

8

Financial Management Procedures: a detailed Analysis of CEOs of Small and Medium-Sized Businesses

Niyati Joshi*

Rajeev Gandhi College of Management Studies, Navi Mumbai, India

Muhammed Shafi M. K¹

VIT Business School, Vellore Institute of Technology, Chennai, India

Rajesh Verma²

Lovely Professional University, Phagwara, India

Shruti Sharma³

Graphic Era Deemed to be University, Dehradun, Uttarakhand, India

Abstract: Creating external connections, like interlocks, is a method for acquiring access to limited resources. Creating and preserving these connections may be a resource for the organization that gives Small and Medium Sized Enterprises (SMEs) a competitive edge. It is suggested to use a partial framework of networking approach that takes board diversity, interlocks, entrepreneurial intention, and environmental hostility into account. A survey of 70 local banks provides evidence in favor of the claim those businesses with such a put interests beat those that did not actively promote the formation of networks Chief Executive Officer (CEO) replies.

Keywords: Small and Medium Sized Enterprises (SMEs), Chief Executive Officer (CEO), Organizational strength

1. Introduction

The capacity of a firm to acquire and exercise control over the materials of its surroundings is essential to the industry's ability to continue functioning, based on the resource dependence hypothesis. Studies on entrepreneurship have shown that emerging

enterprises look for resources to reduce costs, acquire access to new information, or enhance skills. A method to maximize the benefits of specialization while minimizing the expense of coordinating exchanges is continuous cooperation inside networks (Ashish et al., 2022). This can be accomplished by working together to

*Corresponding author: niyatiloshi.15@gmail.com

¹mkshafimba@gmail.com, ²saranmids@gmail.com, ³shrutisharma.comm@geu.ac.in

achieve a common goal. The implications of a networking strategy on organizational performance in SMEs businesses are the primary topic of investigation in this study (Navaneetha et al., 2022). A board member actively participates in the foundation and development of SMEs. Therefore, board members of small businesses are likely to leverage their existing network connections to grow the company (Soundararajan et al., 2018). This research contributes to the existing body of knowledge by doing the following: (1) using a club's social network connections as a performance predictor (Sanchez et al., 2020) and (3) expanding the consequences of aggressively putting the interests into the environment of entrepreneurship. (2) Adding to the literature in strategic management on board isolators and their performance impacts (Karmaker et al., 2023).

2. Related Works

Morozko and Didenko (2018) intended to pinpoint the prerequisites for small businesses to manage their finances dynamically using a cognitive approach. Anik, (2020) examined how managerial viewpoints, societal interest perspectives, and disclosure-related behaviors may change how management behaves when it comes to providing financial statements without financial facts. Umadia and Kasztelnik (2020) explored the tactics used by industry leaders as the goal of this qualitative multiple-case study. Dalalo and Hunde, (2020) investigated the impact that different financial management strategies have on the level of profitability experienced by SMEs businesses in the KEMBTA TAMBARO Zone of the Southern Nations Nationalities and Peoples Region (SNNPR). Adda, (2020)

investigated the capabilities and practices of SMEs businesses regarding their growth. The researchers asked SMEs managers and owners to fill out questionnaires to obtain the necessary information for the study.

3. Methodology

The paper's research was focused on the banking sector. Since bigger banks may have holdings and multiple boards that would make data analysis difficult and time-consuming, community banks were selected as the community to choose banks. The current research focuses on less significant community banks with clear board structures and ownership characteristics. It is simple to research partnerships, or in this instance, networking techniques because community banks are tiny enterprises that typically have a single board and aim to service local community customers. Since community banks frequently cater to local customers, researching coalitions is not too challenging.

4. Results

Even though each of the banks in the study was subject to regulatory oversight, this did not prevent any of them from either performing poorly or very well financially. The interlocking variables and the networking technique variable were both demonstrated to be correlated to varied degrees, which increased the construct validity of the network scale created for this study. Due to the strength of the relationship between the interconnected components and the network approach variable, the networking scale developed in this study has stronger construct validity. With the probable exception of hypothesis 2, Table 8.3 unquestionably confirms the

hypotheses. However, the predictive ability of each variable is demonstrated using a simple linear regression model. Table 8.4 displays the regression findings.

Hypothesis 1: This first theory was confirmed. In response to a query regarding the importance of networking, 31 CEOs stated that they thought it was one of the main things board members did.

Hypothesis 2: This was unsupported. In contrast to the premise, it was found that there was a statistically significant negative association between networking approach and environmental hostility. The study was carried out during a time of comparatively

stable and abundant conditions in the US economy and financial sector, thus the authors can only speculate that this conclusion may be related to it. Another explanation might be that SME boards tend to add more interlocks when their companies are doing well since doing so reduces the costs of keeping a bigger, more active board.

Hypothesis 3: Although significant at 0.10 points, the innovation capability hypothesis only adds 3% to the variance's explanation. As a result, businesses with an entrepreneurial mindset ought should be more likely to have a robust networking strategy (figure 8.1).

Table 8.1 Standard deviations, Correlations, and Means

	Mean	SD	(1)	(2)	(3)	(4)	(5)
Employees (number)	55.8	48.2	1	0.00	-0.06	0.13	0.24*
Functional activity (factor 1 ± board activity)	-	-		1	0.00	0.55***	0.44***
Relational activity (Factor 2 ± board activity)	-				1	0.40***	-0.13
Networking Strategy	3.25	1.32				1	0.35***
Interlocks (average)	1.92	0.91					1
Interlocks (total)	14.52	7.60					
Board size	9.65	2.45					
Environmental hostility	3.02	1.01					
Entrepreneurial orientation	3.95	0.90					
Average ROA	1.08	0.63					
Average ROE	11.25	6.95					

Table 8.2 Results of linear regression

	Support	Adj. R ²	Intercept
Hypothesis 1	Yes***	0.47	4.25
Hypothesis 2	No*	0.03	5.21
Hypothesis 3	Yes*	0.02	3.05
Overall Model	Yes***	0.50	2.21

Table 8.3 Networking technique stepwise regression using performance metrics

Step	Variable	Average ROA		Average ROE	
1	Intercept	0.96	0.40	0.97	3.40
	Employees	0.14	0.11	0.18	0.13
2	Networking Strategy		0.25*		0.28*
	F-value	1.41	3.14*	1.95	3.71*
	Adjusted	0.01	0.06	0.01	0.07

Table 8.4 Analyses of four-item responses

Item	Variable	Means of variables (firms with scored >4)	Means of variables (firms with scored <4)	Levene's test F-statistic
The main activity is networking.	5-year average ROA	1.15 (31,0.38)	1.00 (28,0.85)	3.61
	5-year average ROE	11.28 (30,3.52)	9.09 (27,9.55)	3.92
The bank promotes networking	5-year average ROA	1.17 (48,0.40)	0.66 (9,1.24)	12.81**
	5-year average ROE	12.17 (48,3.65)	6.75 (10,15.01)	23.01***
Gain a competitive advantage by using networks.	5-year average ROA	1.06 (23,0.45)	1.07 (34,0.75)	1.33
	5-year average ROE	12.25 (23,5.85)	9.54 (34, 7.83)	0.01
Recognize networks' previous performance	5-year average ROA	1.24 (18,0.39)	0.98 (38, 0.72)	
	5-year average ROE	13.00 (18,2.33)	10.38 (28, 8.47)	3.85

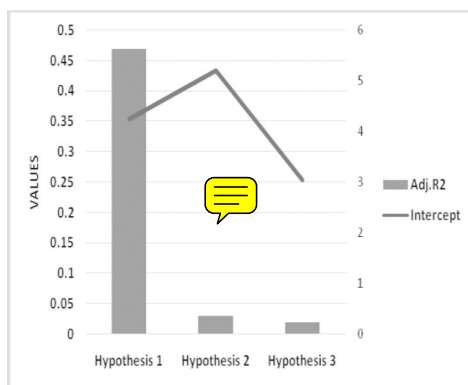


Fig. 8.1 Hypothesis

5. Conclusion

A concerted effort is a networking tactic. Harmony comes through the arrangement of several talents, just like at a performance. Although this study examines board members' networking tactics, creating network links may be a companywide strategy, particularly in knowledge-intensive jobs. For example, network links could be very helpful for researchers and experts in the computing, pharmaceutical, and biotech industries to boost research funding,

introduce innovations, advance current technologies, or expand the scope of their applications. These operations will stay diverse if they are integrated into the firm and might give rise to a competitive advantage.

REFERENCES

1. Morozko, N. and Didenko, V., 2018. Financial management of small organizations based on a cognitive approach.
2. AnikYuesti, N.M.D.R., 2020. The behavior of Financial Management for Small and Medium Enterprises in the New Normal Era. *Journal of Southwest Jiaotong University*, 55(6).
3. Umadia, K. and Kasztelnik, K., 2020. The Financial Management Practice Role of Small to Medium Scale Enterprises From Developing Country and Impact on Global Economy. *Journal of Management Policy and Practice*, 21(5), pp. 71–88.
4. Dalalo, D.Y. and Hunde, D.A., 2020. Financial Management Practices and Profitability of Small and Medium Enterprises in Kembeta Tembaro Zone, SNNPR. *Journal of the Social Sciences*, 48(4).
5. Adda, G., 2020. Financial Management Practices and Growth of Small and Medium-Scale Enterprises: The case of Kassena-Nankana West District. *Research in Business and Management*, 7(2), pp. 39–58.
6. Ashish Kumar Pandey et al 2022 *ECS Trans.* 107 2681 Examining the Role of Enterprise Resource Planning (ERP) in Improving Business Operations in Companies. <https://doi.org/10.1149/10701.2681ecst>
7. Navaneetha Krishnan Rajagopal, Naila Iqbal Qureshi, S. Durga, Edwin Hernan Ramirez Asis, Rosario Mercedes Huerta Soto, Shashi Kant Gupta, S. Deepak, *Future of Business Culture: An Artificial Intelligence-Driven Digital Framework for Organization Decision-Making Process, Complexity*, vol. 2022, Article ID 7796507, 14 pages, 2022. <https://doi.org/10.1155/2022/7796507>
8. Soundararajan, V., Spence, L.J. and Rees, C., 2018. Small business and social irresponsibility in developing countries: Working conditions and “evasion” institutional work. *Business & Society*, 57(7), pp. 1301–1336.
9. Sanchez-Famoso, V., Mejia-Morelos, J.H. and Cisneros, L., 2020. New insights into non-listed family SMEs in Spain: Board social capital, board effectiveness, and sustainable performance. *Sustainability*, 12(3), p. 814.
10. Karmaker, C.L., Al Aziz, R., Palit, T. and Bari, A.M., 2023. Analyzing supply chain risk factors in the small and medium enterprises under fuzzy environment: Implications towards sustainability for emerging economies. *Sustainable Technology and Entrepreneurship*, 2(1), p. 100032.