Brainae Journal of Business, Sciences and Technology
ISSN ''2789-374X (Print)" "2789-3758 (Online)"
Volume 9 Issue 05, May 2025
Impact Factor: 5.324, ISO: 9001 - 2015 Certified Journal
International Peer Reviewed - Refereed Research Journal
www.brainajournal.com; info@brainae.org

EFFECT OF FINANCIAL MANAGEMENT PRACTICES ON FINANCIAL PERFORMANCE. A CASE OF ADMA INTERNATIONAL LTD, RWANDA

MIGINA Noel* & Dr. RUBUNDA Emmaboles **
email:noelmigina@gmail.com & email:rubundaemma@gmai.com
Master of Accounting and Finance of University of Kigali, Rwanda* & Senior Lecturer, University of Kigali, Rwanda**
Received: April 20, 2025; **Accepted:** May 24, 2025; **Published:** May 26, 2025

Cite this Article: Migina Noel & Dr. Rubunda Emmaboles (2025). Effect of Financial Management Practices on Financial Performance. A Case of ADMA International Ltd, Rwanda. In Brainae Journal of Business, Sciences and Technology (Vol. 9, Issue 05, pp. 657-666).

DOI: https://doi.org/10.5281/zenodo.15515986

Abstract

This study is essential to examine how financial management practices influence the financial performance of ADMA International Ltd in Rwanda, addressing existing gaps in understanding the key factors that drive financial success within the company. The target population comprised 520 employees of ADMA International Ltd Rwanda, with a sample size of 84 respondents selected for the study. Data collection was conducted using structured questionnaires to gather relevant information on financial management practices and performance metrics. The study consulted relevant literature and theoretical frameworks, including the Conversion Cycle Theory, Financial Distress Theory, and Transaction Cost Theory, to underpin the analysis. For data analysis, descriptive statistics such as frequency tables, percentages, means, and standard deviations were employed to summarize the data. Inferential analysis was conducted using Pearson correlation coefficients and multiple regression models, utilizing SPSS version 25.0 to test the relationships between independent variables (working capital management, budgetary control practices, and budget monitoring and evaluation) and the dependent variable (financial performance). Key findings indicated high mean scores for variables: 4.50 for working capital management, 4.69 for budgetary control practices, 4.60 for budget monitoring and evaluation, and 4.65 for overall financial performance. Correlation analysis revealed strong relationships between these practices and financial performance, with correlation coefficients of 0.769, 0.902, and 0.944, respectively. The effects of financial management practices were statistically significant, with p-values less than 0.05, specifically, working capital management ($p = 0.000$), and budget monitoring and evaluation ($p = 0.000$), while budgetary control practices did not show a significant effect ($p = 0.408$).The study concludes that there is a significant positive relationship between financial management practices and financial performance at ADMA International Ltd. Based on these findings, it is recommended that MINICOM encourage greater engagement of citizens in business activities to foster wealth creation. Additionally, Ministry of trade and industry(MINICOM) should regularly provide professional guidelines to enhance ensuring adherence to best practices and improving overall business performance.

Keywords: *financial management practices, financial performance, working capital management, budgetary control practices, budget monitoring and evaluation*

1. Introduction

Financial management is concerned with decisions relating to raising the necessary finance for the business, arranging assets and managing operations to maximize the market value of the business (Brealey, R. A., Myers, S. C., Allen, F., Mohanty, M. S. , 2023). Corporate finance reflects all business processes in monetary units, in other words, it reflects the value side of the transformation process (Klement, J., Klementová, M., 2020).

In the USA, financial management practices emphasize risk management, strategic investment, and regulatory compliance. The adoption of advanced financial technologies such as FinTech and data analytics has transformed traditional practices, enabling firms to optimize financial decision-making processes (Johnson, K., Lee, S., 2021). Moreover, the emphasis on corporate governance and transparency, driven by regulations such as the Sarbanes-Oxley Act, has improved financial reporting accuracy, positively impacting firm performance (Smith, J., Patel, R., 2022). Recent studies highlight that firms leveraging integrated financial planning and control systems tend to demonstrate higher profitability and operational efficiency (Brown, T., Davis, R., 2023).

European firms operate within a diverse regulatory landscape shaped by the European Union directives and local regulations. Financial management practices often incorporate sustainability and corporate social responsibility, aligning with the EU's Green Deal and standards (Hoffmann, L., Müller, S., 2022). The adoption of integrated reporting and stakeholder engagement strategies has become common, aiming to enhance long-term performance (Garcia, M., Rossi, P., 2023). Studies suggest that adherence to sustainable

financial management practices correlates positively with firm resilience and profitability in European markets (Schmidt, A.,Weber, F., 2024).

The relationship between financial management practices and financial performance has gained increasing attention among researchers and practitioners in the United States, especially amid a dynamic economic environment and market fluctuations. Effective practices like budgeting, forecasting, and investment analysis are crucial for improving organizational performance by enabling efficient resource allocation, reducing financial risks, and maximizing returns. Recent studies highlight that organizations adopting sound financial management report better profitability, operational efficiency, and overall financial health. As businesses recover post-pandemic and adopt digital financial tools, understanding these practices' effects is essential for developing sustainable competitive advantages in the constantly changing financial landscape (Brown, T., Davis, R., 2023).

East Africa, comprising Kenya, Tanzania, Uganda, Rwanda, Burundi, and South Sudan, has experienced rapid economic growth but still faces challenges such as limited access to financial services, low financial inclusion, and inadequate financial management practices. Effective financial management practices, including budgeting, forecasting, and risk management, are crucial for enhancing financial performance and achieving economic development goals. However, many SMEs in the region lack the necessary skills and knowledge to manage their finances effectively. This study aims to examine the impact of financial management practices on the financial performance of SMEs in East Africa, focusing specifically on Kenya, Tanzania, and Uganda. Previous research indicates that financial management practices significantly influence SME performance; for example, (Ondiege, E. N., Mung'atu, J. A., Owuor, G., 2020) linked effective budgeting and forecasting with improved performance in Kenya, (Rwegasira, A., Ndibalema, J., Musoke, J., 2022) found risk management positively affects SMEs in Tanzania, and (Mung'atu, J., Otieno, O., Njeri, W., 2020) highlighted the importance of financial practices for SME survival and growth in Uganda.

Rwanda faces challenges in financial management with few professional accountants affecting business performance, exemplified by Inyange Industries' liquidation in 2010 due to poor practices (Hatega, S. , 2017). Agricultural processing enterprises have struggled due to internal attitudes, environmental factors, government instability, policy changes, and financial mismanagement. Despite weak ROA in private insurers since 2013, some showed improvement by early 2018 through staff capacity-building (BNR., 2018). ADMA International Ltd, established in 2003, is a reputable private biscuits manufacturer committed to high-quality, safe products using modern techniques and healthy ingredients, certified by Rwanda standards Board(RSB). The company emphasizes quality, hygiene, and customer satisfaction, continuously updating machinery and maintaining strict standards to ensure its biscuits bring happiness to consumers. The choice of Adma Ltd is significant, according to recent international statistics, over 70% of SMEs in emerging markets face challenges related to financial mismanagement, which severely hampers growth and sustainability (World Bank., 2021). (IFC., 2022) reports that poor financial practices are responsible for approximately 60% of business failures in developing countries emphasizing the urgency of effective financial management. Studying Adma Ltd offers valuable insights into the broader implications of financial practices and their impact on organizational performance especially in environments where financial mismanagement could hinder economic progress and competitiveness (OECD., 2023).

2. Statement of the Problem

Financial management practices act as tool for the organizations to remain profitable while ensuring that they do not become bankrupt or insolvent. Through financial management, the managers are able to understand the current financial position of a particular firm and capability meeting future financial obligations (Kiptoo, K. I., Kariuki, S. N., Kimani, M. E., 2017). The lack of adequate accounting systems and weak controls constantly facilitate the misuse of allocated public funds, slowing down the provision of services and the overall efficiency (Kwame, G. A., 2017) says that the leading cause of business failures is careless financial management practices. Where the financial decisions are mistaken, whether the owner-manager or hired manager, the company's profitability, and consequently the whole company organization is affected adversely. Financial management contributes through reliable financial management systems such as budgetary controls, ratio analysis, and improve business organizations' profitability (Paramasivan, C., Subramanian, T., 2019). Inefficient and inability financial management practices becomes a major cause of fundamental problems facing and affecting financial performance of manufacturing firms' financial management (Jindřichovská, I., 2018). Lifespan of business manufacturing firms culminates into short-term lasting and financial performance failure due to lack of proper carefulness plan and policy layout to manage the firms' finance. Manufacturing firms continue to experience high mortality rate in both developed and developing countries with irrespective the present outlook. Inability to acquire enough cash flow and working capital in order to continue operations in a profitable manner is one of the most typical challenges that manufacturing firms must contend with. This is one of the most typical difficulties that organizations involved in manufacturing are required to overcome (Siaw, N. A., 2019). Study by (Atuilik, W. A., Anaba, E. A., Asante, J. K., 2019) only focuses on the budgets and budgetary control process in Ghana's health sector. Even though (Attah-Botchwey, E., 2018) did a study on financial management practices in the public sector, the focus was on metropolitan assemblies in Ghana. Like (Attah-Botchwey, E., 2018). The gap of inefficient and inability in financial management practices still exist, then, the scholar developed a need to established research study to fill the gap existing by employ study on effect of financial management practices on financial performance. A case of ADMA international Ltd, Rwanda.

3 Objectives of the study

The study objectives are divided into two categories, such general objectives and specific objectives as detailed below:

3.1 General Objective

The general objective of this study is to assess the effect of financial management practices on financial performance. A case of ADMA international Ltd

3.2 Specific Objectives

The specific objectives of this study include:

i. To determine the effect of working capital management on financial performance in ADMA international Ltd
ii. To assess the effect of budgetary control practices on financial performance in ADMA international Ltd

iii. To determine the effect of budget monitoring and evaluation on financial performance in ADMA international Ltd

3.3 Hypothesis of the study

The current study relay on the six hypotheses, such as:

H_{01}: There is no significant effect of working capital management on financial performance in ADMA international Ltd

H_{02}: There is no significant effect of budgetary control practices on financial performance in ADMA international Ltd

H_{03}: There is no significant effect of budget monitoring and evaluation on financial performance in ADMA international Ltd

4. Literature Review

4.1 Theoretical Review

It is essential to ground the discussion in relevant theoretical frameworks. This section explored three key theories which are: Conversion Cycle Theory, Financial Distress Theory, Transaction Cost Theory

4.1.1 Conversion Cycle Theory

Conversion Cycle Theory was found by (Richards, V. D., Laughlin, E. J., 1980). The idea of the money cycle was changed over into the hypothesis of a money trade process that might be used to work out the WCM productivity of the business. The hypothesis expresses that a quick transformation of money means capable working income the executives which expands liquidity, benefit, and the worth of the business. Notwithstanding, the cash transformation process refers to when genuine cash is held in different records, like receivables and stock. This suggests that the CCC is irritated when organization's assets are secured. According to (Richards, V. D., Laughlin, E. J., 1980), cash transformation cycle hypothesis is the time it takes an organization to change over its asset inputs into cash. It assesses how successfully a firm is dealing with its functioning capital. A firm can similarly sell things utilizing a Mastercard, which achieves records of deals. Cash conversion cycle is an important measure that is used to measure working capital management, (Zariyawati, M. A., Annuar, M. N., Taufiq, H., Rahim, A. A., 2009). It alludes to the time frame between the consumption on the procurement of the unrefined components and the assortment from deals of achieved merchandise, (Owolabi, A., Obi, E., 2022), the net time span between the cash collection from offer of an item and money installment for the assets obtained by the firm. It's a very effective tool for measuring working capital. It is composed of three components which are the receivables collection period, payables deferral period and inventory conversion period, (Zakari, M., Saidu, S., 2016). The aim of the firm is to reduce the inventory conversion period to maximize profit. According to (Attari, M. A., Raza, K., 2012) the longer the cash conversion cycle (CCC) the more advantageous was the financial performance be (Nombance, B., 2011). (Hussain, S., Hassan, A. A. G., Bakhsh, A., Abdullah, M. , 2020) criticized CCC model by showing that CCC should be as short as possible as this was creating more value to the shareholder. Further, the business needs to sell its inventory and then get its money as soon as possible in order to maintain the CCC in the short run. On the other hand, the firm must postpone paying the supplier for as long as they can. The relationship with clients and suppliers would suffer as a result. They won't be content to work with us in the long run. The theory supported the independent variable of this study since it informed the working capital management which is measured by cash conversion cycle which is all about this theory. It is in this regard that this theory showed the relationship to this study on effect of financial management practices on financial performance. A case of ADMA international Ltd. Rwanda

The Conversion Cycle Theory by (Richards, V. D., Laughlin, E. J., 1980). directly links to the variable of working capital management, as it emphasizes the importance of efficiently managing the cash conversion cycle (CCC) the time taken to turn raw materials and inventory into cash from sales. The theory posits that a shorter CCC improves liquidity and profitability, which aligns with the study's focus on how financial management practices affect financial performance in ADMA International Ltd. Rwanda. However, the theory's main weakness is its limited consideration of the potential negative consequences of aggressively shortening the CCC, such as damaging long-term relationships with suppliers and customers, which can undermine sustainability. The study addresses this gap by acknowledging the importance of balancing the reduction of CCC with maintaining stakeholder relationships, thus extending the theory's application to include broader financial practices like budgetary control and monitoring that influence overall financial performance.

4.1.2 Financial Distress Theory

Financial Distress Theory This hypothesis was established by (Muller, R., 1989). According to this theory was financial theory can be divided into default, insolvency, performance deterioration and failure. Default and insolvency has its roots on liquidity whereas performance deterioration and failure influences profitability. Positive or negative segment make up this hypothesis. Positive means that the company is no longer deteriorating and negative meaning that the firm is continuing to deteriorate. (Opler, T. C., Titman, S., 1994) further added that decline in performance was a sign of distress. Performance in this case, starts with a sharp decline from one stage to the other that speeds up, though the distance of every phase is smaller. This weakening can endure even after the company has become almost insolvent. The length of indebtedness depends on how long the company's debt can take before it matures. The shortest stage of financial distress is negotiations and turnaround. The critique of this theory has the biggest challenge in financial distress is to recognize adverse processes as early as possible in order to gain more time for response. The later financial distress is anticipated, the more time pressure and the more questionable is the success of counter measures (Ntoiti, J., 2014)

This model is applicable to the dependent variable (financial performance). This is because if there is deterioration in working capital management practices it can result to poor performance (financial distress). There is subsequently the need to support inventions so as not to get to financial distress. More over the hypothesis of financial distress might be valuable in clarifying the reasons for monetary difficulties banks. The study adopted the theory as it is linked with the study on effect of financial management practices on financial performance. A case of ADMA international Ltd. Rwanda.

The Financial Distress Theory underscores that early detection of financial deterioration is critical, was linked to variables such as working capital management, budgetary control practices, and budget monitoring and evaluation. Effective working capital management helps prevent liquidity crises that could lead to default or insolvency, while diligent budgetary control and continuous monitoring serve as early warning systems for declining performance. However, a key weakness of this theory is its challenge in

recognizing adverse financial processes early enough, which limits the opportunity for timely intervention and increases the likelihood of failure. In the context of this study on ADMA International Ltd. Rwanda, addressing this weakness involves emphasizing the importance of proactive financial management practices such as vigilant cash flow management and regular budget assessments to identify signs of distress early, thus enabling more effective responses and supporting improved financial performance.

4.1.3 Transaction Cost Theory

The hypothesis was developed by (Ferris, J. S., 1981). The hypothesis expresses that great administration of payables can have the option to decrease the exchange expenses of taking care of bills. What this basically implies is that an association can amass the bills and make month to month or quarterly installments for every one of them rather than getting things done consistently captivating various individuals subsequently expanding the expense for the association. Subsequently, the organization ought to recognize the creation plan and the installment time frame, (Williamson, Oliver E., 1968). In addition, is that the SACCO can have the option to keep up with item stream making use of plans for huge inventories via recognition. This could build the expense of capacity and stock keeping. Nonetheless, the hypothesis doesn't think about the size and method of business activity while connecting accounts payable to financial performance.

According to (Deloof, M., 2019) the theory foster an arrangement for directing and dealing with the inventories and payables of various organizations and their effect on the association's monetary execution. Further, this hypothesis depends on the administration and guideline of consumption on payables so that to augment the normal income which then, at that point, means benefit. A firm or a financial backer can wind up account payable in period and wind up lessening the money accessible for maintaining the commercial. This might ultimately influence and decrease the deals stages. Therefore, this is reason transaction cost hypothesis was used in this research since it upholds explaining the money payable association with the executives including and how the equivalent would influence or diminish benefits. A researcher found the relationship between this theory and the study on effect of financial management practices on financial performance. A case of ADMA international Ltd. Rwanda.

This theory included the Payables Management Hypothesis and the Transaction Cost Hypothesis that link to variables such as working capital management by emphasizing the importance of optimizing payables to improve liquidity and reduce costs, thereby positively influencing financial performance. They suggest that effective accounts payable strategies enhance cash flow and profitability. The study overlooks how these theories observed the weaknesses like supplier relationship risks or inventory obsolescence, which could negatively impact financial outcome`s. Addressing these gaps would strengthen the theoretical framework and provide a more nuanced understanding of the variables involved.

4.2 Empirical review

(Adebayo, T.,Olamide, A., 2021). Investigated the impact of working capital management on the financial performance of manufacturing firms in Nigeria. The study focused on 30 manufacturing firms listed on the Nigerian Exchange. The researchers employed a quantitative research design, utilizing panel data analysis from 2010 to 2019. They used the return on assets (ROA) and return on equity (ROE) as proxies for financial performance. Data were analyzed using Ordinary Least Squares (OLS) regression to determine the relationship between WCM components (inventory turnover, receivables collection period, payables deferral period, and cash conversion cycle) and financial performance. The study found that efficient working capital management positively influences financial performance, with significant effects observed for receivables and inventory management.

(Mwalimu, P., Lyimo, S., 2023). The Relationship Between Working Capital Management and Financial Performance of Agricultural Firms in Tanzania The study used 30 agricultural firms listed on the Dar es Salaam Stock Exchange (DSE) from 2017 to 2022. The study employed Quantitative cross-sectional study. Better working capital management correlates with improved financial performance, especially through reduced inventory and receivable periods.

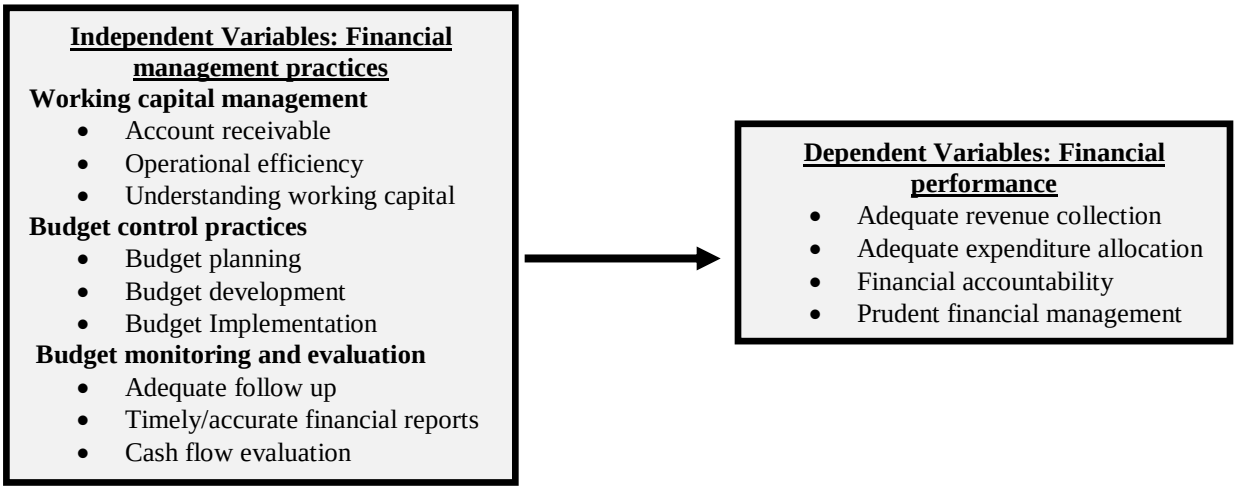
(Kato, P., Mugisha, J., 2022). Effect of Budgetary Control Practices on Financial Performance in Ugandan Commercial Banks. A cross-sectional research approach was adopted, with data collected through structured questionnaires and financial statement analysis from 12 commercial banks. Quantitative methods, including multiple regression analysis, were used to analyze the data, with financial performance measured via return on assets (ROA) and return on equity (ROE). The results indicated that budgetary control mechanisms, especially variance analysis and flexible budgeting, significantly enhance banks' financial outcomes.

(Mwangi, J., Otieno, N., 2021). The Impact of Budgetary Control on Financial Performance of Public Sector Organizations in Kenya. This study employed a descriptive survey design. A structured questionnaire was distributed to 150 managers across various public institutions. Data were analyzed using regression analysis to determine the relationship between budgetary control practices and financial performance indicators such as profitability and cost efficiency. The study found a significant positive correlation between effective budgetary control practices and improved financial performance, emphasizing the importance of strict budget monitoring and variance analysis.

(Niyonsenga, J., Uwimana, J., Mugisha, S., 2021). Evaluation of Budget Monitoring Systems and Financial Performance in Rwandan Local Governments. The employed 15 district councils in Rwanda, Quantitative approach with data from financial statements and budget reports (2018-2022); regression analysis employed to assess the relationship between monitoring quality and financial outcomes such as fiscal discipline and service delivery efficiency. The study concluded that effective budget monitoring significantly improves financial performance by curbing misappropriation and fostering accountability, which in turn enhances service delivery.

5. Conceptual framework

Figure 1: Conceptual Framework



Source: Researcher (2024)

6. Research methodology

The data analysis process includes; the normality of the data and residuals were tested using statistical tests such as the Shapiro-Wilk or Kolmogorov-Smirnov tests, along with visual assessments like histograms and Q-Q plots; these steps ensured that model assumptions are satisfied, thereby supporting reliable, valid, and interpretable results, correlation , summary model , ANOVA and Also had the data analysis process began with assessing multicollinearity by calculating Variance Inflation Factors (VIF) for predictor variables, where VIF values exceeding 10 suggest problematic collinearity that may require variable adjustment or removal.

6.1 Research design

According to (Grinnell R. M. , 2020). A study design is an extensive strategy or plan that describes the way research went to be carried out. In order to get a trustworthy response to the research topic, it was essential to have a plan for gathering and evaluating data. This research adopted descriptive and correlational research design. It was descriptive, aiming to detail the working capital management, Budget control practices, Budget monitoring and evaluation on the financial performance of ADMA international Ltd, Rwanda. Correlation analysis assessed the relationship between these Effect of financial management practices on financial performance, using specific indicators. Qualitative data was collected through open-ended questions to explore participant experiences, while quantitative data was gathered from closed-ended questions for statistical analysis. To test the correlation between the independent variable (financial management practices) and the dependent variable (Financial performance), statistical analysis was employed. Pearson correlation coefficient was used to determine the strength and direction of the relationship between these variables (Creswell, J. W., 2021). This approach helped in identifying significant patterns and drawing meaningful conclusions about the effect of financial management practices outcomes. The research design ensured that the study is methodologically sound and that the findings are reliable and valid. By employing a sampling approach and integrating both primary and secondary data, the study aimed to provide a holistic view of the research problem and contribute valuable insights to the field of financial management.

6.2 Sample Size

According to (Mthuli, S. A., Ruffin, F., Singh, N., 2022), sample size is the number of people, observations, or units chosen from a broader population to conduct research and make conclusions. The Slovin' formula is used to compute sample size because it gives a straightforward method for doing so. The paper adopted the formula below to determine how many persons to include in the study.

$$n = \frac{N}{1 + N * (e^2)} = \frac{520}{1 + 520 * (0.1^2)} \approx 84$$

The study used simple random sampling, where every member of the population had an equal chance of being selected. This method minimizes selection bias and is suitable when the population is homogeneous (Johnson, B.,Christensen, L., 2020)

Table 6.1: Population category

Population category	Population size	Sample Size
Management team	20	3
Production/Manufacturing Department	109	18
Quality Control/Assurance Department	20	3
Research and Development (R&D)	11	2
Sales and Marketing Department	213	34
Finance and Accounting Department	52	9
Human Resources (HR) Department	15	2
Supply Chain and Logistics	49	8

Population category	Population size	Sample Size
Customer Service	20	3
IT Department	6	1
Health, Safety, and Environment (HSE)	5	1
Total	**520**	**84**

Source: ADMA International Ltd, Rwanda (2024)

For this research, random sampling was applied to select 520 participants from various categories. This method ensures that each individual within the defined groups has an equal likelihood of being included, thereby improving the representativeness and validity of the results across all participants.

7.Data Analysis and Discussion

7.1 Inferential Statistics

This section presents the results from inferential statistical tests, including the correlation coefficient and multiple linear regression analysis, to examine the relationships between the independent and dependent variables in this research study.

7.1.1 Tests of normality

Tests of normality are statistical procedures used to determine whether a dataset follows a normal distribution.

Table 7.2 Test of normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Working capital management	.242	84	.000	.863	84	.000
Budgetary control practices	.224	84	.000	.783	84	.000
Budget monitoring and evaluation	.297	84	.000	.780	84	.000

a. Lilliefors Significance Correction

Source: Primary data,2024

Since the dataset had fewer than two thousand elements, the most preferred test was the Shapiro-Wilk. This resulted in a significance level for the unit of the quotient of working capital management, Budgetary control practices, Budget monitoring and evaluation value divided by the respective product accounts to result to 0.000, 0.000 and 0.000 respectively. These are all Lower than 0.05 implying that the data originated from a normal distribution and is not suitable for the study. Despite the elements required by the Kolmogorov-Smirnov test, its results are similar to the Shapiro-Wilk test. According to (Kumar, P., Singh, R.,Sharma, M. , 2021) examined the distribution of financial ratios in small and medium enterprises (SMEs). Their findings confirmed that the Shapiro-Wilk test effectively identified deviations from normality in datasets with fewer than 2000 observations, aligning with earlier research. They reported significant results ($p < 0.05$), indicating non-normal distributions, which justified the use of non-parametric methods for analysis.

7.1.2 Correlation

Correlation is a statistical measure that indicates the strength and direction of a linear relationship between two variables.

Table 7.3 Correlation between financial management practices on financial performance

		Working capital management	Budgetary control practices	Budget monitoring and evaluation	Financial performance
Working capital management	Pearson Correlation	1	.726**	.656**	.769**
	Sig. (2-tailed)		.000	.000	.000
	N	84	84	84	84
Budgetary control practices	Pearson Correlation	.726**	1	.910**	.902**
	Sig. (2-tailed)	.000		.000	.000
	N	84	84	84	84
Budget monitoring and evaluation	Pearson Correlation	.656**	.910**	1	.944**
	Sig. (2-tailed)	.000	.000		.000
	N	84	84	84	84
Financial performance	Pearson Correlation	.769**	.902**	.944**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	84	84	84	84

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

Source: Primary data, 2024

The results demonstrate the relationship between the effect of financial management practices on financial performance. A case of ADMA international Ltd. Rwanda. The financial management practices factors considered in this study include Working capital management, Budgetary control practices, Budget monitoring and evaluation. The Pearson correlation coefficients were calculated using the Statistical Package for Social Sciences (SPSS) software version 25.0. The Pearson correlation coefficient ranges from -1 to 1, where values between -1 and 0 indicate a negative correlation (-1 to -0.5 representing a high negative correlation and -0.5 to 0 indicating a low negative correlation), and values between 0 and 1 signify a positive correlation (0 to 0.5 indicating a low positive

correlation and 0.5 to 1 indicating a high positive correlation). The findings revealed that the correlations between Working capital management, Budgetary control practices, Budget monitoring and evaluation and the financial performance were 0.769, 0.902, and 0.944, respectively. These results indicate a significant positive relationship between effect of financial management practices and financial performance. A case of ADMA international Ltd. Rwanda. The high correlation coefficients, particularly for budget monitoring and evaluation, indicate a substantial positive relationship, aligning with prior studies indicating that effective financial control mechanisms are critical for financial success (Kagoro, J.,Njeru, J., 2023). According to their research, companies that actively monitor and evaluate their budgets tend to realize better financial outcomes due to timely adjustments and strategic resource allocation. This reinforces the current study's findings that budgetary control practices and monitoring are vital components of effective financial management

7.1.3 Regression Analysis

Regression analysis is a statistical method used to examine the relationship between a dependent variable and one or more independent variables.

7.4 Model Summary of financial management practices and financial performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.965[a]	.931	.928	.68825

a. Predictors: (Constant), budget monitoring and evaluation, working capital management , budgetary control practices

Source: Primary data,2024

The results presented in the Model Summary aimed to assess the relationship between effect of financial management practices on financial performance. A case of ADMA international Ltd. Rwanda. To measure this, the researcher employed regression analysis; to determine the effect of working capital management on financial performance in ADMA international Ltd, to assess the effect of budgetary control practices on financial performance in ADMA international Ltd,to determine the effect of budget monitoring and evaluation on financial performance in ADMA international Ltd. The correlation coefficient (R = 0.965[a]) indicates a significant relationship between the effect of financial management practices on financial performance. A case of ADMA international Ltd. Rwanda, the results show that the R Square value is 0.928, suggesting that 92.8% of the variability in the Financial performance can be explained by the variables related to financial management practices on financial performance. This finding is statistically significant, highlighting the importance of these variables in explaining financial performance. Existing study, such as that by (Kamanzi, P., 2022), have also highlighted the impact of financial management practices on corporate performance within Rwandan firms, emphasizing that strategic management of working capital and budgeting processes significantly contribute to financial success. This consistency reinforces the notion that targeted improvements in financial management practices are vital for enhancing organizational performance, especially in emerging markets like Rwanda.

Table 7.5 ANOVA[a] of financial management practices and financial performance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	510.248	3	170.083	359.065	.000[b]
	Residual	37.895	80	.474		
	Total	548.143	83			

a. Dependent Variable: financial performance

b. Predictors: (Constant), Budget monitoring and evaluation, Working capital management , Budgetary control practices

Source: Primary data, 2024

The results of the ANOVA analysis reveal that the variables under consideration were statistically significant, with an F value of 170.083 and a p-value of 0.000[b]. This indicates that there is a significant relationship between effect of financial management practices on financial performance. A case of ADMA international Ltd. Rwanda. According to study by (Niyonsenga, J., Uwimana, J., Mugisha, S., 2021) emphasizes that robust financial management practices such as efficient resource allocation, cost control, and strategic investments are key drivers of financial success in small and medium enterprises within Rwanda and similar contexts. Their research found a significant positive relationship between financial management strategies and financial performance, supporting the results observed in this analysis.

Table 7.6 Coefficients[a] of financial management practices and financial performance

Model	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
(Constant)	10.374	1.058		9.809	.000		
WORKING CAPITAL MANAGEMENT	.259	.044	.250	5.839	.000	.473	2.114
BUDGETARY CONTROL PRACTICES	.076	.091	.065	.831	.408	.143	6.985
BUDGET MONITORING AND EVALUATION	.642	.063	.721	10.188	.000	.172	5.800

a. Dependent Variable: FINANCIAL PERFORMANCE

Source: Primary data, 2024

The results indicate that the constant of the independent variables related to the effect of financial management practices was statistically significant, as the p-value is less than **0.05.** Specifically, the variables of effect of financial management practices, such as Working capital management was statistically significant with (p-value = 0.000[b]) and Budgetary control practices was not statistically significant with (p-value = 0.408[b]), and budget monitoring and evaluation was statistically significant with (p-value = 0.000[b]).

The results indicate that the constants of the independent variables related to financial management practices were statistically significant, as the p-value is less than 0.05. Specifically, the effect of financial management practices such as working capital management was statistically significant (p-value = 0.000b), while budgetary control practices were not statistically significant (p-value = 0.408b). Additionally, budget monitoring and evaluation were statistically significant (p-value = 0.000b). Based on the regression equation $Y = \beta0 + \beta1X1 + \beta2X2 + \beta3X3 + \varepsilon$, where Y represents the Financial performance, the equation derived was as follows:

$Y = 10.374 + 0.259X1 + 0.076X2 + 0.642X3$

Where: Y = Financial performance; β_0=constant (co-efficient of intercept), β_1, β_2, β_3 are regression coefficients to be estimated; then X_1, X_2, X_3 are coefficients; therefore X_1 = Working capital management; X_2 = Budget control practices, ; X_3 = Budget monitoring and evaluation ; ε = error term.

Table 7.6 presents the regression coefficients for the relationship between financial management practices (working capital management, Budgetary control practices, Budget monitoring and evaluation) and financial performance. The constant (B = 10.374, t = 9.809, p < 0.001) indicates the baseline financial performance when all predictors are zero.

Working capital management has an unstandardized coefficient of 0.259, indicating a significant positive effect working capital management on financial performance (t = 5.839, p < 0.001). This shows that increased working capital management enhances financial performance. Nevertheless, the VIF value of 2.114 points to no severe multicollinearity.

Budgetary control practices have an unstandardized coefficient of 0.076, reflecting a significant positive effect on financial performance (t = 0.831, p < 0.001). This indicates that higher budgetary control practices leads to improved financial performance. The VIF value of 6.985 suggests there is no multicollinearity to affect the stability of the estimates.

Budget monitoring and evaluation has an unstandardized coefficient of 0.642, reflecting a significant positive effect on financial performance (t = 0.831, p < 0.001). This indicates that higher Budget monitoring and evaluation leads to improved financial performance. The VIF value of 5.800 point out that, there is no multicollinearity to affect the stability of the estimates.

The standardized coefficients reveal that working capital management (β = 0.259) is the influential predictor, followed by Budgetary control practices (β = 0.076). Budget monitoring and evaluation (β = 0.642) also plays a significant role. The VIF values across all predictors suggest non-significant multicollinearity levels, which further ensure model stability and accurate interpretation. Recent empirical evidence supports these findings. For instance, (Ndayisaba, F., Mugisha, J., Mugisha, S., 2022) examined the relationship between financial management practices and firm performance in East African manufacturing firms and found that working capital management and budget control significantly positively impacted financial outcomes, whereas other practices showed mixed results. Their study underscores the importance of these practices in enhancing financial performance, aligning with the current findings.

8. Conclusions and Recommendations

8.1 Conclusions

The Effect of financial management practices offers an essential framework for measuring financial management practices, thus contributing significantly to achieving research objectives (Ansoff, A., 2020) In this study, the researcher drew conclusions based on the findings. The findings revealed that the correlations between Working capital management, Budgetary control practices, Budget monitoring and evaluation and the financial performance were **0.769, 0.902**, and **0.944**, respectively, the results indicated that all variables were statistically significant, with a p-value of 0.000[b]. Consequently, it was concluded that there is a significant relationship between the effect of financial management practices on financial performance. A case of ADMA international Ltd, Rwanda

The Effect of financial management practices offers an essential framework for measuring financial management practices, thus contributing significantly to achieving research objectives (Ansoff, A., 2020), in the study's findings demonstrate a strong and statistically significant positive relationship between various financial management practices namely working capital management, budgetary control, and budget monitoring and evaluation and the financial performance of ADMA International Ltd in Rwanda, with correlation coefficients of 0.769, 0.902, and 0.944 respectively, all associated with a p-value of 0.000. This indicates that effective implementation of these practices substantially contributes to improved financial outcomes, underscoring their critical role in enhancing organizational performance within the context of the company's operational environment.

8.2 Recommendations

Based on the study's findings, it is recommended that business entrepreneurship investors, particularly those involved with ADMA International Ltd. Rwanda, prioritize the adoption and implementation of effective financial management practices to enhance their financial performance. Governments, such as Ministry of Trade and Industry, should acknowledge the critical role that sound financial management plays in business success and actively promote this understanding among citizens. This can be achieved by facilitating training programs and providing ongoing professional guidelines related to research that emphasize best practices in financial management. Such initiatives will empower entrepreneurs and citizens to manage their finances more effectively, thereby increasing their earning potential, fostering economic growth, and contributing to the overall development of the business sector in Rwanda.

References

1. Brown, R., Green, T. (2023). Digital financial tools and their influence on financial management practices: A post-pandemic analysis. Journal of Financial Management, 89-110.
2. Brealey, R. A., Myers, S. C., Allen, F., Mohanty, M. S. (2023). Principles of Corporate Finance (13th ed.). McGraw-Hill Education. France: McGraw-Hill Education.
3. Adebayo, T.,Olamide, A. (2021). Working capital management and financial performance of manufacturing firms in Nigeria. Journal of African Business and Finance Research, 45-68.
4. Akomeah, J., Frimpong, S. (2019). Effect of working capital management on profitability of listed manufacturing companies in Ghana. International Journal of Finance and Banking Research, 29-35.
5. Ansoff, A. (2020). Government-community relationships: Extending the relational theory of public relations in the local government in Scotland. Journal of Business and Management, 35-42.
6. Attah-Botchwey, E. (2018). Financial management practices in the public sector: A case study of selected metropolitan assemblies in Ghana.
7. Attari, M. A., Raza, K. (2012). The optimal relationship of cash conversion cycle with firm size and profitability. International Journal of Academic Research in Business and Social Sciences, 189.
8. Atuilik, W. A., Anaba, E. A., Asante, J. K. (2019). Budgeting and budgetary control in the public health sector of Ghana: An empirical investigation. . International Journal of Public Administration, 681–692.
9. World Bank. (2021).SME Finance and Development. https://www.worldbank.org .
10. BNR. (2018). Annual Financial Sector Review 2017-2018. . Kigali: Bank of Rwanda.
11. Brown, T., Davis, R. (2023). Financial integration and firm performance: Evidence from US corporations. Journal of Financial Management, 134-150.
12. Creswell, J. W. (2021). Research Design: Qualitative, quantitative, mixed methods approach. (2nd ed. London: ed.). . London: Sage Publications.
13. Deloof, M. (2019). Does budget planning affect profitability of Belgian firms? . Journal of Business Finance and Accounting, 573-587.
14. Egbunike, A. P., Unamma, N. A. (2017). Budgeting, budgetary control and performance evaluation: Evidence from hospitality firms in Nigeria. . Studies and Scientific Researches: Economics Edition, 23-31.
15. Ferris, J. S. (1981). A transactions theory of trade credit use. The Quarterly Journal of Economics, 243–270.
16. Garcia, M., Rossi, P. (2023).Sustainability practices and financial performance in European firms: An empirical analysis. European Financial Review, 89-105.
17. Grinnell R. M. . (2020). Research methods for social workers. Berlin, German. . Berlin, German.
18. Hatega, S. . (2017). The Impact of Poor Financial Practices on Business Performance in Rwanda: A Case Study of Inyange Industries.
19. Hoffmann, L., Müller, S. (2022). The impact of ESG integration on financial performance in Europe. Journal of Corporate Finance, 102-233.
20. Hussain, S., Hassan, A. A. G., Bakhsh, A., Abdullah, M. . (2020). The impact of cash holding and exchange rate volatility on the firm's financial performance of all manufacturing sector in Pakistan. International Journal of Psychosocial Rehabilitation, 24.
21. IFC. (2022). The State of Small and Medium Enterprise Financing. Retrieved from https://www.ifc.org : https://www.ifc.org
22. Jindřichovská, I. (2018). Financial management in SMEs: Evidence from the Czech Republic. . International Journal of Business and Social Research, 11–19.
23. Johnson, B.,Christensen, L. (2020). Educational research: Quantitative, qualitative, and mixed approaches (7th ed.). . SAGE Publications.
24. Johnson, K., Lee, S. (2021). FinTech innovations and risk management in US firms. . Financial Technology Journal, 45-60.
25. Kagoro, J.,Njeru, J. (2023). The impact of financial control systems on organizational performance in East African firms. . Journal of Financial Management,, 123-139.
26. Kamanzi, P. (2022). Financial management practices and organizational performance in Rwandan firms. Journal of African Business,, 45–67.
27. Kanyinga, M. (2018). Political Accountability and Public Finance Management in Kenya. . Journal of African Development Studies,, 45-62.
28. Kato, P., Mugisha, J. (2022). Effect of Budgetary Control Practices on Financial Performance in Ugandan Commercial Banks. East African Journal of Financial Management, 78-92.
29. Kiptoo, K. I., Kariuki, S. N., & Kimani, M. E. (2017). Financial management practices and performance ofInternational Journal of Economics, Commerce and Management,133–145.
30. Klement, J., Klementová, M. (2020). The role of corporate finance in value creation. Journal of Business Economics and Management, 1024-1040.
31. Kumar, P., Singh, R.,Sharma, M. . (2021). Distributional characteristics of financial ratios in SMEs: An empirical investigation. . International Journal of Business and Management, 112-125.
32. Kwame, G. A. (2017). Effects of financial management practices on performance of SMEs in Ghana. International Journal of Business and Management, 1–10.

33. Kwarteng, F. (2017). Assessing the influence of public financial management on service delivery: A case study of the Ejura Sekyedumase Municipal Assembly. Ejura Sekyedumase Municipal Assembly.
34. Mpakaniye, J. (2017). The effect of internal audit on budget process and execution in local government: A case study of Musanze District, Rwanda [Master's thesis, University of Rwanda]. University of Rwanda Institutional Repository.
35. Mthuli, S. A., Ruffin, F., Singh, N. (2022). 'Define, Explain, Justify, Apply' (DEJA): An analytic tool for guiding qualitative research sample size. International Journal of Social Research Methodology,, 809-821.
36. Muller, R. (1989). Inter-industry studies of structure and performance. In R. Schmalensee & R. D. Wasig (Eds.), . Handbook of industrial organization.
37. Mung'atu, J., Otieno, O., Njeri, W. (2020). Financial Management Practices and SME Survival in Uganda. African Journal of Small Business Development, 78-92.
38. Mwalimu, P., Lyimo, S. (2023). Working capital management and firm performance: Evidence from Tanzanian agricultural companies. Journal of East African Finance, 55-70.
39. Mwangi, J., Otieno, N. (2021). The Impact of Budgetary Control on Financial Performance of Public Sector Organizations in Kenya. . Kenyan Journal of Public Finance, 45-60.
40. Ndayisaba, F., Mugisha, J., Mugisha, S. (2022). The Impact of Financial Management Practices on Firm Performance: Evidence from East African Manufacturing Firms. African Journal of Business Management, 12-34.
41. Niyonsenga, J., Uwimana, J., Mugisha, S. (2021). Effect of Financial Management Practices on the Performance of Small and Medium Enterprises in Rwanda. International Journal of Business and Management Review,, 45-61.
42. Niyonsenga, J., Uwimana, J., Mugisha, S. (2021). Effect of Financial Management Practices on the Performance of Small and Medium Enterprises in Rwanda. International Journal of Business and Management Review,, 45-61.
43. Nombance, B. (2011). The effect of cash conversion cycle on the profitability of firms: Evidence from listed companies in South Africa [Master's thesis, University of Pretoria]. . Pretoria: University Repository.
44. Ntoiti, J. (2014). Determinants of financial distress facing local authorities in service delivery in Kenya (Doctoral dissertation).
45. OECD. (2023). Financial Management in Manufacturing Sectors. Retrieved from https://www.oecd.org: https://www.oecd.org
46. Ondiege, E. N., Mung'atu, J. A., Owuor, G. (2020). The impact of budgeting and forecasting on financial performance of SMEs in Kenya. Journal of Financial Management of Property and Construction, 241-257.
47. Opler, T. C., Titman, S. (1994). Financial distress and corporate performance. The Journal of Paramasivan, C., Subramanian, T. (2019). Financial management (2nd ed.). New Age International Publishers.
48. Richards, V. D., Laughlin, E. J. (1980). A cash conversion cycle approach to liquidity analysis. Financial Management, 32–38.
49. Rwegasira, A., Ndibalema, J., Musoke, J. (2022). Risk management practices and financial performance of SMEs in Tanzania. African Journal of Accounting and Business Management Studies, 101-118.
50. Schmidt, A.,Weber, F. (2024). Sustainable financial management and firm resilience in Europe. European Business Review, 67-83.
51. Siaw, N. A. (2019). Challenges facing financial management practices in the manufacturing industry: A case of selected firms in Ghana. . Journal of Accounting and Financial Management, 45–60.
52. Smith, J., Patel, R. (2022). Corporate governance and financial reporting in US companies. Accounting & Finance, 223-240.
53. Williamson, Oliver E. (1968). Economies as an Antitrust Defense: The Welfare Tradeoffs. American Economic Review , 18-35.
54. Zakari, M., Saidu, S. (2016). The impact of cash conversion cycle on firm profitability: Evidence from Nigerian listed telecommunication companies. Journal of Finance and Accounting, 342-350.
55. Zariyawati, M. A., Annuar, M. N., Taufiq, H., Rahim, A. A. (2009). Working capital management and corporate performance: Case of Malaysia. Journal of Modern Accounting and Auditing, 47.