

Zayed, Nurul Mohammad et al.

## Article

# Factors influencing the financial situation and management of small and medium enterprises

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Article

# Factors Influencing the Financial Situation and Management of Small and Medium Enterprises

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**Abstract:** The ambition of this study was to identify the factors that influence the financial situations of small and medium enterprises (SMEs) in Somalia. The research objectives of this study were to determine how capital building affected the financial situations of SMEs in Somalia, how human resource capacity affected the financial situations of SMEs, and what the impact of access to financing was according to the business conditions of SMEs. This study uses both descriptive and quantitative research approaches. The study's main demographics consisted of 90 SMEs in Somalia; the shortage of female personnel may also be a disadvantage, considering that most paying customers were female. The study's first research question was to investigate whether the use of committees improves the quality and efficiency of the board's tasks and mandates. The study's second research question was to determine the impact of human resources. The study's findings about market adoption of technological trends also revealed a strong positive relationship between human resource performance and financial performance. The Somali government should implement SME policies based on development and new growth industries, such as migration. Investment and credit firms, such as private sector banks and donor organizations, should lower the requirements for their investments. SME owners and managers should hire educated staff and increase the number of female employees. SME owners and managers should develop training schedules focusing on financial management, innovation, communication, and promotional abilities.

**Keywords:** employment creation in small and medium-sized businesses; governance on financial performance of SMEs; financial development; financial management practice; SMEs

## 1. Introduction

The SME industry is becoming increasingly viewed as a key driver of job development, income development, and job creation. This has been prompted by the government's growing recognition that substantial initiatives in the manufacturing industry are less likely to create the necessary job possibilities, considering the industry's significant capital. Demanding management and financial statements are other significant factors limiting these organizations' financial performance and capability to raise capital. Differentials in information related to loans for small lenders have limited the flow of capital to smaller companies. The SME sector has the ability to enhance production capacity, which has a significant impact on economic and social progress. Since the vast majority of people in developing countries are employed in SMEs, they are important components of creating a market through creative capabilities.

### 1.1. Importance of the Study

The research showed first that human resource management and associated activities, such as employee training and development and lowering staff turnover, were critical in improving business performance among SMEs. Secondly, this study also looked at the link between financial access and financial performance. Thirdly, this study discovered that access to bank loans and credit from financial institutions had a beneficial impact on the financial performance of the SME. Furthermore, access to financing increased the overall business value and facilitated corporate development. For SMEs, the finances, ownership, and control offered by directors, for example, may be drastically different and more direct than those in large enterprises. As a result, governance has grown in relevance among administrators, academics, and other key stakeholders, particularly for firms owned by the public or listed on the stock exchange. Adequate equalization empirical and theoretical studies on SMEs have been focused on developed economies (Berger and Udell 2002; Piliaiev 2019; Biekša and Baležentis 2019; Kurkova 2021). This is a big issue, given the critical role that SMEs play in the Somali economy. However, many barriers, most notably a lack of suitable finance, prevent SMEs from adopting corporate governance (Sarmiento et al. 2019). According to some, a shortage of cash causes many SMEs to fail to start or develop. This is because SMEs have limited access to financial markets, both locally and worldwide, due to a perception of heightened risk, informational barriers, and higher intermediation costs for smaller firms. As a result, they usually struggle to get long-term funding in the form of debt or equity (Alauddin and Chowdhury 2015; Sitharam and Hoque 2016).

### 1.2. Background of the Study

It is well known that SMEs interact with the business environment that determines their development and profitability, thus, their overall financial performance as an organization. Entrepreneurial education and experience, access to funding facilities, national political and regulatory environments, technological advances, national infrastructure, and market expertise are some of the environmental factors that determine the financial performance of these companies. Against this background, this research focuses on the factors affecting the financial situation and management of Somali SMEs. In Somalia, the SME sector is considered one of the most important economic drivers as it provides employment and earnings for a large percentage of the population (Rotar et al. 2019; Perevozova et al. 2019; Zahoran and Zizlavsky 2021). The bankruptcy of SMEs results in employment losses, greater insecurity, limited flexibility in the economy, and a decline in economic growth. Thus, according to Muhammad et al. (2010) and Arsawan et al. (2020), a major obstacle of inadequate resources has resulted in SMEs being managed in a non-professional form, since many entrepreneurs lack the resources to engage enough in all components of production successfully. Human resource management continues to be the most significant cause, as owners seldom spend time on it. Moreover, these tiny businesses are prone to falsified reporting because of a lack of specialization of jobs and poor governance. However, they do not know how to run a business, and have no underlying knowledge of business fundamentals.

### 1.3. Research Problem

This research sought to investigate the factors influencing the financial situations of Somalia's small and medium enterprises. The first research question of the study was to investigate whether the HR department ensures that staff are aware of new technological developments as they emerge in the market. The second research question of the study was to determine whether the organization has implemented employee training and development initiatives. One area where SMEs have fallen short is professionalism. The majority of these businesses use only unskilled labor and a small percentage of skilled workers, which has a substantial influence on the characteristics of entrepreneurial firms.

#### 1.4. Research Objectives

The researchers chose this title for many reasons, as shown in the following points. First, the researchers want to evaluate the effect of the SMEs' financial performance and the extent to which human resource capability affects financial performance in SMEs. Finally, the researchers need to establish the extent to which financial access influences financial performance in SMEs. Both qualitative and quantitative approaches have been taken to address the objectives mentioned above.

To address the above mentioned objectives, the rest of the paper has been structured sequentially with Section 2, literature review; Section 3, research gaps; Section 4, materials and methods; Section 5, data analysis; and Section 6, conclusion.

## 2. Literature Review

Corporate governance is conceptualized in industrialized nations, particularly in the SME sector, through corporate governance regulations, standards, and principles. Though corporate governance exists, its acceptance or application among SMEs is minimal or sporadic. However, corporate governance is crucial to SMEs (Abor 2007; Bouazza et al. 2015). Corporate governance strengthens a company's financial performance and sustainability while driving SME development and expansion. According to Jensen (2007), corporate governance is the system used by a company to direct and control its business to increase its shareholders' value and wealth while protecting the interests and values of all others. It refers to structures, systems, and processes that stem from the existence of an agent–principal connection, which poses agency problems. In this case, the principal (owner) delegates management control and direction to a manager (agent) who receives clear direction on the goals and expectations of the shareholders. On the other hand, managers may disregard the shareholders' needs, expectations, and goals in order to pursue their own self-interest. Furthermore, initiatives to separate firm ownership and management have raised global concerns about corporate governance and agency difficulties. According to Addae-Korankye and Aryee (2021) and Bialobrzeski et al. (2022), SMEs are the engine that propels an economy forward. Because of their importance, every country, developed or developing, focuses on the growth of small and medium enterprises. They also asserted that small businesses are the primary engines of innovation, poverty alleviation, job creation, and social integration. However, the SME sector has the ability to enhance production capacity, which has a significant impact on economic and social progress. The initial research hypothesis is developed based on these assumptions.

#### **Hypothesis 1 (H1).** *Staff are aware of new technological developments.*

It is no secret that digital transformation has arrived, with remote and hybrid working becoming the norm. This has expedited the development of collaborative technologies such as cloud computing, artificial intelligence, and augmented reality (AR). According to Kotane and Kuzmina-Merlino (2017), corporate governance frameworks in the firms enable greater access to cash, lower capital costs, improved financial performance, and a good brand image and perception among partners. In comparison to corporations and large organizations, this does not allow for the separation of ownership and management. Furthermore, requests for corporate governance in SMEs are subdued due to the small number of employees in SMEs; the large majority of them are the boss's relatives or friends. Furthermore, because the majority of SMEs are not public businesses, they have a minimal duty to the public as investors, lowering the need for corporate governance among SMEs. Because of these characteristics, it is difficult to find legislation and regulations mandating SMEs to meet disclosure criteria or strict corporate management and reporting restrictions. Internal control has historically been seen as a strategy for large organizations and companies that are perceived to have organizational problems (Janita and Chong 2013). In any case, there is a real increase in enterprise management among SMEs in the modern environment due to their importance and role in the country's economic

victory and progress. The accessibility of agent–principal associations puts organizations in a difficult position. Here, the major (owner) hands over control and leadership to the supervisory authority (operator), articulating the goals and wishes of the shareholders. On the other hand, directors may ignore the needs, wishes, and goals of shareholders in pursuit of childish aspirations. Furthermore, initiatives to separate corporation ownership and management have raised worries about corporate governance and agency issues throughout the world. In Somalia, the SME sector is considered one of the most important economic drivers, as it provides employment and earnings for a large proportion of the population (Rotar et al. 2019; Perevozova et al. 2019; Zahoran and Zizlavsky 2021). The bankruptcy of SMEs results in employment losses, greater insecurity, limited flexibility in the economy, and a decline in economic growth. Thus, according to Muhammad et al. (2010) and Arsawan et al. (2020), a major obstacle of inadequate resources has resulted in SMEs being managed in a non-professional form since many entrepreneurs lack the resources to engage successfully in all components of production. Human resource management continues to be the most significant cause, as owners seldom spend time on it. Because of a lack of specialization of jobs and poor governance, these tiny businesses are prone to falsified reporting. Previous research has shown that corporate governance increases firm performance. Rajan and Zingales (1998), for example, found that companies in industries that require significant amounts of external funding grow faster in countries with high scores on financial development metrics. As a result, corporate governance appears truant in terms of financial performance (as measured higher accounting standards, more legal protection for investors, and a better rule of law are all examples of how the rule of law may be strengthened). Furthermore, in their studies, Suharto et al. (2021) and Gemmill and Thomas (2004) discovered a favorable relationship between effective corporate governance practices and business value. Effective corporate governance, it is often assumed, leads to lower operating costs. Bhatti and Do (2019) examined the most recent research on copula models, including Gumbel, Clayton, Frank, Gaussian, and vine models, as well as the theoretical creation of a mixture of bivariate and multivariate copula distributions for both static and dynamic applications. Finances have been identified as a vital component of the financial performance of small- and medium-sized businesses. Financial constraints impede these businesses' growth and development (Hussain et al. 2014; Hsu et al. 2007; Anggadwita and Mustafid 2014). Smaller businesses typically incur greater transaction expenses when obtaining financing than bigger businesses (Poorangi et al. 2013; Chowdhury and Alam 2017). However, according to Addae-Korankye and Aryee (2021) and Bialobrzeski et al. (2022), SMEs are the engine that propels an economy forward.

**Hypothesis 2 (H2).** *Experienced employees may enhance company's financial performance.*

While high levels of employee engagement are the most valuable asset a business can have, poor levels of engagement cost firms billions of dollars each year. In addition, because the majority of SMEs are not public limited companies, they do not have public obligations to investors, reducing the need for corporate governance in SMEs. Because of these qualities, it is difficult to find legislation and regulations requiring SMEs to satisfy transparency standards or severe corporate management and reporting criteria. Because there are no investor worries, there is no agency problem and no drive to raise profit and market value (Oteshova et al. 2021; Leonova et al. 2021; Kader et al. 2021; Shahriar et al. 2021). Furthermore, because of the nature of most SME conflicts, corporate governance is unnecessary (Janita and Chong 2013; Amaradiwakara and Gunatilake 2016). Corporate governance standards ensure that shareholders obtain adequate returns on their investments (Gherghina et al. 2020; Philip 2011; Hosseininia and Ramezani 2016). If these procedures did not exist or were not implemented correctly, outside investors would not lend to firms or buy their shares. Overall economic performance would suffer due to the loss of numerous tempting business prospects, and temporary financial troubles with specific organizations would swiftly spread to other enterprises, employees, and customers.



Corporate governance, according to [Gherghina et al. \(2020\)](#), does apply to SMEs and is harsher among SMEs. According to experts, most SMEs are solely owned and controlled by the entrepreneur. This does not allow for the separation of ownership and administration, as it does in companies and huge organizations. Furthermore, due to the limited number of employees in SMEs, the majority tend to be relatives or friends of the employer, and calls for corporate governance are repressed. Because of their importance, every country, developed or developing, focuses on the growth of small and medium enterprises. They also asserted that small businesses are the primary engines of innovation, poverty alleviation, job creation, and social integration. Small-business development and economic growth in industrialized nations have a beneficial association ([Harris and Gibson 2006](#); [Taylor and Taylor 2014](#); [Ushkarenko and Soloviov 2020](#); [Rozin 2021](#); [Vysochyn et al. 2022](#)). Furthermore, little study on this link has been undertaken in poor nations. Because of the disparities in the process between developing and developed countries, research on small-business growth and performance is essential in countries such as Somalia ([Chong et al. 2019](#); [Woldie et al. 2008](#)).

### 3. Research Gaps

Corporate governance boosts a company's financial performance and sustainability while driving SME development and expansion. Many SMEs, however, do not adopt corporate governance practices because their owners feel that corporate governance is just for large firms, not small enterprises. Human resource capacity has a positive impact on the financial performance of SMEs. However, one may argue that small- and medium-sized enterprises typically neglect the value of human resources as a company's strategic asset. As a result, leveraging human capital to obtain a competitive advantage has occurred. However, this may be because of a lack of resources to engage human resources in comparison to large corporations or firms with adequate resources for human resource expansion and development ([Rahman et al. 2021a, 2021b](#)). The previous studies did not identify awareness of technological development and employee experience as the key variables, which have been considered in this study to formulate the hypothesis, to influence the financial performance of the SMEs.

### 4. Materials and Methods

For this examination, both descriptive and quantitative research methods were applied. High complexity, validity and reliability tests, frequency distribution, regression analysis, correlation, ANOVA, and extraction methods have been applied in this study to find out novel and interesting directions for the scientific community. Validity and reliability tests have been selected to examine the sampling adequacy and strength of relationships among variables. Frequency distributions were acceptable since they allowed for a thorough evaluation of the factors impacting the financial status of Somali SMEs. According to [Kothari \(2004\)](#), a case study is a rigorous examination of a social unit, institution, family, cultural group, or entire community, which prioritizes depth over breadth. A descriptive case study is also advised. According to [Durkin et al. \(2013\)](#), the study employed a descriptive research technique, which entails interviewing or delivering a questionnaire to a sample of participants. It is a drilling method rather than a broadcasting approach. Regression analysis has been applied to test the hypothesis. To compute and measure the linear association between the salient variable, correlation analysis has been selected. An ANOVA test has been applied to test the relationship among the salient variables as it was not used in the previous recent literature. Finally, an extraction method has been applied to find out whether the selected methods and tools are enough to examine this study. The validity and reliability of the instruments were determined by applying Cronbach's Alpha. All major variables were found consistent and reliable, i.e., awareness of the technological development of the employees (0.826) and experience of the employees (0.806).

The case study provided extensive information to the researcher, which benefited in achieving the study's objectives. The target population for this study were SMEs duly listed and located in Somalia. The target population included the 90 SMEs in Somalia (Table 1).

**Table 1.** Population of the study.

Category of the Company	Target Population
Service company	30
Manufacturing company	35
Online company	25
Total	90

Source: Authors' research 2022.

Sample size. Yamane's formula was used by the researcher, and it is as follows:

$$n = N / (1 + N(e)^2)$$

where

$n$  = sample size

$N$  = population size

$e$  = margin errors

$$n = 90 / (1 + 90(0.1)^2)$$

To examine and meet the study's specific aims, a sample size of 60 respondents was employed. To avoid bias, the sample size was dispersed based on the numerical strength of the SMEs group (Table 2).

**Table 2.** Sample size.

Category of the Company	Target Population	Sample Size
Service company	30	15
Manufacturing company	35	25
Online company	25	20
Total	90	60

Source: Authors' research 2022.

## 5. Data Analysis

According to Zelik (2013), descriptive analysis is the process of transforming large amounts of raw data into the tables, graphs, frequency distributions, and percentages needed to make sense of the data. This study assessed the demographic profile of participants using descriptive statistics such as percentages and frequency distributions. Demographic information was collected based on frequency and percentage. We used the mean and standard deviation for each variable to describe the data from our studies. Information is shown in Table 3.

**Table 3.** Gender respondents.

Respondents	Frequency	Percentage %
Male	37	61.7
Female	23	38.3
Total	60	100.0

Source: Authors' research 2022.

Table 3 reveals that the majority of respondents were male (61.7%), and fewer were female (38.4%) when asked to declare their gender. Respondents were asked to specify their age ranges. Table 4 shows that 8.3% of respondents were between the ages of 18 and

20, while 56.7% were between the ages of 20 and 30, 23.3% were between the ages of 30 and 45, and 11.7% were above 45.

**Table 4.** Age responses.

Respondents	Frequency	Percentage %
18–20	5	8.3
20–30	34	56.7
30–45	14	23.3
above 45	7	11.7
Total	60	100.0

Source: Authors' research 2022.

Table 5 illustrates that the majority of our respondents were single, 27 (45%), with lower percentages of respondents married, 22 (36.7%), and divorced, 11 (18.3%).

**Table 5.** Marital statuses.

Respondents	Frequency	Percentage %
Single	27	45.0
Married	22	36.7
Divorced	11	18.3
Total	60	100.0

Source: Authors' research 2022.

Table 6 mentions that the majority of our respondents' education was at the university level, 28 (46.7%), followed by a Master's degree level degree, 23 (38.3%), secondary level, 6 (10%), and Ph.D. degree level, 3 (5%).

**Table 6.** Educational responses.

Respondents	Frequency	Percentage %
Secondary level	6	10.0
University level	28	46.7
Master's degree level	23	38.3
Ph.D. level	3	5.0
Total	60	100.0

Source: Authors' research 2022.

Respondents were asked to identify their position within the organization. According to Table 7, 35% of respondents were Frontline employees, 23.3% were middle management, and 20% were top management.

**Table 7.** Respondents' Positions.

Respondents	Frequency	Percentage %
Top management	12	20.0
Middle management	14	23.3
Frontline employees	21	35.0
Supervisory	13	21.7
Total	60	100.0

Source: Authors' research 2022.

The participants were asked how long they had been with the company. Table 8 shows that 30% of respondents had worked for 5–10 years, 25% had worked for 1–5 years, 23.3% had worked for 10–15 years, and 21.7% had worked for more than 15 years. According to the findings, most respondents have worked long enough in their assigned responsibilities in the company to be in the best position to offer meaningful data for the research.



**Table 8.** Operation years in the company.

Respondents	Frequency	Percentage%
1–5	15	25.0
5–10	18	30.0
10–15	14	23.3
15 above	13	21.7
Total	60	100.0

Source: Authors' research 2022.

Respondents were asked to indicate agreement or disagreement on whether the roles of CEO and chairman are separated in their companies. According to Table 9, 23.3% of respondents agreed, another 31.7% strongly agreed, and 23.3% were neutral, 13.4% definitely disagreed, and 8.3% severely disagreed with the message.

**Table 9.** In our business, the CEO's function is independent from the chairman's role.

Respondents	Frequency	Percentage%
Strongly disagree	5	8.3
Disagree	8	13.4
Neutral	14	23.3
Agree	14	23.3
Strongly agree	19	31.7
Total	60	100.0

Source: Authors' research 2022.

The respondents were asked to identify if the employment of committees effectively improves the quality and efficiency of the board's tasks and mandates. According to Table 10, 28.8% of those polled agreed with the statement, 11.9% strongly disagreed, 16.9% disagreed, and 25.5% were neutral.

**Table 10.** The employment of committees effectively improves the quality and efficiency of the board's tasks and mandates.

Respondents	Frequency	Percentage%
Strongly disagree	7	11.9
Disagree	10	16.9
Neutral	15	25.5
Agree	17	28.8
Strongly agree	11	16.9
Total	60	100.0

Source: Authors' research 2022.

The respondents were questioned (Table 11) whether The HR department ensures that staff are aware of new technological developments as they emerge in the market. It was found that 42.2% agreed, 16.9% strongly agreed, 16.9% disagreed, 6.8% were neutral, and 15.3% strongly disagreed.

The respondents were asked to express their agreement or disagreement with the organization's haste in CEO implementing employee training and development initiatives. According to Table 12, most respondents (25.4%) strongly agreed with the statement, whereas 24.4% agreed, 16.9% disagreed, and 20% were neutral.

**Table 11.** The HR department ensures that staff are aware of new technological developments as they emerge in the market.

Respondents	Frequency	Percentage%
Strongly disagree	9	15.3
Disagree	11	18.8
Neutral	5	6.8
Agree	25	42.2
Strongly agree	10	16.9
Total	60	100.0

Source: Authors' research 2022.

**Table 12.** The organization has implemented employee training and development initiatives.

Respondents	Frequency	Percentage%
Strongly disagree	8	13.3
Disagree	10	16.9
Neutral	12	20.0
Agree	15	24.4
Strongly agree	15	25.4
Total	60	100.0

Source: Authors' research 2022.

Regarding whether well-trained and experienced accountants may help enhance the company's financial performance, Table 13 shows that the majority of 30.53% agreed and 30.5% strongly agreed, with 15.3% neutral, 11.9% strongly disagreeing, and 11.9% of respondents disagreeing.

**Table 13.** A well-trained and experienced accountant may help enhance the company's financial performance.

Respondents	Frequency	Percentage%
Strongly disagree	7	11.9
Disagree	8	11.9
Neutral	9	15.3
Agree	18	30.5
Strongly agree	18	30.5
Total	60	100.0

Source: Authors' research 2022.

Respondents were asked if bank loans are commonly available and may be used to establish a business. According to Table 14, the majority of respondents (39%) agreed, with another 22% strongly agreeing, 10.2% strongly disagreed, 16.9% disagreed, and 11.9% indifferent.

**Table 14.** Bank loans are commonly available and may be used to establish a business.

Respondents	Frequency	Percentage%
Strongly disagree	6	10.2
Disagree	10	16.9
Neutral	8	11.9
Agree	23	39.0
Strongly agree	13	22.0
Total	60	100.0

Source: Authors' research 2022.

The respondents were asked to indicate whether they agreed or disagreed that “we have a competitive advantage over our competitors”. According to Table 15, most respondents (20.3%) agreed, and 21% strongly agreed, while 18% were indifferent, 27.1% strongly

disagreed, and 13.6% disagreed. The findings suggest that competitive advantage impacts business financial success.

**Table 15.** We have a competitive advantage over our competitors.

Respondents	Frequency	Percentage%
Strongly disagree	16	27.1
Disagree	8	13.6
Neutral	11	18.0
Agree	12	20.3
Strongly agree	13	21.0
Total	60	100.0

Source: Authors' research 2022.

Respondents were asked to express their agreement or disagreement with the firm's profitability. Table 16 shows that 61% of those polled agreed with the statement, and 39% disagreed.

**Table 16.** In comparison to our competition, our firm is highly valuable.

Respondents	Frequency	Percentage %
Yes	36	61.0
No	23	39.0
Total	60	100.0

Source: Authors' research 2022.

This finding shows that profitability has an impact on the financial performance of SMEs.

From Table 17, it can be argued that employees are aware of technological development, and their experience could enhance the financial performance of the organizations. Employees' awareness of technological development and experience has a great influence on the financial performance of the organization with high correlations of 0.82 and 0.79, respectively. The financial performance of the organization could be explained by awareness of technological development and the experience of the employees by 72% and 71.6%, respectively. There might also be no sampling error as the adjusted  $R^2$  is not less than 5% than that of  $R^2$  for both of the hypotheses. F statistics (592.76 and 854.67) for both of the hypotheses justify the goodness of fit. As both of the significance levels are less than 0.05, it could be stated that both of the alternative hypotheses are accepted. New technology has the potential to enhance many elements of the operations, from business scale to staff productivity. Employee involvement may have a substantial influence on an organization's performance. Employee engagement may have a significant impact on a company's financial success, in addition to influencing an employee's attitude towards their work and how effectively they will execute it.

**Table 17.** Regression Results (Testing of Hypothesis).

	H1	H2
$R^2$	0.720	0.716
Adj. $R^2$	0.719	0.715
Beta	0.823	0.799
F Stat.	592.76	854.67
Sig.	0.000	0.000

Source: Estimated.

Awareness of technological development of the employees (0.399) and experience of the employees (0.401) have an average and strong correlation, respectively, within the very significant small value of 0.000 (Tables 18 and 19). It could be argued that experience of the

employees affects the financial performance of the SMEs to a greater extent than that of technological awareness in Somalia.

**Table 18.** Correlation of Awareness of Technological Development of the Employees with Financial Performance of the SMEs.

		Financial Performance of the SMEs	Awareness of Technological Development of the Employees
Financial Performance of the SMEs	Pearson Correlation Sig. (2-tailed)	1	0.399 0.000
Awareness of Technological Development of the Employees	Pearson Correlation Sig. (2-tailed)	0.399 0.000	1

Source: Estimated.

**Table 19.** Correlation of Experience of the Employees with Financial Performance of the SMEs.

		Financial Performance of the SMEs	Experience of the Employees
Financial Performance of the SMEs	Pearson Correlation Sig. (2-tailed)	1	0.401 0.000
Experience of the Employees	Pearson Correlation Sig. (2-tailed)	0.401 0.000	1

Source: Estimated.

From the below ANOVA test, it has been observed that both of the major attributes, i.e., awareness of technological development of the employees and experience of the employees, have a significant influence on the financial performance of the SMEs in Somalia (Table 20). These outcomes support both of the hypotheses of this research. The results of the ANOVA are also consistent with the importance and problem statements of this research.

**Table 20.** Test of ANOVA.

Major Attributes of the Financial Performance of the SMEs	Sum of Square	df	Mean Square	F	Sig.
Awareness of Technological Development of the Employees	2.799	2	0.810	4.19	0.001
Experience of the Employees	2.101	2	0.711	3.23	0.079

Source: Estimated.

Further investigations will not be required as all extraction values of the major variables are less than 0.5 (Table 21).

**Table 21.** Extraction Method.

Major Attributes of the Financial Performance of the SMEs	Initial	Extraction
Awareness of Technological Development of the Employees	1.000	0.417
Experience of the Employees	1.000	0.409

Source: Estimated.

The major results of this study have been correlated and the differences have been interpreted with those of other studies. The outcomes of these interpretations have been summarized and presented in the below Table 22.

**Table 22.** Consistency and Differences of Major Findings with other Studies.

Sl.	Other Contemporary and Relevant Studies	Major Findings	Consistency and Differences with This Study
1	Addae-Korankye and Aryee (2021)	A significant positive relationship between strategy formulation and the growth of SMEs in Ghana.	Consistent with the major findings of the current study in Somalia.
2	Ahmed and Mwangi (2022)	A negative relationship between the average collection duration, inventory turn, net operating cycle, and firm cost-effectiveness	Consistent with the major findings of the current study.
3	Ahmed (2020)	Governments' bad regulations on imported goods, humanitarian relief, and uncontrolled competition had a detrimental impact on the development of small- and medium-sized businesses in the region.	Consistent with the major findings of the current study.
4	Bhatti and Do (2019)	The evolution of copula models and their applications in energy, fuel cells, forestry, and environmental sciences.	Inconsistent with the major findings of the current study as current study was not followed by any such kind of models.
5	Mohamed and Ramli (2022)	Management commitment, human capital efficiency, business user competency, and cost capabilities play an important role in CAS implementation in Bakara Market SMEs. Furthermore, CAS simplified report preparation, boosted trust in decision-making, and improved report quality.	Consistent with the major findings of the current study.

Source: Authors' Compilation.

## 6. Conclusions

This study used a validity and reliability test, frequency distribution, regression analysis, correlation, ANOVA, and an extraction approach to uncover unique and exciting directions for the scientific community. Cronbach's Alpha was used to assess the instrument's validity and reliability. All-important variables were found to be consistent and trustworthy, including employee knowledge of technical advancement (0.826) and employee experience. The study's second research question was to determine the impact of human resources on the SMEs' financial performance. According to the study's findings, the vast majority (42.5%) of the respondents agreed that the HR department ensures that employees are aware of new developments and market adoption of technological trends. The study's findings also revealed the existence of a strong positive relationship between human resource performance and financial performance. The relationship was statistically significant at  $p = 0.05$ . As both of the alternative hypotheses were accepted, there was a positive correlation and strong relationship between awareness of technological development and the experience of the employees, which influences the financial performance of the organizations in Somalia. According to the study's findings, most respondents (29.8%) agreed that the use of committees effectively improves the quality and efficiency of the board's tasks and mandated performance. Similarly, the study results revealed a positive relationship between committee employment and financial performance ( $r = 0.491$ )  $p = 0.05$ . According to the study's findings, the vast majority (42.5%) of the respondents agreed that the HR department ensures that employees are aware of new developments.

### 6.1. Implications of the Research

In general, it can be stated that while SMEs value corporate governance standards and their role in improving financial performance, the majority of them have been unable to implement them because they believe the practices are only relevant to large and established organizations. According to the report, SMEs are actively managing their businesses through training, hiring the best talent, and adopting management systems that respond quickly to market changes to achieve greater financial performance and a competitive advantage. There is a need to pursue development; human resources create a competitive advantage as above-average workforce composition and professional diversity contribute directly to the development of higher-quality services and products for consumers. This characterizes the organization's offer. However, as the previous dialogue progressed more thoroughly than expected, we decided to continue the dialogue rather than interrupt it to conduct a final exercise evaluating the merits of the realism evaluation approach.

### 6.2. Limitations of the Research

However, we submitted our findings to the test by providing a draft of this final report to all case study participants for input. Realism assessment is a very new method, and we admit that our study had some shortcomings. Even with qualitative data, we could not get as much information about the results as we needed. This is due to the confluence of various circumstances. The key point was that obtaining results through public participation was easier when the focus was operational and more difficult when the focus was strategic. As a result, it was fairly easy to identify the influence of patient panels on the development of recruitment brochures, but more difficult to demonstrate the influence of research partners in interdisciplinary team discussions about study design.

## 7. Recommendations

According to the report, the Somalian government could help SMEs by providing incentives to help them apply corporate governance norms. SMEs are also being urged to fully adopt corporate governance in order to improve their financial conditions. Financial oversight by a board of directors and its subcommittees is also advised for SMEs. Corporate governance must also be taught to the board and management. First, the study suggests that more research should be conducted on the impact of financial performance on big organizations because this study mostly focused on small businesses. Hence, the results may not be applicable to huge firms. Second, this study only covered registered SMEs in Mogadishu; the SMEs may not be representative of other SMEs in informal settlements or in Somalia as a whole. As a result, further study on unregistered SMEs may be performed.

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