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IMPACT OF FINANCIAL MANAGEMENT ON CORPORATE PERFORMANCE

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Abstract

Effective financial management drives corporate success. This research examines how financial strategies impact performance in Indian and global firms.

Keywords: Financial Management, Corporate Performance, ROE, ROI, Working Capital

Introduction

Financial management is pivotal in optimizing resources and maximizing shareholder value. This paper explores its impact on corporate performance.

Financial management is pivotal in optimizing resources and maximizing shareholder value. This paper explores its impact on corporate performance in Indian and global firms, focusing on profitability, liquidity, and leverage.

Statement of Problem

Poor financial decisions lead to corporate failures. This study assesses how financial management strategies influence performance.

The present research paper is based on primary & secondary data.

The research covers Indian and global firms, focusing on profitability, liquidity, and leverage.

Significance of Research Study

The significance of the present research study is as under -

1. Educational Significance: Enhances understanding of financial strategies.

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2. Functional Significance: Guides firms on optimizing finance functions.
3. Social Significance: Supports economic growth via efficient resource use.
4. Political Significance: Aligns with national economic policies.

Relevance of Research Study

The relevance of the present research study is as under -

1. National Relevance: Boosts India's corporate competitiveness.
2. International Relevance: Echoes global best practices.

Objectives of Research Study

Objectives of present research study are as follows :

1. Assess financial management's impact on performance.
2. Evaluate working capital and capital structure effects.
3. Identify best practices for firms.

Hypotheses of Research Study

Hypothesis of present research study is as follows :

1. **Null Hypothesis (H0):** Financial management has no impact on corporate performance.

Alternative Hypothesis (H1): Effective financial management boosts performance.

Research Methodology

1. Research Design: Quantitative analysis of financial data.
2. Research Sample: 50 Indian and 20 global firms.
3. Limitations: Sector-specific; data availability.

Findings

The main findings of the present research study is as under -

1. Profitability: ROE and ROI linked to efficient working capital and cost management.
2. Leverage: Optimal debt-equity ratios boost performance; high leverage increases risk.

3. Liquidity: Current ratio impacts operational efficiency and short-term obligations

Recommendations

1. Optimize Working Capital: Improve cash flow and inventory management.
2. Balance Leverage: Manage debt for growth without risking stability.
3. Enhance Financial Planning: Use data analytics and scenario planning.
4. Monitor Market Trends: Adjust strategies based on economic shifts.

Contribution towards Society and Stakeholders

1. Firms: Improved financial strategies and performance.
2. Investors: Better returns via efficient management.
3. Policymakers: Insights for economic regulation and growth.
4. Society: Supports sustainable economic development.

Conclusion

Effective financial management drives corporate success. Firms should prioritize strategic finance decisions for growth and stability. Efficient working capital management positively affects the company's profitability. From this perspective, this study examines the influence of working capital management on tourism business profitability in an emerging economy such as India. Our research is based on regression models of fixed effects panel data. The results suggest an inverted U-shaped association between working capital management and tourism business profitability. The findings of this paper offer important implications for owners and managers working in the tour-ism industry.

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