Research Article

Financial Management Practices and Financial Accounting Standards Compliance Among Micro and Small Enterprises in Selected Cities of Cavite

Nicole Ashley Singson*, Crissamiene Nazarre C. Cabacungan, Hazel Jhem Abutin, Jannah Marie Bacotoy, Kim Aaron Lurcha, Cyren Jade S. Digal, Kyle Raine Paraiso, Sophia Marie Arayata, Jaysi T. Corpuz, Maria Cristina L. Desepida, Maria Isolde R. Sustrina, Florindo C. Ilagan, Elizabeth D. Bigalbal, Betsy Rose S. Fidel

College of Economics, Management and Development Studies, Cavite State University, Indang Campus, Cavite, 4122, Philippines

ABSTRACT

This study examined the relationship between Financial Management Practices (FMP) and compliance with Financial Accounting Standards (FAS) among Micro and Small Enterprises (MSEs) in Dasmariñas, Imus, and General Trias, Cavite. It provides insights into how MSEs can enhance their financial practices and accounting compliance to achieve microenterprises sustainability and accurate financial reporting. A descriptive-correlational research design was employed, utilizing primary data collected from 384 Department of Trade and Industry (DTI) registered MSE owners and managers through online and printed questionnaires. Responses were measured using a four-point Likert scale, and the relationship between FMP and FAS compliance was analyzed using Spearman's Rho correlation. The results showed that MSEs exhibited a high level of financial management practice and a high degree of compliance with financial accounting standards. Inventory management emerged as the most frequently practiced FMP, while the Statement of Profit or Loss (SPL) was the most prepared financial statement. When grouped according to business profile, no significant differences were found in the level of FMP implementation or FAS compliance. However, a strong and statistically significant positive relationship was observed between FMP and FAS compliance. In conclusion, the findings indicate that effective financial management practices contribute to higher levels of compliance with financial accounting standards among MSEs, regardless of business profile. MSEs that consistently apply sound financial management practices are more likely to produce accurate and reliable financial statements.

Background

Micro, Small, and Medium-sized Enterprises (MSMEs) are significant players in economic development in the Philippines, comprising (99.63%) of all registered businesses (Philippine Statistics Authority, 2023). They drive economic growth by reducing poverty, promoting innovation, and providing employment. Despite their vital role in the business environment and economy, MSMEs still encounter challenges, particularly in financial management due to limited access to financial resources and lack of knowledge and awareness of financial accounting standards (Sappor, Sarpong, & Seini, 2022; Widasari, Furniawan, Paniran, & Mufidah, 2024).

In order to promote long-term growth, liquidity, and minimize risks related to changing markets, Financial Management Practices (FMP) are essential. The FMP such as cash, inventory, and payable management allows MSEs to make informed decisions and maximize their resources (Widasari, Furniawan, Paniran, & Mufidah, 2024; Morgate, Villanueva, & Maranan, 2025). However, MSMEs often struggle with FMP because of lack of awareness and knowledge on accounting standards (Aziz & Zoraya, 2024; Ines, 2025). FMP supports compliance with Financial Accounting Standards (FAS) that helps in ensuring that the management is transparent and has increased access to external funding (Nida, Adyatma, & Edwindra, 2024). FAS includes producing financial statements such as Statement of Financial Position (SFP), Statement of Profit or Loss (SPL), and Statement of Cash Flows (SCF). On the other hand, poor implementation of FMP influences the quality of financial reporting which can result in misstatements and non-compliance with the standards (Placido, Buduan, De La Cruz, & Reynon, 2024).

The Securities and Exchange Commission in 2018 adopted the Philippines Financial Reporting Standards for Small Enterprises (PFRS for SEs) to promote financial reporting. Micro enterprises are not required but encouraged to follow the same standard. Hence, many MSEs lacked proper practices and adherence with the standard that caused threat to their long-term sustainability (Barbosa, 2021; Borromeo, Cervantes, & Sumicad, Jr., 2024). Additionally, compliance was found to be different depending on the locality and availability of resources. MSMEs in different places in the Philippines show moderate to lower compliance to FAS (Placido, Buduan, De La Cruz, & Reynon, 2024; Anoos et al., 2020). These differences create a geographical gap in competitive business environments, like Cavite, which has a high number of established and registered MSMEs over the last few years.

The study aims to assess the level of FMP implementation and the level of FAS compliance of Micro and Small Enterprises (MSEs) in the selected cities in Cavite, recognizing its role in the economic development in the Philippines. Specifically, it seeks to analyze how FMP such as cash, inventory, and payable management relate to compliance with financial statements including SFP, SPL and SCF. The study aims to support MSMEs in making financial decisions while promoting transparency and accountability through enhanced compliance with FAS.

Objectives of the study

The main objective of this study was to examine the relationship between Financial Management Practices and Financial Accounting Standards Compliance of MSEs in selected cities of Cavite. The study specifically aimed to:

1. Identify the business profile of MSEs in selected cities of Cavite according to business size, business sector and years in operation.
2. Assess the level of implementation of financial management practices among MSEs in the selected cities of Cavite in terms of cash management, payable management, and inventory management.
3. Determine the level of compliance of MSEs with financial accounting standards in terms of Statement of Financial Position,

Statement of Profit or Loss and Statement of Changes in Cash Flows.
4. Analyze the difference in the financial management practices when MSEs are grouped according to their business profile.
5. Analyze the difference in the financial accounting standards compliance when MSEs are grouped according to their business profile.
6. Examine the relationship between the level of implementation of financial management practices and level of compliance with financial accounting standards among MSEs in the selected cities of Cavite.

Hypotheses
The study formulated the following hypotheses which were:

H_{01}: There is no significant difference in the financial management practices of MSEs in the selected cities of Cavite when grouped according to their business profile.

H_{02}: There is no significant difference in the financial accounting standards compliance of MSEs in the selected cities of Cavite when grouped according to their business profile.

H_{03}: There is no relationship between the level of implementation of financial management practices and level of compliance with financial accounting standards among MSEs in the selected cities of Cavite.

Theoretical Framework
This research is anchored in the following theories:

The Financial Management Theory of Brigham and Ehrhardt (2013) states that managerial decisions have a direct impact on organizations' success or failure. These include profit maximization, managing cash flows, managing accounts payable, and achieving organizations objectives (Brigham and Ehrhardt, 2013; Poernamawatie, Hastut, Fitria, & Ma'roep, 2023).

The Positive Accounting Theory developed by Watts and Zimmerman (2006) described that managers select accounting policies based on perceived costs and benefits while still adhering to market and regulatory constraints. Businesses choose accounting standards to reflect both financial performance and reporting requirements.

The Institutional Theory of Organization requires an organization to comply with social rules and requirements and adopt standardized accounting and practices to establish credibility and receive stakeholder trust and support. Institutional pressures and values also have an impact on organizational practices (Chowdhury, 2021; Rahaman, 2019; Tharmini and Lakshan, 2021).

These theories provide a theoretical framework explaining the relationship between FMP and FAS compliance of MSEs in Cavite. The Financial Management Theory supports the implementation of FMP by emphasizing that managerial decisions such as managing cash and payables directly influence business efficiency and success. While Positive Accounting Theory explains the compliance of MSEs with FAS suggesting that managers select accounting policies based on perceived costs and benefits. Institutional theory further supports FAS compliance by suggesting that organizations comply with accounting standards to gain credibility and stakeholder trust. Thus, these theories suggest that while effective FMP comes from managements decisions, compliance with FAS is shaped by perceived benefits and institutional pressures, which provide a strong theoretical foundation for the present study.

Conceptual Framework
Figure 1 illustrates the variables of the study. The business profile of MSEs serves as an independent variable as it is used to determine the differences in both FMP and FAS compliance of MSE which are the dependent variables. The study aims to analyze the differences in these dependent variables when MSEs are grouped based on their business profile. Furthermore, the study aims to examine the relationship between the level of implementation of FMP and the level of FAS compliance of MSEs.
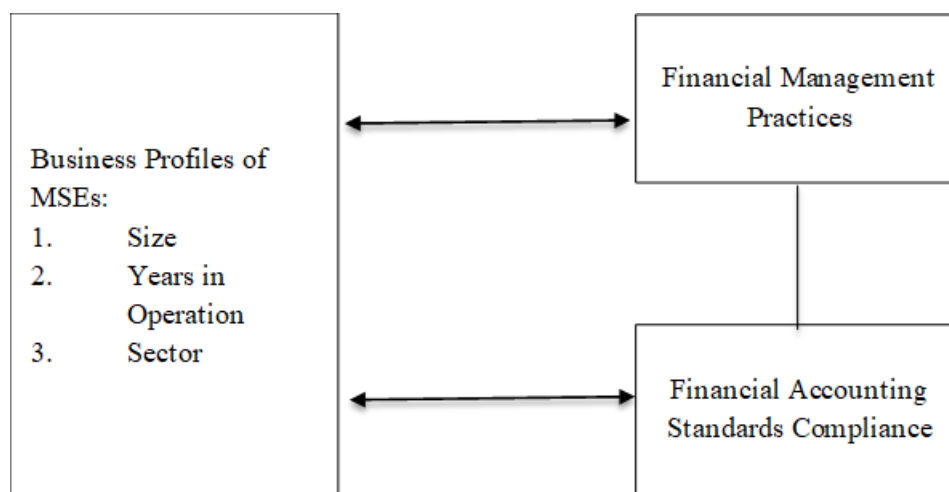
Figure 1. Conceptual Framework

Definition of Terms

The following are the operational definitions of critical terms used in the study:

Micro and Small Enterprises (MSEs). In this study, MSEs refer to specific managed businesses that meet the standard classifications based on their number of employees.

Financial Management Practice. It refers to the process adapted by businesses in managing their transactions such as cash, payables, and inventory.

Cash Management. It refers herein to the practice of meticulously managing the recording and tracking of financial transactions for cash inflows and outflows.

Payable Management. This term is used in the study to describe the practice of systematic documentation of an enterprise's payables aligned with internal control, such as maintaining the proper and accurate recording of every payable.

Inventory Management. As used in this study, this is about systematic recording of inventories and proper investigation of their quantities at the end of the period, ensuring that all records match correctly and accurately.

Financial Accounting Standards Compliance. It is about the principles and practices that the enterprise owners must adhere to in proper preparation of financial statements, namely, Statement of Financial Position, Statement of Profit or Loss, and Statement of Cash Flows.

Statement of Financial Position. It refers to the proper presentation of all assets, liability, and equity of an enterprise according to accounting standards.

Statement of Profit or Loss. It refers to the proper presentation of profit and loss of an enterprise according to accounting standards.

Statement of Cash Flows. It refers to the proper presentation of cash inflows and outflows of an enterprise according to accounting standards.

Financial Transparency. This refers to the openness and honesty of MSEs in recording and presenting its financial transactions. It shows that the financial condition of the MSEs is easy to understand and assess.

MSE Accounting. This refers to the use of basic accounting practices and processes by micro and small enterprises in recording, classifying, and reporting their financial transactions.

Regulatory Compliance. This refers to the compliance of micro and small enterprises with existing laws, PFRS for SEs, and financial accounting standards required in the preparation and submission of their financial statements.

Literature Review
MSEs in the Philippines and Cities of Cavite

Business profiles (business size, sectors, and years in operation) provide important information about business enterprises. Decision makers and stakeholders can determine the success, contribution, and challenges of MSEs

by considering these aspects. The economic development of the Philippines relies on MSMEs. Profiling MSEs in selected cities in Cavite highlights their relevance in local development and suggests gaps in the existing literature.

Business Size. The Department of Trade and Industry (DTI) classifies enterprises as "micro" with one to nine employees and 3,000,000 pesos or less assets; and "small" with 10 to 99 employees and 3,000,001 pesos to 15,000,000 pesos assets. MSMEs account for 66.97% of total employment; hence, they affect income and economic growth. Southeast Asia has 70 million MSMEs, according to the Association of Southeast Asian Nations (2020, as cited in Panwar, 2022).

Business Sector. Different sectors provide jobs and help the relationship between locals and visitors. Data from the DTI Business Name Registration in November 2025 showed that Dasmarinas, Imus, and General Trias had the most registered MSEs in Cavite. The data also showed the top five Philippine Standard Industrial Classification (PSIC) Codes for (1) Retail Trade, (2) Food and Beverages, (3) Services, (4) Real Estate, and (5) Manufacturing.

Years in Operation. A small number of studies have dealt with comparing the difference between new and well-established MSMEs, their FMP, and FAS. Placido, Buduan, De La Cruz, & Reynon (2024) suggests that there is a lack of studies in this field. Barbosa (2021) noticed that the MSEs are struggling with the FAS and FMP because they are in development and lack proper experience. Oppositely, Deligero and Ballados (2025) state that the duration of time a MSEs has been in operation is unrelated to its FMP. Both new and established have shown that they follow similar patterns. How the FMP of MSMEs and their regulatory compliance with FAS differs is still undetermined and studying this can be crucial, especially in the fast-growing province of Cavite.

Financial Management Practices (FMP) of MSEs

The major determinant of business' success no matter what the industry is the way in which owners and managers handle their operations. Economic theory identifies numerous factors that affect this, but sound FMP is the most significant. MSEs performance will improve if they become more experienced in their financial management (Kaino, Mburu, & Kiragu, 2025).

FMP facilitates the wise use of resources, which in turn ensures a smooth operation of the business and obeying with the law (Placido, Buduan, De La Cruz, & Reynon, 2024 & Prawestri, 2024). MSEs mostly use cash, payables, and inventories through various systems that help maintain correct records and transparent reporting. A large number of businesses experience difficulties because of their unawareness or use of improper methods in FMP, although there has been an agreement among past studies that effective FMP is very essential. Researchers gathered a significant amount of information on FMP. But there is still limited knowledge of how these practices can influence sustainability with regards to the management of cash, payables, and inventories in Cavite. Since good FMP can lead to economic growth, this research work is concerned with how businesses in Cavite are applying these practices and the kind of impact they have on the local economy.

Cash Management. Cash, indeed, is the lifeblood of a business. According to Aguilar et al. (2024), the performance of businesses can be improved through proper cash management. The lack of it allows the rest of the operations to fail easily. Onyango and Muchira (2023) argue that budgeting, cash control, and cash forecasting play an important role in ensuring the financial stability and success of businesses. However, this research has not investigated cash management practices and how cash management fits standards, which creates a gap in their study.

Payable Management. MSMEs have a preference for transparency as well as reducing fraud (Hernandez, Balboa, Cuenca, & Quilantang, 2021). They are always trying their best to keep their payables in order and to establish strong internal controls. However, Barbosa (2021) and Placido, Buduan, De La Cruz, & Reynon (2024) concluded that smaller firms rarely involve themselves in the application of internal control for payables, and a lot of businesses are only taking these steps halfway.

They do not depend on borrowing due to the interest costs and complicated paperwork.

Inventory Management. Hernandez, Balboa, Cuenca, & Quilantang (2021) and other studies found out in 2021 that Inventory Management is very important for businesses. It is about finding a balance between saving money and having enough products available. Small businesses that keep track of their inventory well usually have FMP which some other study like Panigrahi et al. (2021) also agreed to this in. Inventory Management practices like this are good for the business. According to Gaoat et. al (2023) keeping track of inventory helps small businesses make better decisions and control costs. In Cavite, small pharmacies have better monitoring, while in Sto. Tomas, Batangas, because of insufficient records, micro scale frequently experiences shortages and overstocking (Soliveres, Herrera, & Cedillo 2024; Tuan, San Miguel, & Florencondia 2025). This highlights that enterprises that have better financial management track their inventory. These observations highlight the importance of studying the inventory management practices within Cavite's MSEs, considering that they influence business efficiency and performance.

The performance of MSEs depends on effective FMP, but many struggles because of a lack of resources and experience (Kaino, Mburu, & Kiragu, 2025; Poernamawatie, Hastut, Fitria, & Ma'roep, 2023; Placido, Buduan, De La Cruz, & Reynon, 2024; Prawasetri, 2024). The effectiveness of these practices' local implementation has not been evaluated in many studies. This study aims to address this gap in literature.

Financial Accounting Standards in MSEs

Compliance with the financial accounting standards by MSEs in the Philippines are encouraged to improve financial transparency, and make informed decisions, and help in having sustainable growth. Small enterprises have their own framework in financial reporting also known as Philippine Financial Reporting Standards for Small Enterprises (PFRS for SEs). Although this framework is a lot simpler, MSEs owners are still faced with challenges to remain compliant according to Galura et al. (2025). Accuracy and reliability of financial reports are achieved when the Statement of Financial Position, Statement of Profit or Loss, and Statement of Cash Flows are prepared in accordance with the framework set by financial accounting standards. The study conducted by Placido, Buduan, De La Cruz, & Reynon (2024) found that following the International Financial Reporting Standards (IFRS) and Philippine Financial Reporting Standards (PFRS) promotes consistency and financial transparency and demonstrates a significant link to business performance. This shows the important role of MSE accounting and the precise recording and reporting of financial transactions, which is necessary for continuous assessment and long-term achievement of business.

Although there are so many benefits in complying with FAS, many MSEs still struggle to comply with FAS according to studies. It was found in the study of Borromeo, Cervantes, & Sumicad (2024) that MSEs cannot comply with the requirement set by PFRS without the assistance of outsourced bookkeepers. According to Barbosa (2021), MSEs also encounter challenges due to a need to understand financial management. It was found that management of MSEs did not adhere to generally accepted standards on financial management and control. Additionally, in the study of Khimani & Singhai (2024) it was noted that complex regulatory frameworks impose additional financial and administrative burdens on enterprises that affect their profitability and regulatory compliance. Financial statements play an important role for enterprise owners. Oktaviani et al. (2023) noted that financial reports are helpful for business owners as they allow them to analyze transactions and help them in making decisions. This shows the importance of proper and precise accounting practices. According to the study of Vishw (2024), by improving accounting practices, MSMEs can enhance their overall performance in business. A well-organized financial statement improves an MSME's credibility to attract potential investors and lenders, therefore achieving long-term business success. With compliance with standard accounting practices, MSMEs can effectively operate and have a solid path for sustainable growth.

Statement of Financial Position. Entity's assets, liabilities, and equity are shown in the Statement of Financial Position (SFP). A wide range of users utilize this financial statement to analyze the business's financial stability and solvency. In the preparation of SFP, there are still challenges faced by MSEs due to the lack of knowledge in basic accounting, leading to poor record-keeping and ineffective MSE accounting (Qubbaja & Talameh, 2020). It was found in the study of Caclini (2021) that there is a correlation between compliance and financial performance. However, it did not examine why some MSEs showed higher compliance, especially in cash, inventory, and payable management in Cavite. Through this study, the relationship between SFP by MSEs and compliance with FAS will be examined.

Statement of Profit or Loss. The list of revenues, expenses, and recorded profit can be seen in the Statement of Profit or Loss (SPL). Users mainly use this financial statement to examine the business's ability to generate income, handle cost effectively, and its profitability (Vipond, 2025). It was found in the study of Ayunda (2025), that there is a high level of compliance with FAS in the preparation of SPL among MSEs, showing that there is a large number of enterprises that properly record income and expenses when accounting practices are always applied. Moderate to high level of compliance was found in the study of Caclini (2021), showing that there is a lack of knowledge of the factors affecting regulatory compliance in MSE accounting like financial literacy, access to accounting resources, and awareness of standards in accounting. Addressing these gaps is necessary to improve how MSEs located in Cavite prepare and present their SPL.

Statement of Cash Flows. The Statement of Cash Flows (SCF) shows an entity's cash inflows and outflows during a specific accounting period and is classified into operating, investing, and financing activities (Bahodirovich, 2025). Along with the other financial statements, it gives essential information for users in making informed judgments. Based on the study of Ayunda (2025), enterprises are compliant with financial accounting standards in terms of SCF, especially if internal controls and systematic tracking of cash transactions are in place. However, many MSMEs still face challenges including limited accounting knowledge, time constraints, and the cost of professional services. Bancoro (2023) studied the financial literacy of MSEME owners. However, it remains unknown to the level of compliance with the reporting and presentation of SCF. This highlights the need for localized research to assess whether MSMEs meet this essential financial reporting requirement.

Different levels of regulatory compliance for each three financial statements were recorded in the previous studies. Others found that SPL and SCF have a high level of compliance for these financial statements, while SFP often has inconsistent compliance. Although studies already exist, there is still a few research that examines the regulatory compliance of MSEs or how frequently they prepare the three financial statements, specifically MSEs located in Cavite. Addressing this gap will give insight into MSEs' financial reporting practices and compliance with the standards in accounting.

Relationship Between Financial Management Practices and Financial Accounting Standards Compliance among MSEs.
everal local and foreign literature reveal a clear relationship between FMP and compliance with FAS among MSMEs. A study of Placido, Buduan, De La Cruz, & Reynon (2024) on MSMEs in the Northern Philippines emphasized that FMP was significantly related to FAS compliance, concluding that a well-balanced handling of assets, cash, and other resources is associated with higher compliance levels. Those practices can contribute to regulatory compliance with the required disclosure and measurement. Challenges such as costs, tax considerations, and limited expertise are faced when using proper accounting methods. These challenges can affect the reliability of financial reporting. Mixed results are also found in the international studies on IFRS for SMEs. Studies like Nguyen et al. (2023) show that simplified standards can enhance transparency and disclosure in financial statements. Meanwhile, little to no improvement in actual compliance with the standards was found in the study of Sagar, Lavanya, & Thavva (2025). This shows

that simply adopting IFRS for SMEs is not enough, having sound financial management skills, accounting expertise, and internal processes to fully realize the benefits of the standards.

One of the aspects of FMP is cash management. It was found in the study of Prabowo, Minarni, & Kurniawan (2024) that compliance and sustainability are enhanced when effective cash flow management are in place. Better allocation of resources and overall financial performance are achieved when businesses follow budgets, cash flow projections, and financial statements by actively managing their cash according to Ambrocio et al. (2025). Maintaining stability and regulatory compliance is also affected by proper management of accounts payable. It was found in the study of Bikute (2024) and Fastercapital (2025) that accurate recognition of liability, healthier cash flow, and reliable financial reporting are achieved using proper accounts' payable processes. On the other hand, mismanagement of accounts payable can increase the risk of reporting errors and non-compliance. Another important aspect of FMP is inventory management. It was found in the study of Upadhyaya (2024) that following proper regulation and compliance with FAS specifically in inventory management significantly contribute to long-term organizational sustainability. Highlighted in the same study that compliance with inventory management is essential for optimizing stock levels, ensuring not just regulatory compliance, but also reducing operational expenses thereby enhancing overall business efficiency. With the compliance to established standards, efficiency in operation is achieved by having minimized stockouts, excess inventory, and workflow disruptions.

Although there are already many research studies, several gaps still exist. First, geographic gaps exist, as there is no study that focused on MSEs operating across multiple cities in Cavite, limiting the understanding of regional differences in FMP and FAS compliance. Second, a measurement gap exists because many studies rely on self-reported compliance or checklist-based scores, which raise concerns regarding its validity. Finally, prior research has a narrow focus, since they examined isolated FMP components rather than composite indices capturing the overall level of implementation across cash management, payable management, and inventory management.

Addressing these gaps is necessary to develop a more comprehensive understanding of how FMP influences compliance with FAS among MSEs in Cavite, supporting efficiency and accurate financial reporting.

Synthesis

The related studies highlighted that MSEs were essential in the economy, and that effective implementation of FMP improves sustainability and performance of the enterprises (Kaino, Mburu, & Kiragu, 2025; Placido, Buduan, De La Cruz, & Reynon, 2024; Prawestri, 2024). Studies of Aguilar et al. (2024), Hernandez, Balboa, Cuenca, Quilantang (2021), and Gaoat et al. (2023) state that financial transparency and regulatory compliance with FAS are essential. Moreover, Barbosa (2021) observed that new MSEs with one year below operating have more difficulty with implementation of FMP and FAS compliance since they lack competence, in contrast with Deligero and Ballados (2025) observing no significant difference between years in operation. According to Placido, Buduan, De La Cruz, & Reynon (2024) and Oktaviani et al. (2023) PFRS for SE enhances FS reliability, while other studies from Borromeo, Cervantes, & Sumicad (2024) and Khimani & Singhai (2024) focused on the limited accounting expertise, regulatory compliance, and reliance on outside bookkeepers as a contributing factor of MSEs' financial practices. The literature reveals gaps in localized assessments in multi-city in Cavite and only a few studies that examine FMP as integration. Thus, further research in this area is necessary despite the established findings.

Unlike prior studies that relied on self-reported compliance using 5-point likert scale, this study utilized a 4-point likert scale to reduce the central tendency bias and encourage a more decisive response.

Materials and Methods

This study employed a quantitative approach using a descriptive-correlational research design. Correlational research examines

the relationship between two or more variables without manipulating them, allowing the researcher to determine the degree and direction of their association without establishing causality. Such relationships may be positive, negative, or non-existent (Sreekumar, 2024).

Participants of the Study

The participants of this study consisted of 384 MSEs that were duly registered with the DTI and located in the selected cities of Cavite such as Dasmariñas, Imus, and General Trias, which were the top three areas in Cavite that had the highest number of DTI registered MSEs based on data obtained from the DTI Business Name Registration System.

The population size of the selected cities was 23,397 registered businesses in DTI as of November 2025. Table 1 showed the distribution of participants. The minimum required sample was determined to be 379. However, the sample allocation was 128 respondents per city (64 micro and 64 small enterprises) to increase reliability and ensure equal representation of the results.

Table 1. Distribution of participants among the selected cities of Cavite.

City	Population	Sample	Percentage
Dasmariñas	8553	128	33.3
General Trias	7415	128	33.3
Imus	9427	128	33.3
TOTAL	**23,397**	**384**	**100**

Sampling Technique

The study employed convenience sampling for equal representation of samples from each city was ensured to maintain comparatively across business environment. Equal allocation of 128 enterprises per city was implemented to support balanced statistical comparison minimize dominance of highly populated city and ensure equivalent variance contribution per stratum.

Data collection was conducted primarily through the physical distribution of printed questionnaires, complemented by online questionnaires developed using Google Forms and disseminated via Facebook. Only business owners, managers, and authorized representatives present during the data collection period were included as respondents. The minimum required sample size of 379 was calculated using the Raosoft Sample Size Calculator, based on a 95% confidence level and a 5% margin of error, given a total population of 23,397 MSEs.

Data Gathered

The researchers sought validation and approval from a research statistician prior to administering the survey to ensure the instrument was appropriate and reliable. The 39 items on the questionnaire adapted from Placido, Buduan, De La Cruz, & Reynon (2024) and respondents answered using a Four-point Likert scale shown in Table 2 and Table 3 with the following options: 4 – Always, 3 – Often, 2 – Rarely, and 1 – Never.

Table 2. Parameters to measure the FMP

Mean Range	Interpretation	Qualitative Description
3.25-4.00	Highly Practiced	FMP are consistently and systematically implemented.
2.50-3.24	Moderately Practiced	FMP are generally implemented but not consistently
1.75-2.49	Rarely Practiced	FMP are seldom implemented.
1.00-1.74	Not Practiced	FMP are never implemented.

Table 3. Parameters to measure the FAS

Mean Range	Interpretation	Qualitative Description
3.25-4.00	Highly Complied	FAS are consistently complied with and properly presented in financial reports.
2.50-3.24	Moderately Complied	FAS are not consistently applied but generally complied with.
1.75-2.49	Rarely Complied	FAS are seldom complied with.
1.00-1.74	Not Complied	FAS are never complied with.

Table 4 shows the frequency of reporting under the level of compliance with FAS. The respondents answered using a Four-point Likert scale with the following options: 4 – Monthly, 3 – Quarterly, 2 – Semi-Annually, and 1 –Annually.

Table 4. Parameters to measure the frequency of reporting

Mean Range	Interpretation	Qualitative Description
3.25-4.00	Monthly	Financial reports are prepared on a monthly basis.
2.50-3.24	Quarterly	Financial reports are prepared every three months.
1.75-2.49	Semi-Annually	Financial reports are prepared every six months.
1.00-1.74	Annually	Financial reports are prepared once a year.

Table 5 shows the importance of compliance under the level of compliance with FAS. The respondents also answered using a Four-point Likert scale with the following options: 4 – Always, 3 – Often, 2 – Rarely, and 1 – Never.

Table 5. Parameters to measure the importance of compliance

Mean Range	Interpretation	Qualitative Description
3.25-4.00	Very Important	Compliance is highly significant to overall sustainability.
2.50-3.24	Important	Compliance is generally significant to overall sustainability.
1.75-2.49	Low Importance	Compliance is slightly significant to overall sustainability,
1.00-1.74	Not Important	Compliance is not significant to overall sustainability.

Business information was also gathered from the participants, including the city, business size, business sector, and years of operation. All items in the questionnaire were clearly explained, and respondents accomplished the instrument within the designated data-gathering period. The collected data were then systematically tallied and organized using a matrix form.

Research Instrument

The researchers employed a survey questionnaire via Google Forms as the primary instrument. The survey questionnaire adapted from the study of Placido *et al.* (2024) which comprised three sections was evaluated and validated by a research statistician. The survey instrument underwent pilot testing from 30 participants and achieved a cronbach alpha of more than 70% indicating strong internal consistency.

The first part of the survey questionnaire centered around the respondents' business profile. It was optional to input their business name, but must state their location, size (based on number of employees), years of operation, and industry. The second part, which was broken down into three categories, focused on FMP – cash, inventory and payable management. MSEs' recording, monitoring and control methods used in managing their financial operations were assessed in each area. Part III focused on FAS Compliance, beginning with Frequency of Reporting, followed by three primary categories in this section: SFP, SPL, and SCF, and ending with Importance of Compliance

Statistical Treatment

Descriptive Statistics. According to Dong (2023), it is used to describe and summarize the relationship between variables in a particular sample, which is important for making inferential statistical comparisons. The following descriptive statistics are used to collect, analyze and interpret the different characteristics of the sample:

Frequency. Used to determine the distribution and responses of participants in each variable.

Percentage. Calculated by dividing the frequency of participants in a particular category by the total number of participants and multiplying by 100 percent.

Mean. The arithmetic average or the sum of values in a dataset is divided by the quantities of observations.

Median. Middle value in distribution when data are arranged from either lowest to highest or highest to lowest.

Standard Deviation. Used to measure the dispersion of a dataset in relation to its mean.

Kruskal-Wallis Test. Used to determine the difference in the FMP and FAS compliance when MSEs are grouped according to their business profile.

Spearman's Rank-Order Correlation. Used to ascertain if two variables have a monotonic relationship and in which direction. It is a positive correlation if one variable's value rises when another variable rises as well. Conversely, when one variable rises and the other falls as a result, it indicates a negative correlation. In this study, Spearman's rank-order correlation was used to measure if there was a significant relationship between FMP and FAS compliance among MSEs. The researchers used Spearman's rank-order correlation coefficient adapted from Dancey and Reidy (2004) shown in Table 6.

Table 6. Interpretation of Spearman Rank- Order Correlation Coefficients

Spearman (p)	Correlation
≥ 0.70	Very strong relationship
0.40 - 0.69	Strong relationship
0.30 - 0.39	Moderate relationship
0.20 - 0.29	Weak Relationship
0.01 - 0.19	No or negligible relationship

Note(s): This descriptor applies to both positive and negative relationships.

Results and Discussion
Business Profile

Table 7 shows an equal distribution of respondents between micro enterprises (50.0%) and small enterprises (50.0%), reflecting a balanced representation of both business sizes across the selected cities. The retail sector accounted for the majority of respondents with (32.6%). Moreover, the results showed that nearly half of the MSEs have been in operation for one to three years (46.1%), closely followed by those operating for less than one year (45.6%).

Table 7. Business profile

Indicators	Frequency n=384	Percentage (%)
Business Size		
Micro	192	50.0
Small	192	50.0
Business Sector		
Retail	125	32.6
Food and Beverages	100	26.0

Indicators	Frequency n=384	Percentage (%)
Services	110	28.7
Real Estate	2	0.5
Manufacturing	14	3.6
Others	33	8.6
Years in Operation		
Below 1 year	175	45.6
1-3 years	177	46.1
3-5 years	8	2.1
More than 5 years	24	6.2

Implementation of FMP among MSEs

Cash management. Table 8 revealed that MSEs highly practiced cash management, with an overall mean of 3.60. This indicates that cash management is consistently and systematically implemented. The highest mean (3.80) was revealed in keeping track of cash transactions. This finding is consistent with the study of Placido, Buduan, De La Cruz, & Reynon (2024), which likewise reported that tracking cash transactions received the highest mean score among cash management practices, indicating that MSEs recognize the importance of accurate cash monitoring in supporting financial stability and informed decision-making. The high level of implementation observed in this study further underscores the role of effective cash management as a foundational financial management practice that contributes to improved financial control and compliance with accounting standards.

Table 8. Level of implementation of cash management practices

Indicators	Mean	Standard Deviation	Interpretation
1. Record all cash transactions.	3.80	0.588	Highly Practiced
2. Track all cash receipts.	3.79	0.593	Highly Practiced
3. Track all cash payments.	3.79	0.610	Highly Practiced
4. Review and prepare a cash budget.	3.65	0.747	Highly Practiced
5. Separate cashier personnel from accounting duties.	2.96	1.201	Moderately Practiced
Overall Mean	**3.60**	**0.530**	**Highly Practiced**

Legend:
Mean	Interpretation
3.25-4.00	Highly Practiced
2.50-3.24	Moderately Practiced
1.75-2.49	Rarely Practiced
1.00-1.74	Not Practiced

Payable management. Table 9 shows that Micro and Small Enterprises (MSEs) in the selected cities of Cavite have highly practiced payable management, with an overall mean of 3.34. This suggests that payable management is consistently and systematically implemented. Among the specific indicators, ensuring that payables transactions are accurately recorded for financial reporting received the highest mean score of 3.78, indicating that MSEs prioritize proper documentation of obligations to maintain reliable financial records. In contrast, the practice of utilizing borrowed funds, when necessary, obtained the lowest mean score of 2.28, reflecting a cautious approach to external financing. These findings are consistent with Hernandez, Balboa, Cuenca, & Quilantang (2021), who reported that efficiently tracking

payables is a top priority for MSMEs in Batangas. Similarly, Placido, Buduan, De La Cruz, & Reynon (2024) and Barbosa (2021) observed that borrowing funds are rarely employed by MSEs due to fiscal constraints and the desire to avoid incurring additional loan interest expenses. The results highlight that while MSEs place strong emphasis on accurate payables recording, the strategic use of credit remains limited, likely due to financial prudence and resource limitations.

Table 9. Level of implementation of payables management practices

Indicators	Mean	Standard Deviation	Interpretation
1. Properly maintain records of payables.	3.40	1.049	Highly Practiced
2. Use borrowed funds when necessary.	2.28	1.249	Rarely Practiced
3. Payables transactions are recorded accurately…	3.78	0.569	Highly Practiced
4. Regular review of payables processes for improvement.	3.57	0.755	Highly Practiced
5. Implement internal controls…	3.70	0.639	Highly Practiced
Overall Mean	**3.34**	**0.564**	**Highly Practiced**

Inventory management. Table 10 shows that MSEs highly practiced inventory management, with an overall mean of 3.65. This indicates that inventory management among MSEs is consistently and systematically implemented. Among the specific indicators, the highest mean score of 3.68 was recorded for ensuring that each purchase transaction receives proper authorization, highlighting the emphasis placed on control and accountability in inventory operations. These findings align with Hernandez, Balboa, Cuenca, & Quilantang (2021), who reported that SMEs in Batangas regularly monitor and verify inventory to support daily operations. Their study underscores the systematic application of inventory management methods, which is comparable to the high level of inventory management observed among MSEs in Cavite. These results suggest that consistent inventory control practices not only facilitate operational efficiency but also contribute to accurate financial reporting, reflecting the integral role of inventory management in sound financial management practices.

Given that 58.6 percent of the participants belong to micro retail-trade and food beverage sectors and 46.1 have operated for 1-3 years, inventory control is likely prioritized due to direct reliance on physical stock for revenue generation and daily liquidity planning.

Table 10. Level of implementation of inventory management practices

Indicators	Mean	Standard Deviation	Interpretation
1. Maintain and regular updates of inventory records.	3.67	0.679	Highly Practiced
2. Prepare ending inventory reports…	3.67	0.696	Highly Practiced
3. Ensure all purchases are authorized.	3.68	0.685	Highly Practiced
4. Properly investigate discrepancies in inventory.	3.64	0.708	Highly Practiced
5. Prepare inventory budget.	3.61	0.750	Highly Practiced
Overall Mean	**3.65**	**0.563**	**Highly Practiced**

Overall level of implementation of FMP among MSEs

Table 11 shows that the overall level of implementation of Financial Management Practices (FMP) among MSEs was interpreted as highly practiced, with a mean score of 3.53. This indicates that FMP is consistently and systematically applied across the selected enterprises. Among the specific components, inventory management recorded the highest mean

score of 3.65, followed by cash management (3.60) and payables management (3.34), highlighting that MSEs place particular emphasis on controlling stock levels while maintaining adequate liquidity and managing obligations. These findings are supported by the Financial Management Theory, which emphasizes that the MSEs heavily exercised financial management to optimize cash flows, efficiently manage payables, and monitor inventory. By systematically implementing these practices, MSEs can enhance financial control, improve operational efficiency, achieve their financial objectives, and ultimately increase owners' wealth. The results demonstrate that sound financial management practices are integral to sustaining business performance and ensuring the reliability of financial reporting.

Table 11. Overall level of implementation of FMP among MSEs

Indicators	Mean	Standard Deviation	Interpretation
Cash Management	3.60	0.530	Highly Practiced
Payables Management	3.34	0.564	Highly Practiced
Inventory Management	3.65	0.563	Highly Practiced
Overall Mean	**3.53**	**0.457**	**Highly Practiced**

Level of Compliance of FAS among MSEs

Frequency of reporting. Table 12 shows that the overall frequency of financial reporting for the SFP, SCF, and SPL among MSEs was determined to be monthly, with an overall mean score of 3.35. This indicates that financial reports are consistently prepared on a monthly basis, reflecting regular monitoring and control of financial activities. Among the specific statements, the preparation of the SCF recorded the highest mean score of 3.41, suggesting that MSEs place particular emphasis on tracking cash inflows and outflows. In contrast, the SFP had the lowest mean score of 3.26, indicating slightly less frequent reporting of overall financial position. These findings contrast with Bor-romeo, Cervantes, & Sumicad (2024), who observed that MSEs often require the involvement of an outsourced bookkeeper to comply with the PFRS. In contrast to these findings, Placido, Buduan, De La Cruz, & Reynon (2024) found that MSEs typically prepared financial reports on a quarterly basis, implying a less frequent financial monitoring than the monthly reporting practices demonstrated by the MSEs in the current study. This implies that micro-business may lack basic accounting skills such recording of business transactions and preparation of financial statements and reports that are needed to have an accurate and timely financial record, thus, they are resulting to engagement of outsourced bookkeepers.

Table 12. Frequency of reporting

Indicators	Mean	Standard Deviation	Interpretation
1. Prepare SFP	3.26	1.072	Monthly
2. Prepare SPL	3.34	1.019	Monthly
3. Prepare SCF	3.41	1.005	Monthly
4. Assess and review the impact of accounting on financial statements	3.38	0.962	Monthly
Overall Mean	**3.35**	**0.884**	Monthly

Legend: Mean   Interpretation
          3.25-4.00   Monthly
          2.50-3.24   Quarterly
          1.75-2.49   Semi-Annually
          1.00-1.74   Annually

According to Table 13, MSEs in the selected cities of Cavite exhibit a high level of compliance with the SFP, with an overall mean score of 3.50. This indicates that SFPs are consistently prepared and properly presented in financial reports. Among the specific indicators, the highest mean score of 3.63 was observed in preparing and presenting the SFP in accordance with the PFRS, highlighting MSEs' commitment to adhering to regulatory guidelines. In contrast, accurately valuing assets and liabilities recorded the lowest mean score of 3.39, suggesting that some challenges remain in ensuring precise measurement and reporting of financial positions. These results differ from those of Caclini (2021) and Placido, Buduan, De La Cruz, & Reynon (2024), who reported only moderate compliance with SFP among MSEs, indicating that the enterprises in Cavite demonstrate a comparatively stronger adherence to accounting standards. Overall, the findings suggest that systematic financial management and increased awareness of PFRS contribute to higher compliance with the SFP, thereby enhancing the accuracy and reliability of financial reporting.

Table 13. Level of compliance with the SFP

Indicators	Mean	Standard Deviation	Interpretation
1. Prepare and present SFP in accordance with PFRS	3.63	0.732	Highly Complied
2. Correctly classify assets and liabilities…	3.43	0.776	Highly Complied
3. Accurately value assets and liabilities…	3.39	0.800	Highly Complied
4. Disclose all required information…	3.61	0.740	Highly Complied
5. Ensure that SFP is consistent…	3.61	0.740	Highly Complied
Overall Mean	**3.50**	**0.635**	**Highly Complied**

Legend:
Mean	Interpretation
3.25-4.00	Highly Complied
2.50-3.24	Moderately Complied
1.75-2.49	Rarely Complied
1.00-1.74	Not Complied

According to Table 14 MSEs in the selected cities of Cavite demonstrate a high level of compliance with the SPL, as reflected by an overall mean score of 3.58. This indicates that SPLs are consistently prepared and properly presented in accordance with FAS. Among the specific indicators, accurately recording revenues and expenses obtained the highest mean score of 3.64, suggesting that MSEs place strong emphasis on ensuring the reliability of income and expense recognition. These findings are consistent with the study of Placido, Buduan, De La Cruz, & Reynon (2024), which likewise reported high levels of SPL compliance among MSEs. High compliance with FAS in the preparation of the SPL enhances the accuracy, credibility, and consistency of reported income information, thereby supporting informed decision-making and financial transparency (Ayunda, 2025). These results underscore the importance of proper income and expense recording as key components of sound financial reporting practices among MSEs.

Table 14. Level of compliance to the SPL

Indicators	Mean	Standard Deviation	Interpretation
1. Prepare and present SPL in accordance with PFRS.	3.56	0.789	Highly Complied

	Indicators	Mean	Standard Deviation	Interpretation
2.	Record and report revenues and expenses accurately...	3.64	0.683	Highly Complied
3.	Recognize revenues and expenses based on matching principles...	3.58	0.737	Highly Complied
4.	Disclose all required information related to revenues, expenses, and equity...	3.56	0.752	Highly Complied
5.	Ensure that SPL is consistent...	3.57	0.734	Highly Complied
	Overall Mean	**3.58**	**0.621**	**Highly Complied**

According to Table 15, MSEs in the selected cities of Cavite exhibit a high level of compliance with the SCF, with an overall mean score of 3.55. This indicates that SCFs are consistently prepared and properly presented in accordance with financial accounting standards. Among the specific indicators, ensuring consistency between the SCF and other financial statements and related disclosures obtained the highest mean score of 3.62, highlighting the importance MSEs place on coherence and accuracy across financial reports. These findings align with Ayunda (2025), who reported high levels of SCF compliance among MSEs, evidenced by the proper measurement, classification, and presentation of cash transactions. However, the results differ from those of Caclini (2021) and Placido, Buduan, De La Cruz, & Reynon (2024), which identified only moderate compliance with SCF among MSEs. The higher level of compliance observed in the present study suggests improved financial reporting practices and a greater emphasis on cash flow transparency among MSEs in Cavite, which supports effective financial management and informed decision-making.

Table 15. Level of compliance with SCF

	Indicators	Mean	Standard Deviation	Interpretation
1.	Prepare and present SCF in accordance with PFRS	3.48	0.795	Highly Complied
2.	Precisely categorize and record all cash inflows and outflows...	3.58	0.714	Highly Complied
3.	Provide clear and concise explanations of our sources and uses of cash...	3.47	0.826	Highly Complied
4.	Reconcile the net increase or decrease in cash...	3.58	0.732	Highly Complied
5.	Ensure that SCF is consistent...	3.62	0.694	Highly Complied
	Overall Mean	**3.55**	**0.613**	**Highly Complied**

Importance of compliance. Table 16 presents the level of importance that MSEs place on compliance with FAS, with an overall mean score of 3.55, indicating a high recognition of its significance to business sustainability. This suggests that MSEs are generally aware of the role that accounting standards play in ensuring transparency, accountability, and long-term operational stability. Among the indicators, the highest mean score of 3.68 was recorded for the belief that compliance with FAS is very important in reducing the risk of legal and regulatory penalties, highlighting the preventive role of compliance in avoiding sanctions and potential business disruptions. Conversely, the lowest mean score of 3.22 was associated with the perception that FAS compliance facilitates easier access to funding and investment opportunities, indicating that some MSEs may not yet fully experience or recognize the financial benefits of compliance in terms of external financing.

These findings are supported by the Institutional Theory of Organizations, which posits that enterprises adopt formal structures and standards, such as FAS, to gain legitimacy,

establish credibility, and earn the trust of stakeholders, including regulators, investors, and financial institutions. By complying with recognized accounting standards, MSEs enhance their organizational legitimacy and improve stakeholder confidence. However, despite the perceived benefits, Khimani and Singhal (2024) noted that compliance may also impose additional financial and administrative burdens on businesses, particularly smaller enterprises with limited resources. This suggests the need for supportive policies and capacity-building initiatives to help MSEs balance compliance requirements with operational efficiency.

Table 16. Importance of compliance with FAS

Indicators	Mean	Standard Deviation	Interpretation
1. Enhances reputation and financial credibility.	3.65	0.697	Very Important
2. Improves decision-making based on accurate financial data.	3.61	0.684	Very Important
3. Makes access to funding and investment opportunities easier.	3.22	0.997	Important
4. Build customer faith and confidence in business.	3.61	0.711	Very Important
5. Reduces the risks of legal and regulatory penalties.	3.68	0.702	Very Important
Overall Mean	**3.55**	**0.595**	**Very Important**

Legend:

Mean	Interpretation
3.25-4.00	Very Important
2.50-3.24	Important
1.75-2.49	Low Importance
1.00-1.74	Not Important

Significant Differences in the Level of FMP among MSEs

Business size. Table 17 revealed that there is no statistically significant difference in the FMP practices of MSEs in the selected cities of Cavite when grouped according to business size. The statistical analysis showed a test value of 17.121 with a p-value of 0.227, which exceeds the 0.05 level of significance. Thus, the hypothesis (H_{01}) was accepted, implying that business size does not have a significant effect on FMP of SMEs. These findings are in contrast with the studies of Gedefaw and Beza (2020), which state that business size positively and directly influences FMP.

Table 17. Differences in the FMP of MSEs (business size)

Business Profile	Statistic	P-value	ε^2	Hypothesis	Interpretation
Business Size	17.121	0.227	0.071	Accept Null	Not Significant

Note(s): F^2 (Cohen, 1988) where 0.02-0.14 = small, 0.15-0.34 = medium, 0.35 or better = large; statistically significant = ** with high significant at 1% level; * with significant at 5% level

Business sector and Years in operation. Table 18 revealed that there is no significant difference in the FMP practices of MSEs in selected cities of Cavite when grouped according to their business sector and years in operation. The analysis for the business sector and years in operation revealed chi square tests of 6.55 and 2.68 and p-values of 0.257 and 0.443, respectively. These results are above the significance level of 0.05, which resulted in the acceptance of null hypothesis (H_{01}). These results

imply that regardless of sector and years in operations, MSEs rely on similar FMP which may be due to lack of resources and expertise (Borromeo, Cervantes, & Sumicad 2024; Hafizi, Hakim, Akbar, & Misnaningsih, 2023). These results are also aligned with Deligero and Ballados (2025) who found that years of operation did not significantly impact FMP.

Financial management practices did not vary significantly by business size, sector or years in operations since compliance behavior can be driven by other factors like owners' discipline, business ethics and perceived credibility rather than profiles or enterprise characteristics.

Table 18. Differences in the FMP compliance of MSEs (Business Sector and Years in Operation)

Business Profile	x^2	df	P-value	ε^2	Hypothesis	Interpretation
Business Sector	6.55	5	0.257	0.171	Accept Null	Not Significant
Years in Operation	2.68	3	0.443	0.007	Accept Null	Not Significant

Significant Differences in the Level of FAS Compliance among MSEs

Business size. Table 19 revealed that there is no statistically significant difference in the FAS compliance of MSEs in selected cities of Cavite when grouped according to their business size. The statistical test yielded a value of 16.507 and a p-value of 0.076, which exceeds the 0.05 significance level. Therefore, the null hypothesis (H_{02}) was accepted, indicating that business size did not significantly affect FAS of MSEs in Cavite. This is supported by the findings of Caclini (2021) that financial reporting compliance is not statistically affected by business size.

Table 19. Differences in the FAS compliance of MSEs (Business Size)

Business Profile	Statistic	p-value	ε^2	Hypothesis	Interpretation
Business Size	16.507	0.076	0.104	Accept Null	Not Significant

Business sector and Years in operation. Table 20 revealed that there is no statistically significant difference in the FAS compliance of MSEs in selected cities of Cavite when grouped according to their business sector and years in operation. The chi-square test for the business sector and years in operation yielded values of 6.25 and 0.856 and p-values of 0.283 and 0.836, respectively. Since these results are higher than 0.05 level of significance, the null hypothesis (H_{02}) was accepted. The findings are consistent with Galura et al. (2025), who found that an entity's industry is not a determining factor in its level of compliance with PFRS for SE. Similarly, the results confirmed the findings of Placido, Buduan, De La Cruz, & Reynon (2024), that there is no significant difference in FAS compliance regardless of whether the enterprise is newly established or not.

Overall, the results are consistent with Caclini (2021), who found that FAS compliance does not significantly differ when enterprises are categorized according to their length of operations and number of employees. This implies that compliance is more strongly influenced by internal organizational factors such as management commitment, availability of accounting expertise, and capacity to comply rather than by business profile characteristics such as sector or years in operation.

Table 20. Differences in the FAS compliance of MSEs (Business Sector and Years in Operation)

Business Profile	x^2	df	P-value	ε^2	Hypothesis	Interpretation
Business Sector	6.250	5	0.283	0.001	Accept Null	Not Significant
Years in Operation	0.856	3	0.836	0.002	Accept Null	Not Significant

Relationship between Level of Implementation of FMP and Level of Compliance with FAS among MSEs

Table 21 presents the results of the analysis of the relationship between Financial Management Practices (FMP) and the level of compliance with Financial Accounting Standards (FAS). Spearman's Rho correlation coefficient and the corresponding p-value were used to test the third null hypothesis (HO3).

Cash management practices and compliance with FAS. The results revealed that cash management practices have a highly significant relationship with FAS compliance as evidenced by a Spearman's rho value of 0.486. This moderate positive correlation suggests that as the level of implementation of cash management increases, the level of compliance with FAS also increases. For instance, when MSEs track all cash receipts and payments, they are more likely to categorize and record all cash inflows and outflows in the SCF precisely. This result is aligned with the study of Onyango and Muchira (2023) and Aguilar *et al*. (2024), suggesting that effective budgeting, cash control, and accurate recording improve financial performance and ability to prepare financial statements. This result is also aligned with Prabowo, Minarni, & Kurniawan (2024) and Ambrocio et al. (2025), who emphasized that effective cash management and monitoring of cash flows enhance sustainability, efficiency and shows regulatory compliance with reporting requirements.

Payable management practices and compliance with FAS. The findings revealed that payable management practices have a highly significant relationship with FAS compliance as evidenced by Spearman's rho value of 0.415. This indicates that as the level of implementation of payable management increases,

the level of compliance with FAS also increases. For instance, as MSEs maintain and regularly update the payable records, they are more likely to accurately value liabilities using appropriate measurement bases in their SFP. This result is aligned with Bikute (2024) and Fastercapital (2025) stating that sound payables management including proper recognition and reporting of payables are important for presenting clear and accurate financial obligations of companies, which can be achieved through compliance with FAS.

Inventory management practices and compliance with FAS. The findings revealed that inventory management practices have a highly significant relationship with FAS compliance with Spearman's rho value of 0.601. This indicates that as the level of implementation of inventory management increases, the level of compliance with FAS also increases. For instance, as MSEs maintain and regularly update the inventory records, they are more likely to record and report revenues accurately in SPL because inventory is part of major items reported in this statement. This result is consistent with Gaoat et al. (2023) and Upadhyaya (2024) who highlighted that sound control and inventory management are important in ensuring proper regulation and compliance to FAS and enhancing long term microenterprises sustainability and performance.

In general, the results of the study revealed that FMP has a highly significant relationship with FAS compliance as reflected by the p-values of 0.001. This resulted in the rejection of the null hypothesis (H$_{03}$). These findings suggest that MSEs that implement FMP, particularly cash, payables, and inventory management, are more likely to achieve higher levels of compliance with FAS.

Table 21. Relationship between the level of implementation of FMP and level of compliance with FAS

Variables	Correlation Coefficient	Interpretation	*P*- value	Remarks
Cash Management Practices- Compliance with FAS	0.486	Strong Relationship	0.001	Highly Significant
Payable Management Practices- Compliance with FAS	0.415	Strong Relationship	0.001	Highly Significant

Variables		Correlation Coefficient	Interpretation	*P*- value	Remarks
Inventory Practices- with FAS	Management Compliance	0.601	Strong Relationship	0.001	Highly Significant

Note: Significant if the p-value is less than or equal to 0.05 significance level, otherwise, not significant

Conclusion

The analysis of MSEs in selected cities of Cavite shows a highly practiced implementation of FMP ($\bar{x}$=3.53), indicating consistency in management practices. Moreover, the data shows that MSEs had a high level of FAS compliance ($\bar{x}$=3.55), which indicates the consistency in FS preparation and FAS compliance. When MSEs were categorized based on business profile, business size, sector, and years in operation, the analysis revealed no significant differences in implementation of FMP and FAS compliance with a p-value>0.05. This indicates that compliance behavior may be influenced more by an individual's business ethics, discipline, and perceived credibility than by enterprise characteristics.

However, a highly significant relationship (p-value<0.05) between FMP and FAS compliance was revealed. The findings demonstrate a systematic and effective implementation of financial management practices, particularly in cash payables and inventory management is associated with higher levels of compliance with financial accounting standards among micro and small enterprises.

Overall, the findings show that transparent, reliable, and accurate FS preparation according to FAS among MSEs in selected cities of Cavite is directly associated with systematic and effective FMP. Regardless of business profile, MSE, that highly practiced sound FMP were more likely to have high compliance with FAS. Thus, sound financial management practices are essential in achieving high level of financial standards across enterprises.

Recommendations

Micro and small enterprises business owners, to continue their learnings for updates and new developments on MSE Accounting by attending free seminars/webinars sponsored by professional organizations and government regulatory agencies. They may hire the services of Certified Public Accountants (CPAs) to establish accounting processes and advice to ensure financial sustainability, transparency and adherence to regulatory compliance of their businesses. In case of budgetary constraints and for newly established businesses to attend free training courses on MSE Accounting to strengthen their overall financial capability.

Accountants and bookkeepers, to enhance their support to MSEs towards standards compliance in the proper preparation and presentation of financial statements in accordance with PFRSs for MSES.

Government Agencies, to offer free training on MSE Accounting and develop modules focused on basic bookkeeping and financial statements preparation and reporting. Also to promote digitalization initiatives by incentivizing the adoption of digital accounting systems through subsidies, tool kits or free access to financial management applications.

Future researchers, to further explore the FMP and FAS compliance relationship by distinguishing micro from small enterprises and consider medium enterprises as a variable. It is also recommended to include additional FMP indicators such as receivables management, capital budget management, and financial planning, for better understanding of actual business operations. In addition, future studies may also include other FS indicators like the Statement of Owner's Equity and Notes to Financial Statements, providing better assessment of FAS compliance. Further studies may employ longitudinal research design to examine the changes of patterns in the FMP and FAS. Researchers may also examine how the roles of external support mechanisms in terms of access to accounting services, government programs or professional networks act as a moderating variable. More extensive analysis of FMP and FAS compliance among MSEs is also

recommended by extending the study outside Cavite and employing qualitative methodologies such as interviews to better understand the factors affecting implementation of FMP and FAS compliance among MSEs.

Acknowledgement

References

Aguilar, T. S., Chavez, M. M., Rayos, C. M., Remoquin, K. J., & Melo, M. C. (2024). Cash Management Practices and the Financial Performance of Micro-Enterprises. *American International Journal of Business Management, 07*(12): 208-219. https://www.aijbm.com/wp-content/uploads/2024/12/U712208219.pdf

Ambrocio, P. M. L., Canuzo, A. B., Ferreol, P. V. B., Marcos, J. M. L., Yupte, R. A., Gabriel, B. D., Handi, J. E. R., & Domingo, M. (2025). Cash flow management and its role on the financial performance of café businesses in the city of Baliwag, Bulacan. *International Journal of Research Publication and Reviews, 6*(3): 71–81. https://doi.org/10.55248/gengpi.6.0325.1102

Anoos, J. M., Ann, J., Ferrater-Gimena, O., Etcuban, J., Dinauano, A., Macugay P. R., & Velita, L. (2020). Financial management of micro, small, and medium enterprises in Cebu, Philippines. *International Journal of Small Business and Entrepreneurship Research, 8*(1): 53–76. https://doi.org/10.37745/ejsber.vol8.no.1p53-76.2020

Ayunda, N. (2025). Effect of financial accounting standards implementation on the quality of MSME financial statements. https://scholar.google.com/scholar?hl=en&as_sdt=0%2C5&q=Effect+of+financial+accounting+standards+implementation+on+the+quality+of+MSME+financial+statements.&btnG=#d=gs_qabs&t=1767936602120&u=%23p%3DKQ_hjWFyzrgJ

Aziz, D. A., & Zoraya, I. (2024). How financial literacy, financial attitudes and personality affect MSME management behavior? Case in Bengkulu. *Hasanuddin Economics and Business Review, 7*(3): 113-125. https://pasca.unhas.ac.id/ojs/index.php/hebr/article/view/5126

Bahodirovich, K. B. (2025). Structure of the Cash Flows Statement. *CONFERENCE OF MODERN SCIEMDE & PEDAGOGY, 1(*1). https://tijst.org/index.php/USA/article/view/141

Bancoro, N. J. C. (2023). Financial literacy of MSME business owners in the municipality of San Jose, Negros Oriental, Philippines: a basis for a state university's extension program. *International Journal of Asian Business and Management, 2*(3): 241–274. https://doi.org/10.55927/ijabm.v2i3.4369

Barbosa, R. (2021). Financial management practices of micro and small enterprises in Tanauan, Leyte, Philippines. *TARAN-AWAN Journal of Educational Research and Technology Management, 2*(1): 60-69. https://www.evsu.edu.ph/university-research-and-created-works/financial-management-practices-of-micro-and-small-enterprises-in-tanauan-leyte-philippines/

Bikute, M. (2024). Compliance in Accounts Payable: Navigating finance regulations and best practices. *Kefron.* https://kefron.com/2024/0

5/finance-regulations-accounts-payable-compliance/?switch=rw

Borromeo, A., Cervantes, R., & Sumicad, E., Jr. (2024). Analyzing the recording practices in accounting of micro and small businesses: the case of the Philippines. *Review of Business and Economics Studies, 12*(1): 70–80. https://doi.org/10.26794/2308-944x-2024-12-1-70-80

Brigham, E. F., & Ehrhardt, M. C. (2013). Financial Management: Theory & Practice. 14th Edition. Cengage Learning. http://bit.ly/36r7geI

Caclini, M. P. (2021). Comparative Analysis of Financial Reporting of Selected Small and Medium Enterprises (SMES) in Baguio City: Basis for a Financial Planning model. *Journal of Contemporary Issues in Business and Government, 27*(3). https://scispace.com/papers/comparative-analysis-of-financial-reporting-of-selected-5eof9m2g75

Chowdhury, Dhiman. (2021). Institutional Theory. *Dhiman Chowdhury.* https://www.researchgate.net/publication/350751384_Institutional_Theory

Dancey, C. P., & Reidy, J. (2004). Statistics without maths for psychology. *Scientific Research.* https://www.scirp.org/reference/referencespapers?referenceid=1491950

Deligero, L., & Ballados, M. T. (2025). Financial Management Practices and Business Performance of Micro and Small Enterprises in the Food Retail Industry. *Journal of Interdisciplinary Perspectives, 3*(6): 187–200. https://doi.org/10.69569/jip.2025.220

Department of Industry and Trade Philippines. (2025)*. Business Name Registration System. DTI.* https://bnrs.dti.gov.ph/resources/bn-statistics

Dong, Y. (2023). Descriptive Statistics and its applications. *Highlights in Science Engineering and Technology, 47:* 16–23. https://doi.org/10.54097/hset.v47i.8159

Fastercapital (2025). Financial Reporting: The impact of accounts payable on financial reporting accuracy. *FasterCapi-*

tal. https://fastercapital.com/content/Financial-Reporting--The-Impact-of-Accounts-Payable-on-Financial-Reporting-Accuracy.html

Galura, J. R., Polintan, J. A., Punzalana, Y., Salinas, S. B., & Urbaň, M. R. (2025). Level of Compliance with Philippine Financial Reporting Standards for Small Entities in the City of Baliwag, Bulacan.

Gaoat, M. G., Cabungcal, C., Enriques, C., Medios, Z., Ruiz, H. R., Villanueva, J. L., & Gacrama, B. (2023). Impact of inventory management on financial performance of MSMEs in Santiago City. *American Journal of Economics and Business Innovation, 2*(3): 11–24. https://doi.org/10.54536/ajebi.v2i3.1839

Gedefaw A., and Beza M. (2020). Determinants of Financial management practice in case of micro and small Enterprises of East Gojjam Zone, Ethiopia. *Research Square, 3*(3): 242-253. https://doi.org/10.21203/rs.3.rs-117192/v1

Hafizi, M. R., Akbar, W., Hakim, S., & Misnaningsih, L. N. (2023). Investigating the Practice of Financial Accounting Standards for Micro, Small and Medium Enterprise (Msmes): Evidence from Central Kalimantan. *Journal of Islamic Economics Perspectives*, *5*(1): 39-46. https://doi.org/10.35719/jiep.v5i1.103

Hernandez, M. C., Balboa, C. S., Cuenca, R. C., & Quilantang, N. k. (2021). Assessment of Financial Management Practices of Small and Medium Enterprises (SMEs) in Nasugbu, Batangas. *International Journal of Creative Business and Management, 1*(2): 24-37. https://doi.org/10.31098/ijcbm.v1i2.5065

https://buresearch.baliuagu.edu.ph/storage/01K6NBQZCNQE297C5ACAZ2T076.pdf

IFRS Foundation. (2025). IFRS for SMEs® Accounting Standard (Third Edition). *International Accounting Standards Board.* https://www.ifrs.org/content/dam/ifrs/publications/ifrs-for-

smes/english/2025/ifrs-for-smes.pdf?bypass=on

Ines, M. (2025). Exploring financial management and performance of small and medium enterprises. *International Journal for Multidisciplinary Research, 7*(2). https://doi.org/10.36948/ijfmr.2025.v07i02.42376

International Financial Reporting Standards (2024). IAS 1: Presentation of Financial Statements. https://www.ifrs.org/issued-standards/list-of-standards/ias-1-presentation-of-financial-statements/

Kaino, B. J., Mburu, N., & Kiragu, D. N. (2025). Impact of Organizational Innovativeness Practices on Performance of Commercial State-Owned Enterprises in Kenya: Insights from a Machine Learning Approach. *International Journal of Science and Research, 14*(1): 594–603. https://doi.org/10.21275/sr25106114405

Khimani, M., & Singhal, A. (2024). An Empirical Study on Financial Problems of MSMEs. *International Journal of Advanced Research in Commerce, Management &Social Science, 7*(4): 254-266. https://www.inspirajournals.com/uploads/Issues/1222964440.pdf

Morgate, K. J. M., Villanueva, C. J. R., & Maranan, R. R. P. (2025). Working capital management practices and profitability of multipurpose cooperatives in Laguna. *International Journal for Multidisciplinary Research, 7*(2). https://doi.org/10.36948/ijfmr.2025.v07i02.3872

Nguyen, H. T. T., Nguyen, H. T. T., & Van Nguyen, C. (2023). Analysis of factors affecting the adoption of IFRS in an emerging economy. *Heliyon, 9*(6), e17331. https://doi.org/10.1016/j.heliyon.2023.e17331

Nida, D. R. P. P., Adyatma, I. W. C., & Edwindra, R. (2024). MSMEs Bookkeeping Capabilities for Accounting Information Transparency. *International Journal of Current Science Research and Review, 7*(9): 7229-7243. https://doi.org/10.47191/ijcsrr/V7-i9-40

Oktaviani, N. F., Yusnita, R. T., Yuniar, E. S., Listanti, Y. F., Tujjahra, D. R., & Pamungkas, M. D. (2023). Analysis of the use of Digital Payment and Financial Report applications in SMSE. *Journal of International Conference Proceedings, 6*(6): 286–294. https://doi.org/10.32535/jicp.v6i6.2720

Onyango, G. O., & Muchira, B. W., PhD. (2023). Cash Management Practices and Financial Performance of Small and Medium Sized Enterprises in Nairobi City County, Kenya. *Strategic Journal of Business & Change Management, 10*(1). https://doi.org/10.61426/sjbcm.v10i1.2578

Panigrahi, R., Tandon, D., Jena, D., Mishra, P., Meher, J., & Sahoo, A. (2021). Inventory management and performance of manufacturing firms. *International Journal of Value Chain Management, 12*(2): 149-170. https://doi.org/10.1504/ijvcm.2021.10033598

Panwar, A. (2022). Analyzing the Impact of Digital Transformation on Financial Reporting Accuracy and Timeliness in Small and Medium Enterprise. *European Journal of Advances in Engineering and Technology, 9*(11): 59–62. https://ejaet.com/PDF/9-11/EJAET-9-11-59-62.pdf

Philippines Statistics Authority. (2023). Philippine MSME Statistics in Brief. *Amazon Web Services* (AWS). https://share.google/oltHF85Vm2CVAyeuB

Placido, K. J. C., Buduan, K. C. R., De La Cruz, V. N. A., & Reynon, Y. B. E. (2024). Financial Management Practices and Financial Accounting Standards compliance: case of MSMEs in the Northern Philippines. *International Journal of Entrepreneurship Business and Creative Economy, 4*(2): 16–34. https://doi.org/10.31098/ijebce.v4i2.2035

Poernamawatie, F., Hastut, S., Fitria, N., & Ma'roep, M. (2023). Analysis of Financial Management in MSES: Planning, Controlling, Recording (Study at Selorejo Tourism Area, Malang Regency, Indonesia). *Journal of Economics,*

Finance, and Management Science, *6*(2): 646–654. https://doi.org/10.5281/ze-nodo.7608746

Prabowo, R. G. M., Minarni, N. E., & Kurniawan, S. T. (2024). Strengthening Cash Management Through Effective Internal Control System. *JAT Journal of Accounting and Tax, 3*(2): 112–122. https://doi.org/10.36563/jat.v3i2.1346

Prawestri, A. D. (2024). Assessing Accounting Practices in MSMEs: A Study of BMT Mazaya's Support Initiatives. *Innovative: Journal Of Social Science Research, 4*(5): 3563-3573. https://j-innovative.org/index.php/Innovative/article/view/15238

Qubbaja, A., & Talameh I. (2020). A Challenge of Accounting Practices on Small and Medium Enterprises (SMEs): Case Study of Palestine. *International Journal of Multidisciplinary Research and Analysis, 3*(2): 310-317. https://www.researchgate.net/publication/347911980_A_Challenge_of_Accounting_Practices_on_Small_and_Medium_Enterprises_SMEs_Case_Study_of_Palestine

Rahaman, M. S. (2019). Institutional Theory in Accounting. *Circle of Business.* https://circlebizz.com/accounting/institutional-theory-in-accounting/

Sagar, A. A., Lavanya, P., & Thavva, V. L. (2025). A study on the Impact of regulatory compliance on Financial Performance: A Strategic analysis. *International Journal of Research Publication and Reviews, 6*(4): 10474–10478. https://doi.org/10.55248/gengpi.6.0425.15107

Sappor, P., Sarpong, F. A., & Seini, R. A. (2022). The adoption of IFRS for SMEs in the northern sector of Ghana: A case of structural equation modeling. *Cogent Business & Management, 10*(1): 3-7. https://doi.org/10.1080/23311975.2023.2180840

Soliveres, V. L. L., Herrera, A., & Cedillo, A. K. (2024). Inventory Management Practices of Small-Scale Pharmacies in the Selected Towns in Cavite: A Marketing Perspective. *Logistic and Operation Management Research, 3*(1). https://doi.org/10.31098/lomr.v3i1.2194

Sreekumar, D. (2024). What is Correlational Research: Definition, Types, and Examples. *Researcher Life*. https://researcher.life/blog/article/what-is-correlational-research-definition-and-examples/

Tharmini, T., & Lakshan, A. M. I. (2021). Impact of financial management Practices on performance of small and medium Enterprises – Legitimacy Theory Perspectives. *Kelaniya Journal of Management, 10*(1): 43–64. https://doi.org/10.4038/kjm.v10i1.7666

Tuan, R. M., San Miguel, C. C. L., & Florencondia, N. T. (2025). Assessment on the Inventory Management Practices of Selected Micro-Scale Stores at Sto. Tomas City, Batangas. *Global Journals13*(61836-1843 https://www.globalscientificjournal.com/researchpaper/ASSESSMENT_ON_THE_INVENTORY_MANAGEMENT_PRACTICES_OF_SELECTED_MICRO_SCALE_STORES_AT_STO_TOMAS_CITY_BATANGAS.pdf

Upadhyaya, K. S. M. (2024). A comprehensive analysis of inventory management and its potential implications on financial reports. *International Journal for Multidisciplinary, 6*(3). https://www.ijfmr.com/papers/2024/3/20262.pdf

Vipond, T. (2025). Profit and Loss Statement (P&L): Definition, Importance, and Components. *Corporate Finance Institute.* https://corporatefinanceinstitute.com/resources/accounting/profit-and-loss-statement-pl/

Vishw A.K, H. (2024). A Study of Accounting Practices in (MSME) Micro, Small and Medium Enterprises. *Journal of Emerging Technologies and Innovative Research, 11*(5): 341-358. https://www.jetir.org/papers/JETIR2405441.pdf

Watts, R. L., & Zimmerman, J. L. (2006). Towards A Positive Theory of the Determi-

nation of Accounting Standards. https://www.semanticscholar.org/paper/Towards-A-Positive-Theory-of-the-Determination-of-Watts-Zimmerman/113d74067c909dcecc2f0f0ed78ec6b4a1b6a29f

Widasari, E., Paniran, P., Furniawan, F., & Mufidah, F. (2024). Financial Management Practices in SMEs: Challenges and Solutions. *Journal of Multidisciplinary Sustainability Asean, 1*(4): 184–193. https://research.adra.ac.id/index.php/multidisciplinary/article/view/1520