determinants of financial performance in this context. This may imply that other factors could be influencing financial performance more substantially, or that the practices being measured may not be effectively implemented or relevant in improving the financial performance.

Significance of the Influence of Financial Management, and Inventory Management Practices on Financial Performance

Since no significant relationships were established between financial management practices and financial performance, and between inventory management practices and financial performance, the linear regression analysis cannot be performed due to assumptions not met. This indicates that the data does not support a predictive relationship, limiting the ability to draw conclusions about how these practices directly influence financial performance. Further research into alternative variables is necessary since the lack of importance of the influence among the variables implies that other factors might be more important in influencing the financial performance of banana growers.

Conclusion

The financial management practices of banana growers in Kapalong, Davao del Norte, are consistently applied, with a strong emphasis on investment decisions for long-term growth and sustainability. This indicates that growers invest in quality inputs and technologies to enhance productivity. Although working capital management received the lowest mean, it still reflects effective management of short-term assets and liabilities to maintain liquidity for daily operations and meet financial obligations.

Banana producers can enhance their market position by implementing strong financial management practices. Effective liquidity management and investment strategies will help them seize opportunities, minimize risks, and respond quickly to market changes. A solid financial management track record can also attract investors, lenders, and support from agricultural programs, providing additional resources for growth and innovation.

Banana growers in Kapalong consistently apply inventory management practices, with a strong focus on purchasing and controlling stock to prevent overstocking, stockouts, and reduce waste. Although storage and tracing received the lowest mean, it still shows effective monitoring, improving accountability and minimizing stock loss. These practices demonstrate the growers' commitment to optimizing operations, reducing costs, increasing productivity, and enhancing decision-making for strategic planning and resource allocation.

Banana growers in Kapalong, Davao del Norte, have high financial performance, indicating profitability and potential for expansion. This success is likely due to efficient production methods, effective management practices, and access to improved agricultural inputs and technologies. Their strong financial performance provides a solid foundation for sustainability, allowing them to manage risks and make informed decisions that support future growth and innovation.

Notably, the results showed a slight positive correlation between financial performance and financial management, suggesting that the association is not substantial. This indicates that the financial performance of banana growers is not much impacted by advancements in financial management techniques. It also suggests that in order to improve their financial performance, banana growers might need to take a more comprehensive approach. Just focusing on financial management practices might not be enough for in the context of banana growers. They should also think about other important areas, like marketing strategies, improving production efficiency, and enhancing their access to markets.

This outcome supports the conclusions of Willman & Morris (1995), who claimed that a number of circumstances, including centralization and the adoption of financial management techniques, mean that financial management practices do not always have an impact on financial performance. Similarly, Veeraraghavan's (2018) study found a weak positive correlation between financial performance and financial management techniques such working capital management, financing decisions, and investment decisions.

This result, however, runs counter to the study's theory, the Pecking Order theory by Myers & Majluf (1984), which contends that organizations that employ superior financial management techniques perform better financially because they make better use of their own cash. The lack of significance suggests that other factors are likely influencing financial performance more strongly than financial management practices alone.

There is a small, non-statistically significant negative correlation between inventory management practices and financial performance. This suggests that the financial performance of banana growers is not substantially impacted by a drop in inventory management. Supporting this, Kuzucu & Kuzucu (2023) found no significant relationship between operating profit margin and most inventory types, except raw materials, suggesting that inventory practices do not directly affect profitability.

However, it also contradicts the Theory of Economic Order Quantity (EOQ) which posits that effective inventory management optimizes costs and improve profitability (Virginus, 2020). This may indicate that financial performance is not significantly impacted by inventory management procedures either.

Recommendations

To maintain high financial management results, banana growers can implement several strategies. They may organize training sessions on financial topics and invite experts for practical insights. Additionally, creating a strategic plan and risk assessment seminar to identify and mitigate financial risks, with quarterly reviews, would be beneficial. To improve credit sales, they can offer appealing terms to customers while managing risks by setting eligibility criteria, defining reasonable credit limits based on purchasing power, and establishing clear repayment terms.

To maintain or improve high inventory management practices, banana growers can implement regular training on the latest techniques to keep employees informed. Given the perishable nature of bananas, using the FIFO system will help ensure older stock is sold first, reducing spoilage and waste. Additionally, inventory management software can simplify stock tracking and reduce waste, while barcoding or QR codes can be used to trace banana batches during harvest, storage, and shipping...

To maintain or improve their high financial performance, banana growers can optimize processes to increase efficiency and reduce costs by adopting modern farming techniques, investing in better equipment, or using precision agriculture technologies. They can also explore new markets or diversify their product offerings, such as processing bananas into chips, to create additional revenue streams.

Lastly, future research could explore other avenues due to the lack of significant correlation between financial performance and inventory or financial management practices in this study. Expanding the sample size or including a broader range of agricultural sectors may help identify similar patterns. Qualitative methods, like interviews or focus groups, could provide deeper insights into the challenges faced by banana growers and their views on how management practices affect financial outcomes. Future studies could also investigate external factors such as market conditions, environmental issues, and other variables like production costs, pests, competition, and technology adoption

REFERENCES

1. *Abanis, T., Arthur S., Aluonzi B. & Byamukama E. (2014). Financial management practices in small and medium enterprises in selected districts in Western Uganda. Research Journal of Finance and Accounting, 4 (2), 1-15*
2. *Afrifa, G.A. (2014). Working Capital Management Practices of UK SMEs: The Role of Education and Experience. ERN: Human Capital (Topic).*
3. *Ahmad, Kamilah & Mohamed Zabri, Shafie. (2016). Inventory management practices among Malaysian micro retailing enterprises. Journal of Business and Retail Management Research.*
4. *Ali, Khurd, Numaira, Showkat., Khalid, Ashraf, Chisti. (2022). Impact of Inventory Management on Operating Profits: Evidence from India. Journal of economics, management and trade, doi: 10.9734/jemt/2022/v28i930435*
5. *Alvarez-Placencia, I., Diana Sánchez-Partida, D., Patricia Cano-Olivos, P., & José-Luis Martínez-Flores, J-L. (2020). Inventory management practices during COVID-19 pandemic to maintain liquidity increasing customer service level in an industrial products company in Mexico. Advances in Science, Technology and Engineering Systems Journal, 5(6), 613-626. https://doi.org/10.25046/aj050675*
6. *Amadasun, D. (2022). Influence of access to finance on the competitive growth of SMEs in Lesotho. J Innov Entrep 11, 56 https://doi.org/10.1186/s13731-022-00244-1*
7. *Anantadjaya., P., W., Carmelita., S., Juhara., S., Irdiana., I., Moridu., E., Susanti., I., M., Nawangwulan. (2023). Inventory and Financial Performance selected Publicly listed Manufacturing Indonesian and German Companies. doi: 10.26794/2587-5671-2023-27-5-76-89*
8. *Arbel, A., Carvell, S.A., & Strebel, P.J. (2013). Giraffes, Institutions and Neglected Firms. Financial Analysts Journal.*
9. *Ariemba, J., Zablon, Evusa., Abednego, Musau, Muli. (2016). Effect of Investment Decision on Financial Performance of Savings and Credit Cooperatives: The Case of Kitui Central Sub-County, Kenya. Journal of economics and sustainable development,*

10. *Arora, A., Gupta, V., Sharma, T., Husain, S., Sharma, S., Kumar, S., & Kumar, S. (2023). A study of preference of individual investor towards investment in stocks. Journal of Statistics and Management Systems.*
11. *Bah, Abdullah, Ezekiel, K., Duramany-Lakkoh., Foday, Daboh. (2023). An Empirical Evidence of The Impact of Inventory Management on The Profitability of Manufacturing Companies. doi: 10.47260/jafb/13610*
12. *Bartolacci, F., Caputo, A., & Soverchia, M. (2019). Sustainability and financial performance of small and medium sized enterprises: A bibliometric and systematic literature review. Business Strategy and the Environment. https://doi.org/10.1002/bse.2434*
13. *Bawa, Suliman, George, Effah, Asamoah., Ernest, Kissi. (2018). Impact of Inventory Management on Firm Performance: A Case Study of Listed Manufacturing Firms in Ghana. International Journal of Finance and Accounting,*
14. *Cardoso, G., Quirós, D., Souza, G., & Ribeiro, K. (2020). Inventory management and performance of Brazilian firms. , 14. https://doi.org/10.17524/repec.v14i1.2041.*
15. *Eton, Marus & Mwosi, Fabian & Bernard, Patrick & Ogwel, Patrick & Obote, Dennis. (2019). Cash Management and Financial Performance of Business Firms in Northern Uganda a Case of Lira District.*
16. *Fazli, M., Sam, M., & Hoshino, Y. (2014). Sales Growth, Profitability dan Performance: Empirical Study of Japanese ICT Industries with three Asean Countries. Interdisciplinary Journal of Contemporary Research in Business, 4(11), 138–156.*
17. *Ghafour, K. (2017). The Role of Items Quantity Constraint to Control the Optimal Economic Order Quantity. Mathematical Models and Methods in Applied Sciences, 11, 61. https://doi.org/10.5539/MAS.V11N9P61.*
18. *Gloy, B. A., Hyde, J., &LaDue, E. L. (2014). Dairy Farm Management and Long-Term Farm Financial Performance. Agricultural and Resource Economics Review, 31(2), pp. 1–15. Doi: https://doi. org/10.1017/S1068280500004032*
19. *Hamzah, E., Octavina, D., Donata, G., Christian, D., Damar, S., & Sitepu. (2024). Enhancing MSMEs financial resilience: Integrating working capital management and sustainability reporting. Maksimum, https://doi.org/10.26714/mki.14.2.2024.187-203*
20. *Hanslmeier, A. (2022). The Interface between Unitary Hypothesis and Componential Approach to Testing Reading Skills: Do Subjects Show Similar Levels of Performance with Respect to Specific Reading Sub-Skills in Tests Representing both Theories? Descriptive Correlational Study. doi: 10.21203/rs.3.rs-1349960/v1*
21. *Harash, E. (2014). Effects of Financing on Performance of small and medium enterprises (SMEs). IPASJ International Journal of Management (IIJM). Volume 2, Issue 1).*
22. *Kader, A & Khan, A (2019) FINANCIAL MANAGEMENT PRACTICES ON FINANCIAL PERFORMANCE. Globus An International Journal of Management & IT. Vol 11 / No 1 / Jul-Dec 2019 ISSN: 0975-721X*
23. *Kennedy, J. (2014). Financial Management Practices in Small Businesses: Regional and Metropolitan*
24. *Lijuan, C. (2023) The Effects of Inventory Management on Business Efficiency. International Journal for Multidisciplinary Research (IJFMR)*
25. *Matsoso, L. (2016). Financial Performance Measures of Small Medium Enterprises in the 21st Century. Journal of Economics. DOI:10.1080/09765239.2016.11907829*
26. *Mendoza, R. (2015). Financial Performance of Micro, Small and Medium Enterprises (MSMEs) in the Philippines. The International Journal of Business and Finance Research.*
27. *Mensah, S. (2014, March, 15-16). A Review of SME Financing Schemes in Ghana. Paper presented at the UNIDO Regional Workshop of Financing SMEs, Accra, Ghana.*
28. *Muguchia, M. (2018). The effect of financial management practices on the financial performance of the companies listed at Nairobi securities exchange.*
29. *Mukarromah, D. (2020). Financial Performance Analysis on Micro, Small, and Medium Enterprises of Cassava Product in Cibadak, Lebak Regency. 10.21831/economia.v16i2.31232. Review of Business and Economic Study*
30. *Mukarromah, D. (2020). Financial Performance Analysis on Micro, Small, and Medium Enterprises of Cassava Product in Cibadak, Lebak Regency. 10.21831/economia.v16i2.31232. Review of Business and Economic Study*
31. *Noeva, E. (2023). Reproduction of fixed assets in the Republic of Sakha (Yakutia): an analysis of the state and direction of development. Vestnik of North-Eastern Federal University Series "Economics Sociology Culturology.*
32. *Nthenge, D.M. and Ringera, J. (2017). Effect Of Financial Management Practices on Financial Performance of Small and Medium Enterprises in Kiambu Town, Kenya. American Based Research Journal. Vol-6-Issue-1 Jan-2017 ISSN (2304-7151)*
33. *Onikoyi, I., Emmanuel, A., Ojo, S., & Aje, C (2017) Effect of Inventory Management Practices on Financial Performance of Larfage Wapco Plc. Nigeria. European Journal of Business and Management www.iiste.orgISSN 2222-1905 (Paper) ISSN 2222-2839 (Online) Vol.9, No.8, 2017*
34. *Oscar, Domenichelli. (2018). Performance, financing decisions and corporate governance of Italian medium and large private family firms. African Journal of Business Management. 12. 574-585. 10.5897/AJBM2018.8661.*
35. *Pagaddut, J. (2021). The Financial Factors Affecting the Financial Performance of Philippine MSMEs. Universal Journal of Accounting and Finance, 9(6), 1524 - 1532. DOI: 10.13189/ujaf.2021.090629*
36. *Panina, I., & Gushchina, M. (2022). Analysis of the organisation's borrowed capital. Vestnik Voronezhskogo gosudarstvennogo universiteta. Ser.: Ekonomika i upravlenie = Proceedings of Voronezh State University. Series: Economics and Management. https://doi.org/10.17308/econ.2022.2/8322.*

37. *practices in small and medium enterprises in selected districts in Western Uganda. Research Journal of Finance and Accounting, 4 (2), 1-15*
38. *Siedlecki, S. (2020). 2. Correlation Designs and Analyses: What the Clinical Nurse Specialist Needs to Know.. Clinical Nurse Specialist, doi: 10.1097/NUR.0000000000000525*
39. *Sooryasena, R. S. S., &Palihena, P. D. N. K. (2020). The effect of financial management practices on financial performance of small and medium enterprises: Special reference to Kurunegala Divisional Secretariat. International Journal of Scientific Research and Management, 8(05), 1789–1803. https://doi.org/10.18535/ijsrm/v8i05.em05*
40. *Suhendah, R., & Nathania, N. (2020). Investment decision: The case of Indonesian manufacturing companies. Advances in Economics, Business and Management Research, 207, 207-212. https://doi.org/10.2991/AEBMR.K.200626.038*
41. *Turyahebwa A, Sunday A, Ssekajugo D (2014). Financial management practices and business performance of small and medium enterprises in western Uganda. African Journal of Business Management.*
42. *Udisifan Michael Tanko, Akeem Adetunji Siyanbola, Paul Matudi Bako, Olalere Victor Dotun (2021). Capital Structure and Firm Financial Performance: Moderating Effect of Board Financial Literacy in Nigerian Listed Non-Financial Companies.*
43. *Vahid, T. K., Elham, G., khosroshahi Mohsen, A., & Mohammadreza, E. (2012). Working capital management and corporate performance: evidence from Iranian companies. Procedia-Social and Behavioral Sciences,*
44. *Veeraraghavan, D. (2018). Effect of Financial Management Practices on Financial Performance of Small and Medium Enterprises in Pudhucherry, India. International Journal of Management Studies.*
45. *Virginus, U.I. and Nwakoby, N.P. (2020). Impact of Inventory Management on Firm Performance in Nigeria: Using Grass Roots Opinion. International Journal of Engineering and Information Systems (IJEAIS) ISSN: 2643-640X Vol. 4 Issue 11*
46. *Wanjira, J. N. and Njagiru, J. M. (2018). Inventory Management Practices And Financial Performance Of Small And Medium Scale Enterprises In Laikipia County, Kenya. International Academic Journal of Economics and Finance | Volume 3.*
47. *Winfred, N., Muiruri, J., Matanda, W., & Wepukhulu, J. (2018). Effect of financing decisions on financial performance of listed companies at the Nairobi Securities Exchange, Kenya. Journal Name, 2(3), 101-114.*
48. *Yilmaz, I. (2021). Sustainability and financial performance relationship: international evidence. World Journal of Entrepreneurship, Management and Sustainable Development, ahead-of-print. https://doi.org/10.1108/WJEMSD-10-2020-0133.*
49. *Zada, M., Yukun, C., (2021). Effect of financial management practices on the development of smallto-medium size forest enterprises: insight from Pakistan. GeoJournal, 86(3), 1073-1088*