Cash Flow Management Practices and Financial Performance of Micro Small Enterprises in Calapan City

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ABSTRACT *:* Cash flow management is the management of inflows and outflows of cash within the business. However, the deterioration of growth and success of the MSEs have been reported associated with cash flow management issues. This study pursued to analyze the relationship between cash flow management practices and financial performance of MSEs in Calapan City. A quantitative, descriptive-correlational study designed to investigate the potential correlation between cash flow management practices and financial performance. The sample in this study were 187 micro small enterprise owners in the retail sector, currently operating in Calapan City. They were personally interviewed and answered the research instrument through a survey questionnaire. The study reveals that MSEs have a moderate extent of cash flow management practices in terms of planning, monitoring, and controlling. As cash flow planning having slightly higher levels than other cash flow management practices. Moreover, the financial performance of MSEs results in moderate interpretation, indicating they have a moderate level of financial performance. This study utilized Pearson Correlation, a statistical tool to determine the level of association between cash flow management practices and financial performance and it resulted in a significant relationship. This study takes into account that cash flow management practices have an impact on the overall financial performance of the business. In line with this, the importance of effective cash flow management becomes necessary in the operation of MSEs. This study emphasizes that cash flow management practices plays a key driver in the fluctuations in financial performance. However, it is crucial to recognize that there may be external factors beyond the scope of this study that also contribute significantly to financial performance.

KEYWORDS - Cash flow controlling, Cash flow management practices, Cash flow monitoring, Cash flow planning, Financial Performance

I. INTRODUCTION

The Philippines, through the Department of Trade and Industry (DTI), highlighted the role of micro, small and medium enterprises (MSMEs) as the providers of employment that contributes to the country's economic growth (Maglaya, 2017) [1]. The MSMEs serve as the foundation of the Philippines' economic backbone as they make up 99.5% of all business establishments nationwide. They generate 63% employment opportunities to the Philippine workforce, and contribute about 40% to the nation's Gross Domestic Product (GDP) (Brilliantes et al., 2020) [2]. Despite their huge contribution, 48% of MSME business owners in the Philippines struggle with cash flow management. Without proper management, businesses can face cash shortages results in dipping into their personal savings to keep their businesses afloat (Encoy, 2024) [3].

Calapan City was ranked 34th in Economic Dynamism with 1.16% local economic growth. These statistics were from the 2023 annual ranking of Philippine Cities and Municipalities developed by the National Competitiveness Council through the Regional Competitiveness Committees (RCCs) (PCMCI, 2023) [4]. This ranking emphasized the city's contribution to the economic stability, fostering growth of various enterprises that drives the local development. Despite of this progress, several micro small enterprise (MSE) owners in Calapan City face financial challenges, primarily with cash flow management issues. These issues happened with multiple contributing factors such as they are unable to properly allocate income, due to unplanned expenses, and leading to inability to support operation, resulting in credit reliance or use of personal savings. In Calapan City, this issue is particularly pronounced among MSEs, which often operate with limited financial reserves and limited access to capital.

Cash flow management is extremely essential for the survivability of a business, particularly for small businesses, as they are prone to economic fluctuations. The poor management of cash flow leads to inability of the business to support its operation and resulting to an end to their existence (Aren and Sibindi, 2014) [5]. Similar findings were revealed from a study conducted by Cammayo et al. (2021), indicating that financial

performance was associated with how MSMEs adopt financial management practices including cash flow management [6]. Proper handling of cash flow provides opportunities for businesses to sustain daily operation, with available funds to use when in need and use for growth and expansion.

The MSEs in Calapan City, who support the market's economic stability, are still in need of adequate knowledge of cash flow management. This study will seek to address the gap in the literature by conducting a comprehensive analysis of the relationship between cash flow management practices and the financial performance of the MSEs in Calapan City. Specifically, the study aims to reveal the extent of cash flow management practices of MSEs in terms of planning, monitoring and controlling and to reveal the level of financial performance of these businesses. The study will be beneficial to micro and small business owners, future entrepreneurs, and policy makers. The study is confined to determining whether MSE owners are effectively managing their cash flow and possess the necessary knowledge for cash flow management practices, without exploring other critical business management skills.

Micro Small Enterprises particularly in the retail sectors will show no growth potential and is at risk of failure if it lacks cash flow management practices and understanding thereof. The insights obtained from previous studies and drawing on the experiences of MSE owners in Calapan City, the objective of this study is to provide additional insights into the cash flow management practices and its impact on the financial performance for the owners of the MSEs. This will contribute to a better understanding of the challenges in managing their cash flows effectively and provide practical recommendations for enhancing the financial and business sustainability of the MSE retail sector in Calapan City.

II.   REVIEW OF RELATED LITERATURE
2.1 Cash Flow Management Practices
Cash flow management, according to Deb et al. (2015) is the management of cash flows into and out of the firm, cash flows within the firm, and cash balances held by the firm at any point of time [7]. Uwonda and Okello (2015) defined cash flow management as a crucial element of business management as this affects the operation and development of enterprises. This encompasses practices including planning, monitoring, and controlling of cash flow of the business. The inability to utilize cash flow management has been a result of failure of different sectors including, government agencies, private sectors, and managers or business owners affecting their long-term financial performance [8]. Organizations must have effective cash flow management to guarantee cash inflow and outflows are in sync. They must ensure that there is sufficient cash on hand to meet their needs and to have available funds to compensate when experienced shortages (Egwu et al., 2021) [9]. Cash flow indicates one of the main resources that provide conditions for sustainable business developments, maintaining the company's protection against the risk of bankruptcy (Plaskova et al., 2020) [10]. It also contributed in making the business take relevant and useful decisions, which in turn influenced the overall performance of the firm, particularly financial performance (Alslehat and Al-Nimer, 2017) [11].

2.1.1 Cash Flow Planning
Cash flow planning refers to the process of creating a detailed financial plan of the business owners to forecast the amount of funds needed, when they are needed, and how it will be utilized (Brijlal et al., 2016) [12]. Based on the study by Ahmad (2016), cash flow planning is a critical component of effective cash flow management [13]. In essence, this study implies that cash flow planning provides the roadmap for effective cash management, contributing to improved business efficiency, performance, and long-term survival (Myeni, 2018) [14]. The consistent engagement in cash budgeting activities have the potential for higher levels of financial performance and are more likely to create wealth. Setting specific financial goals and determining how and when to allocate funds before they are spent are both part of budgeting (Thomas, 2022) [15]. Study by Ionescu and Neghina (2021) stated that all businesses face strategic and operational challenges, particularly during economic downturns caused by unforeseen events. Their study proves the need for dynamic cash flow forecasting to respond with evolving business conditions, providing advanced solutions to mitigate potential negative impact to the business [16].

2.1.2 Cash Flow Monitoring
According to Amaliyah, Yasmin, and Hetika (2024) cash flow monitoring is the tracking and analysis of inflows and outflows of cash within the business. It is the process of detecting in advance when there is a potential excess or lack of cash inflows or on hand. This is to make advance decisions or actions that can be taken to make informed solutions. This can help businesses to determine whether their operation is running smoothly and if their financial goals were achieved. This practice could help SMEs to safeguard against financial disruptions and foster stability and growth [17]. With proper cash flow monitoring, it grants businesses to identify trends and provide a snapshot of the operation to foresee the cash position and to become aware of profit and loss in the business. This serves as the foundation of cash flow management to act as historical data for accurate planning of cash flow and for optimization (Dolorso, 2023) [18]. According to McGregor (2004) as noted by Uwonda and Okello (2015), cash flow monitoring includes tracking whether the hard-earned cash of

the business has gone or where it will be in the future [8]. Furthermore, the importance of monitoring in cash flow management not only to track inflows and outflows but also to allow businesses to identify potential issues or cash shortfalls before they escalate into major financial problems. This allows businesses to take corrective action before a cash crisis occurs (Quadratovich, 2023) [19].

2.1.3 Cash Flow Controlling

According to Sinclair and McPherson as cited by Cabildo et al. (2022), managing cash often means the controlling of cash inflows and outflows depending on the many operations and activities carried out by businesses [20]. These include sales received from goods sold, purchase of an asset, receivables and payables of the business. Controlling is an essential practice of cash flow management, as this includes the effective use of cash inflows and outflows for a valuable success of operation, investment, and financial activities (Plaskova et al., 2020) [10]. The findings revealed that most SMEs have the ability to managed cash flow indicating that they stick to their prepared budget during the implementation (Uwonda and Okello, 2015) [8]. Furthermore, study by Surikova et al. (2022) stated that the optimization of cash flow is represented by how the companies manage debt. It is said that effective management of debtors and creditors obligation can minimize risks with the business's cash flow, keeping it remains sufficient and healthy [21]. Additionally, cash flow control is also measured by how businesses manage their inventory. According to Nasimiyu (2024) the inventory should not be excessive as much as possible as this ties up cash in unsold goods affecting the business's cash flow. When encountered at a low level of demand, it may increase the possibility of running short of inflows. Managers with proper inventory management, ensure a short cash conversion cycle and liquidity [22].

2.2 Financial Performance

Financial Performance is a measure of an organization's overall health. It indicates the degree to which strategies and policies have been carried out by the business. This is a metric used to assess and evaluate how successfully a business uses its financial resources for wealth maximization and profit generation. To achieve growth in financial performance, managers must put in more work to decide what has to be done, how it should be done, and when it should be done (Alslehat and Al-Nimer, 2017) [23]. Mboi, Muturi, and Wanjare (2018) stated that a decrease in financial performance was linked to an increase in debt to asset ratio. Therefore, if an enterprise has more assets than debts, it tends to have improved financial performance [24]. As revealed with the study by Poursoleyman et al. (2022), sustainable performance is positively associated with financial performance. This means that businesses that can sustain their operation during economic challenges are those who enjoy higher financial performance [25]. Finally, the study conducted by Arojo et al. (2024) stated that financial performance is positively associated with cash flow management. As it revealed that financial performance can be explained by how the businesses emphasized cash flow management [26].

III. THEORETICAL FRAMEWORK

3.1 Cash Conversion Cycle Theory

A theory from Gitman (1974) stated that cash conversion cycle (CCC) measures the time it takes for a business to transform its resources into cash. It suggests that a shorter cash conversion cycle leads to improved financial performance [27]. This theory focuses mainly on the period of time the business takes to acquire the raw materials and the cash inflows as a result of the sale of the goods. Furthermore, every business entity needs to analyze its cash conversion cycle as this will enable them to take opportunity for improvement. Akinsulire (2003) argues that minimizing the cycle will ensure a steady cash inflow contributing to the value-creation for businesses [28]. This theory provides how cash flow control should be emphasized by businesses in order to achieve a high level of financial performance. This signifies that enhancing cash flow management becomes vital. Hence, this theory becomes relevant for this study.

3.2 Free Cash Flow Theory

According to Michael C. Jensen (1986) as cited in EduBirdie (2022), those companies with a large free cash flow are most likely to accept and grab investment opportunities that would decrease the firm's value. Use of cash flow control will mitigate the unnecessary costs in the company and maximization of income should be pursued for the firm to expand at the expense of cash control [29]. Yang (2015) stated that, stable adequate free cash flow can make the company have sufficient funds which can be used for re-investment, mergers and acquisitions, debt and pay dividends, and the company can get more advantages on access to credit, accounts receivable recovery, product competitiveness, seize more investment opportunities, growth potential, as well as other aspects of future development prospects [30]. This theory highlights the crucial role of cash flow management practices in sustaining financial performance. The theory underscores the risk of mismanagement of free cash flow resulting in diminishing the value of the business. This aligns with the study's objectives to understand cash flow management practices influencing the financial performance of the MSEs in Calapan City. Therefore, this theory was considered to support the study.

3.3 Static Trade-off Theory

According to the Static Trade-Off Theory of capital structure of Myers (1977), firms will choose their optimal amount of debt by balancing the costs and benefits associated with both debt and equity financing [31]. The theory is that, at the start, going into debt actually reduces the company's total cost of capital because debt tends to be cheaper than equity. But in a certain point, higher indebtedness actually adds to the financial risk, as creditors may increase rates and may ultimately refuse further loans. As a result, there is a particular balance between debt and equity that maximizes the firm's overall cost of capital. When the optimal point is reached, additional debt then becomes more costly and self defeating. Therefore, the Static Trade-Off Theory asserts that debt as long as it is not excessively higher, it adds general value to firms and avoids issues and maintains long-term financial performance, however if a company has higher debt it would increase its financial risk (Adesola, 2009) [32]. This theory aligns with the study, highlighting the role of financial performance in sustaining MSEs in Calapan City. MSEs can maximize their values while avoiding risk associated with excessive debt. The balance between debt and equity ensures their long-term stability. Hence, this theory was appropriate to inform the study.
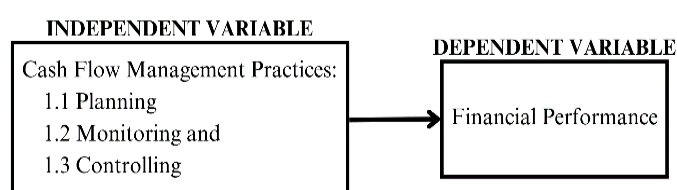
IV. CONCEPTUAL FRAMEWORK

Figure 1. Conceptual framework

The IV-DV Model was used to illustrate the conceptual framework of this study. Showing one-directional relationship of cash flow management activities to financial performance. The researchers considered "Cash flow management practices: 1.1 planning, 1.2 monitoring, and 1.3 controlling" as the independent variable, which affects the "Financial Performance" as the dependent variable, respectively. This framework is generally developed based on the relevant literature review of the existing studies gathered for this research undertaking. Source: Cash Flow Management and Sustainability of Small Medium Enterprises in Northern Uganda by Uwonda & Okello (2025) [8].

V. STATEMENT OF THE PROBLEM

This study aims to determine the relationship between the cash flow management practices and the financial performance of micro and small enterprises in Calapan City. Specifically, it seeks to answer the following questions:

1. What is the extent of cash flow management practices of micro and small enterprises in Calapan City in terms of:
   1.1 Planning,
   1.2 Monitoring; and
   1.3 Controlling?
2. What is the level of financial performance of micro and small enterprises in Calapan City?
3. Is there a significant relationship between the cash flow management practices and the financial performance of micro and small enterprises in Calapan City?

VI. HYPOTHESIS

H0: There is no significant relationship between cash flow management practices and the financial performance of micro and small enterprises in Calapan City.

VII. MATERIAL AND METHODS

7.1 Research Design

This study is a quantitative research utilizing descriptive-correlational research design. Quantitative research is focused on presenting collected and analyzed numerical data to identify any patterns, make assumptions, and test associations between variables. Descriptive-Correlational is a type of research design that explains the relationship between two or more variables and figures out how they were related. This includes the collection and analysis of the data on at least two or more variables to reveal if there is a link between them (Bhat, 2023) [33]. This study used this type of research design to determine the relationship between the cash flow management practices and the financial performance of MSEs in Calapan City. This study is focused on

describing and examining the relationship between stated variables without manipulating them. The researchers analyzed the gathered data to identify potential relationships and found valuable information.

7.2 Subject and Sampling

Simple random sampling was used by the researchers, it is a technique used to select a subset from the population. When used, every member in the population has an equal chance of being selected as the sample. This disregards the possibility of any bias and this guarantees that the sample is representative of the population (Horton, 2024) [34]. This study used this type of sampling method to ensure the fairness and objectivity of selecting the respondents, providing overview of the cash flow management practices and financial performance. This is conducted in a selected area, and the respondents are the MSE owners, particularly in the retail sector in Calapan City, Oriental Mindoro. Based on the given data of the Business Permit and Licensing Office - Calapan City, the population of MSE retail sectors were 362. The sample size is calculated using Raosoft sample size calculator with a 5% margin of error, 95% level of confidence, and results in 187; this is the number of MSEs that will be selected for the study, composed of retail businesses in Calapan City.

7.3 Data Gathering Procedure and Instrumentation

Primary data was used in the analysis. It is gathered from a source that has not been published or documented in books or other sorts of publication before. Primary data can be collected from a variety of methods, including surveys and interviews. It offers firsthand, reliable insights into the research topic (Stewart, 2024) [35]. The researcher used a self-developed questionnaire to obtain primary data or information from the MSEs. The questionnaire comprised two parts: one questions relating to the cash flow management practices and other evaluating the business's financial performance. The preparation of the questionnaire incorporated the related literature in the study and the study's objectives. Prior to the actual data collection, multiple professors and a statistician validated the instrument. Data was collected and analyzed using Likert scale, a rating system measuring the respondent's level of agreement. Tables were used to provide the summary of the collected data, and various methods were used for the analysis.

7.4 Ethical Consideration

There are significant features of ethics in research that must be taken into consideration. According to Greetham (2009) and Williman and Buckler (2008) as cited by Yaman & Omar (2021), the several ethical considerations that must be considered in doing research. One is the Privacy and confidentiality: guaranteeing that all respondents identifying information will be anonymous to maintain privacy and confidentiality, ensuring that information provided will be unidentifiable by anybody other than by the researchers, and guaranteeing that all data will be stored in a password encrypted laptop. Second is the Safety: confirming that the research is not harmful for participants and certifies proper use of information, and inform the respondents of the importance of research and notify them of its positive returns in the field of work and employment and eliminate any risk elements. Third is the Autonomy, the researcher ensured that the participant's contribution is completely voluntary and that they may withdraw from the research at any time. Fourth is the Dignity: all participants had the freedom to make their own fully informed decisions, and all participants were treated with great respect [36]. The researchers ensure that the participants are interacted with in an evident and decent manner, clearly informing the participants that their privacy is respected, that the research does not put any harm to them, and all the data or information gathered from them will be acknowledged and will be accurately represented.

7.5 Reliability

The questionnaire's reliability is assessed using Cronbach's Alpha. Cronbach's Alpha is a measure of internal consistency – it refers to whether a collection of items consistently measures the same characteristic. It ensures that a test is stable and reliable across its components. Cronbach's alpha is used when designing and testing a new survey instrument. This evaluates the quality of the instrument during the developing phase before deploying it fully to the research samples (Howard, 2021) [37]. A different 50 samples of respondents from the population were given the research instrument utilized in this study to test its reliability. The closer Cronbach's alpha coefficient is to 1.0 the greater the internal consistency of the items in the scale.

Table 1: Reliability Results

Variables		Cronbach's alpha	Interpretation	Decision
Cash Flow Management Practices	Cash Flow Planning	0.92	Excellent	Accepted
	Cash Flow Monitoring	0.86	Good	Accepted
	Cash Flow Controlling	0.83	Good	Accepted
Financial Performance		0.89	Good	Accepted

The table 1 showed the result of the reliability analysis of the variables. The analysis presents reliability across the research instrument. Specifically, Planning, Monitoring and Controlling of Cash flow have alpha values of 0.92, 0.86, and 0.83, respectively. Financial Performance showed 0.89 alpha value, indicating a consistent internal reliability. The results interpreted good to excellent, suggest that all items in the variables are accepted and can be used for further analysis

7.6 Data Analysis

There are 187 participants involved in this research study and they were asked for the completion of the survey questionnaire. The data collected from the participants were organized and analyzed. The correlational statistics were then used for the analysis from the raw data. Furthermore, the results were carefully tallied to facilitate data interpretation and comprehension. This analytical method provided valuable insights and clear understanding of the data. Weighted mean was used to assess the extent or level of cash flow management practices and financial performance of the MSEs, while Pearson correlation coefficient was used to determine the relationship between cash flow management practices and financial performance of MSEs in Calapan City. Fifty respondents were interviewed by the researchers to obtain broad understanding to verify and validate the study's conclusion.

Table 2: Likert Scales used in the Study

Options	Statistical Limit	Description	Interpretation
4	3.25 – 4.00	Strongly Agree	High
3	2.50 – 3.24	Agree	Moderate
2	1.75 – 2.49	Disagree	Low
1	1.00 – 1.74	Strongly Disagree	None

VIII. RESULTS AND DISCUSSION

8.1 What is the extent of cash flow management practices of micro and small enterprises in Calapan City in terms of:

8.1.1 Planning

Table 3 Mean and Verbal Interpretation on the Extent of Cash Flow Management Practices in Terms Cash Flow Planning

Statement	Mean	Rank	Description	Interpretation
1. The business has detailed cash flow forecast.	2.99	5	Agree	Moderate Extent
2. The business prepares cash budgeting.	3.17	2	Agree	Moderate Extent
3. The business has always plans to increase its sales.	3.24	1	Agree	Moderate Extent
4. The business always plans for its daily expenses.	3.11	4	Agree	Moderate Extent
5. The business regularly updates cash flow forecasts to reflect changes in business conditions	3.15	3	Agree	Moderate Extent
Overall Mean	**3.13**		**Agree**	**Moderate Extent**

Micro small enterprises in Calapan City have moderate extent of cash flow planning, with overall mean score of 3.13, gaining highest mean (3.24) in cash inflow planning and having a lowest mean (2.99) in cash flow forecasting. While making plans to improve their inflows of cash, MSEs incorporate strategic ways on how they will address issues when cash shortfall occur (Onyango and Muchira, 2023) [38]. Despite of cash inflow planning, there is lacking in detailed cash flow forecasting, resulting in a mismatch when they compared their actual plan to their actual operation. As forecasting being the most essential component of cash flow planning, MSEs have limited ability to properly anticipate future cash flows affecting them in predicting revenue fluctuations and plan for expenses (Udounwa, 2024) (Ribeiro, 2024) [39][40]. Furthermore, most MSEs acknowledge the importance of planning in cash flow management for the business because it offers them a map for strategic actions to take in order to manage cash flow effectively (Myeni, 2018) [14]. MSEs in Calapan City in the retail sectors demonstrate their capability in planning cash flows, which put them in a position to manage unforeseen financial challenges, and gradually strengthen their financial resilience over time.

8.1.2 Monitoring

Table 4 Mean and Verbal Interpretation on the Extent of Cash Flow Management Practices in Terms Cash Flow Monitoring

Statement	Mean	Rank	Description	Interpretation
1. The business daily records its income and expenses.	3.17	1	Agree	Moderate Extent
2. The business routinely checks and ensures completeness of its recorded income and expenses.	3.15	4	Agree	Moderate Extent
3. The business records and categorizes all its financial transactions accordingly.	2.98	5	Agree	Moderate Extent

Statement	Mean	Rank	Description	Interpretation
4. The business monitors where its funds are going.	3.16	2.5	Agree	Moderate Extent
5. The business always identifies and addresses its financial concerns.	3.16	2.5	Agree	Moderate Extent
Overall Mean	**3.12**		**Agree**	**Moderate Extent**

Micro small enterprises showed a moderate extent in monitoring their cash flows, with 3.12 overall mean. This indicates that monitoring is a part of their cash flow management practices. This result is consistent with the research by Nasimiyu (2024) on how the MSEs utilized monitoring in planning for growth, optimizing operation, and responding to the operational needs immediately [22]. The highest mean gained 3.17, which demonstrates that MSE retail owners daily record their cash flows, enabling them to foresee clear picture of their business liquidity position (Etim et al., 2022) [41]. However, a lowest mean of 2.98 showed that the enterprises not strictly incorporate the categorization when recording financial transactions, this results in misleading decisions and difficulty in determining cash position for their business (Hameed Soaga, 2012) [42].

8.1.3 Controlling
Table 5 Mean and Verbal Interpretation on the Extent of Cash Flow Management Practices in Terms of Cash Flow Controlling

Statement	Mean	Rank	Description	Interpretation
1. The business has the ability to control its operations effectively.	3.18	1	Agree	Moderate Extent
2. The business follows its prepared budget plan during operation.	3.04	5	Agree	Moderate Extent
3. The business actively manages of what it owes and what it's owed	3.16	2.5	Agree	Moderate Extent
4. The business ensures that it has funds to be used for daily operation.	3.16	2.5	Agree	Moderate Extent
5. The business makes sure that there are no excessive stocks of products in the store.	3.06	4	Agree	Moderate Extent
Overall Mean	**3.12**		**Agree**	**Moderate Extent**

Micro small enterprises moderately implement cash flow control measures, having an overall mean of 3.12. They take actions to ensure that they have sufficient resources for daily operations, which contribute them with a positive financial result (Ahmad, 2016) [13]. This highlights their active engagement into their operation, as they want to ensure profitability and avoid unnecessary losses, with a mean score of 3.18. MSEs ensure they have an optimal outstanding amount of cash for essential transactions such as debt obligation or any cost related to their operation (Andreas, 2017) [43]. However, several MSEs face challenges in adhering to their budget plan during their operation, with 3.04 lowest mean score. This link with the findings from the cash flow planning, about the importance of forecasting. MSEs do not anticipate sudden expenses leading to difficulty to resolve it, resulting in financial strain. Therefore, it is important to ensure funds are available to finance daily operations with the assumption of an encounter with unexpected expenses (Afrifa and Tingbani, 2018) [44].

8.2 What is the level of financial performance of micro and small enterprises in Calapan City?
Table 6 Mean and Verbal Interpretation on the Level of the Financial Performance of Micro Small Enterprises in Calapan City

Statement	Mean	Rank	Description	Interpretation
1. The business has more assets than debts.	3.26	1	Strongly Agree	High Level
2. The business has the ability to pay its financial obligation.	3.20	4	Agree	Moderate Level
3. The business manages and uses its financial resources efficiently.	3.21	3	Agree	Moderate Level
4. The business has sufficient financial resources to meet its long-term debts.	3.14	5	Agree	Moderate Level
5. The business is financially stable and capable of getting through economic downturns or unexpected challenges.	3.22	2	Agree	Moderate Level
Overall Mean	**3.12**		**Agree**	**Moderate Level**

With a mean of 3.26, Micro small enterprises in Calapan City demonstrate that they have a higher level of assets than debts. MSEs are more focused on strategic approaches to increase the level of their cash inflows and in managing their debts, rather than to rely on too much borrowing (Wang, 2024) [45]. Moreover, a lowest

mean of 3.14 showed that majority of the MSEs are capable to pay-off long-term debts indicating they have sufficient resources to cover the financial obligation. Before committing to it, they make sure of enough present resources that can support long-term obligations (Utemuratova, 2023) [46]. Finally, MSEs demonstrate a moderate level of financial performance having 3.21 as overall mean result. They are not only capable of paying their debts but also making sure of their continuous generation of income and using their resources effectively to guarantee long-term sustainability. This ascertained the theory of Static Trade-off and researcher Hada (2020), regarding debt obligation with proper management of financial resources will maintain long-term financial performance of business enterprises [47].

8.3 Is there a significant relationship between the cash flow management practices and the financial performance of micro and small enterprises in Calapan City?

Table 7 Correlational Analysis between Cash Flow Management Practices and Financial Performance of Micro Small Enterprises

INDEPENDENT VARIABLE (Cash Flow Management Practices)	DEPENDENT VARIABLE (Financial Performance) Computed r-value	Decision	Interpretation
Cash Flow Planning	0.55 (Moderate Positive Correlation)	Reject Null Hypothesis	Significant
Cash Flow Monitoring	0.62 (Moderate Positive Correlation)	Reject Null Hypothesis	Significant
Cash Flow Controlling	0.71 (High Positive Correlation)	Reject Null Hypothesis	Significant

This study found a significant relationship between the practices of cash flow management and the financial performance. The independent variables (planning, monitoring, and controlling of cash flows) resulted in moderate to high positive correlations with financial performance (r-values from 0.55 to 0.71). Among the cash flow management practices, cash flow controlling showed high relationship (r = 0.71), indicating that MSEs understand that controlling cash flow plays a critical role in influencing financial performance. This supports the study by Ahmad (2016) about the effective cash flow control, that it supports and increases financial performance [13]. Monitoring of cash flow also showed a high correlation (r = 0.62), coming up with the suggestion that the MSEs have implemented a consistent tracking of cash flow and it significantly contributes to their financial performance. This result led to a similar conclusion of Nasimiyu (2024) that through tracking of cash flows, enterprises will be able to address financial issues immediately safeguarding financial performance [22]. However, cash flow planning has a moderate positive relationship (r = 0.55), it shows MSEs have structured planning and it plays a meaningful role into their financial performance. This is consistent with what has been found in previous research on financial performance, the integration of cash flow planning will help businesses to achieve their potentials (Uwonda, and Okello, 2015) [8]. Overall, the results of the analysis emphasize that while cash flow management practices are important, controlling cash flow specifically has the strongest relationship with financial performance of micro and small enterprises in Calapan City.

IX. CONCLUSIONS AND RECOMMENDATIONS

The analysis reveals that the majority of the MSE retail sector in Calapan City has a cash flow management with application of planning, monitoring, and controlling. The findings emphasize that MSEs acquire more cash flow planning, having slightly higher levels than other cash flow management practices. The MSEs should adopt a holistic approach to cash flow management and not limit themselves to a single practice. The study suggests that they should ensure that all practices of cash flow management are adopted and well-integrated. As the study finding showed how planning of cash flow is highly acknowledged by MSEs, the incorporation of forecasting will be a great help for them to achieve well-planned cash flow. Meanwhile, the MSEs monitoring and controlling of cash flow are in need of improvement, they should consider categorization of cash flow data and stick to their budget plan. This may further increase their level when it comes to monitoring and controlling cash flows.

The MSEs showed a moderate level of financial performance, indicating they effectively use their resources for wealth maximization and profit generation. Despite them being aware of the importance of debt management and efficient use of resources, there is still room for improvement. This study recommends acquiring knowledge from professionals or participating in training programs or courses that will help to deepen the understanding in improving financial performance of the MSEs. Strengthening their financial literacy, particularly in fields such as accounting and risk management. Additionally, adopting digital financial tools can further improve the overall business sustainability.

The pivotal discovery of this study lies with the finding that there is a positive and statistically significant correlation established between cash flow management practices and financial performance of MSEs in Calapan City. Specifically, cash flow controlling showed a higher correlation than other practices with financial performance. Furthermore, the association underscores the crucial part of including overall cash flow management practices in order to sustain long-term viability. The results highlight the need for support programs and policies to strengthen the MSE's cash flow management practices and guarantee continuous growth and stability. Moreover, the MSEs should have a guideline as this is recommended beneficial for them to eliminate cash flow issues that alter the success of their financial performance. Considering the utilization of effective cash flow management practices, the MSEs can maintain good financial condition and foster good inflows and outflows of cash.

This study concentrated on cash flow management practices and financial performance of the MSE retail sector in Calapan City. However, future researchers may extend this study through further analyzing the relationship between cash flow management practices and financial performance of other business industries. Additionally, cash flow controlling is shown to have a high level of relationship to financial performance. Future researchers may explore this area in detail as to why this significantly contributes to the financial performance of MSEs.

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