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The Mediating Role of Operational Efficiency on the Relationship between Inventory Management and Financial Management Practices and Financial Performance of Convenience Stores

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A B S T R A C T

Despite the convenience store industry's growth in the Philippines, there is a lack of localized research on how these practices impact financial outcomes. This study aimed to determine the relationship between inventory and financial management practices and financial performance, with operational efficiency as a potential mediator. Employing a quantitative research design, specifically descriptive evaluation and descriptive correlation, data was collected from 30 convenience stores in Baliwag, Bulacan, using purposive sampling.The findings revealed that effective inventory management (optimal stocking levels, demand forecasting, inventory controls) and sound financial management (financial decision-making, cash flow management, cost control and budgeting, revenue/expense monitoring) were positively correlated with enhanced financial performance (profits, revenue/expense tracking, ROI, and cost efficiency). However, the study found no significant evidence to support the mediating role of operational efficiency in this relationship. The study concluded that inventory and financial management practices significantly influence financial performance of convenience stores. It is recommended that convenience store operators in Baliwag refine their strategies and enhance financial performance through efficient inventory and financial practices. Further research should utilize increased sample sizes and expanded geographical areas for increased applicability of the study.

Keywords: *Convenience Stores, Financial Management Practices, Financial Performance, Inventory Management Practices, Quantitative Research, Research Design, Sampling Method.*

1. INTRODUCTION

Convenience shops played a more crucial role in the marketplace as the retail business was undergoing a radical revolution. Such entities derived their operational efficiency and financial viability from their robust management principles. Convenience stores in the Philippines had become large in scale. With total revenue from retail expected to reach $2.2 billion by the year 2023, an addition of 24% from the previous year, the industry had witnessed an enormous surge in sales (Statista, 2024). The trend showed convenience stores' popularity coupled with future opportunities. Proper use of resources and ensuring continued improvement was dependent on financial management. Understanding these dynamics was crucial since it could provide insights on strategies that might have improved profitability and competitiveness among local businesses. The value of this study was that it addressed how operational efficiency worked in the relationship between inventory and financial management practices, which influenced the financial performance of convenience stores in the locale of Baliwag, Bulacan, which was faced with fast business expansion with more than 3,498 registered businesses as of June 2022 (Hernandez & De Guzman, 2023). Local companies that wanted to increase their competitiveness and profitability had to first understand the dynamics of inventory and financial management. While current literature highlighted the role of inventory and financial management in overall business performance, there was a striking scarcity of particular studies on convenience shops within distinct local settings. This study aimed specifically at Baliwag, Bulacan. Since the business environment of Baliwag had both modern and traditional approaches to retailing, there had to be a study. According to Aguirregabiria & Guiton (2023), decentralization influenced the management of stock, demanding a balance to be attained by local responsiveness over centralization so as to achieve maximum cost and profitability. The small collection of work that had been done on convenience stores served to underscore the relevance of this topic. In this context, Ahmed et al.'s (2023) work findings validated that it was necessary to use technology to optimize supply chain responsiveness as well as transparency, an importance that especially applied to convenience stores aiming for maximum financial performance as well as inventory performance.

This study sought to bridge this gap by discussing how operational efficiency functioned to tailor financial management and inventory strategies that might have boosted financial performance in convenience stores in Baliwag. Specifically, it considered whether there was any meaningful link in operational efficiency to financial and inventory strategies and performance of the business in this context. By concentrating on a local environment, the research attempted to give insights that were useful to practitioners and added to scholarly discourse on inventory management in emerging countries. The value of this research extended beyond theoretical contributions; it intended to give practical advice for convenience store operators in Baliwag. By identifying good inventory and financial management techniques, the research intended to help local firms improve their operations, better their financial performance, and contribute positively to the local economy.

2. THEORETICAL FRAMEWORK

The study is supported by the COSO Internal Control Framework (2013) as its theoretical framework. This framework essentially provides the basic structure for understanding and examining the internal control-organizational performance relationship. More explicitly, the study will look at how the five components of the COSO framework - Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring Activities - are integrated and implemented in convenience stores in Baliwag, Bulacan, integrating that to their key performance indicators.

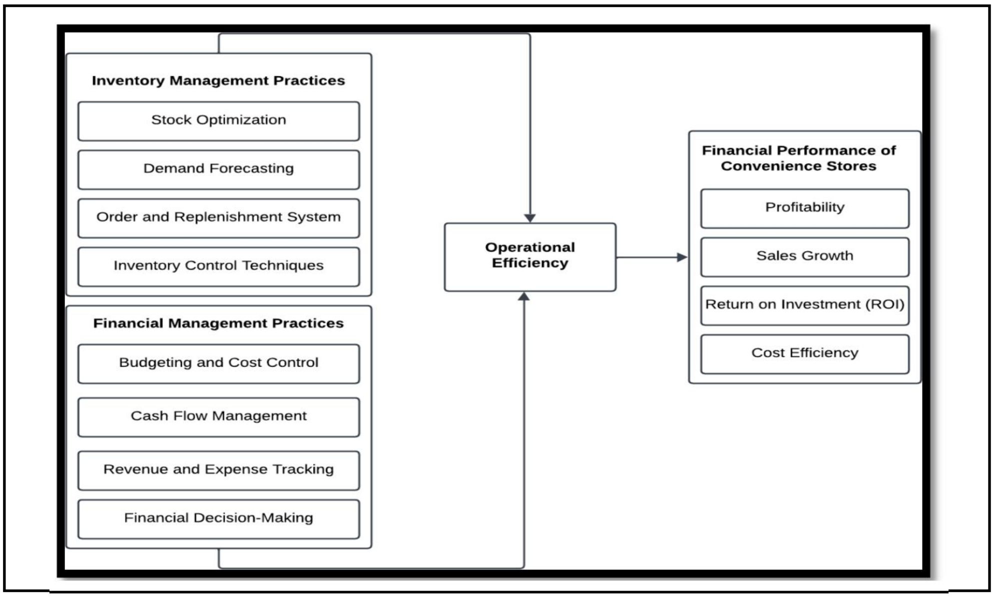
The study of financial management strategies and the effect of inventory techniques by convenience stores in Baliwag, Bulacan, had implications for conceptual models that offered sound rationale for an understanding of these processes. A basic principle was Just-in-Time (JIT) management of inventories, which kept inventories minimal so as not to unnecessarily spend money carrying them, while still retaining products just when there was a need. This strategy was critical for satisfying client demand effectively while managing inventory expenses.

Effective financial management also intervened by ensuring that the resources were managed well so that profits were achieved. It involved managing financial streams well, as well as well-informed investment decisions. In accord with Hernandez & De Guzman (2023), research had always indicated that sound financial management strategies played an enormous role in ensuring success in business by maintaining efficient utilization of the resources.

The **Resource-Based View (RBV)** approach justified local capabilities that boosted local competitiveness, including efficient management of inventories. Inventory management strategies were crucial toward achieving operational efficiency and profitability by maintaining optimum inventories while avoiding overstocking (Ata et al., 2013; Capkun et al., 2009). Successful implementation contributed toward increased operational efficiency and minimal

Figure 1

Conceptual Framework



The study developed a conceptual framework based on a comprehensive review of existing literature and studies on this research topic. The framework illustrated the relationship between three key variables of the study: inventory management practices and financial management practices, which were the independent variables of the study; operational efficiency, which was the intervening variable; and finally, financial performance of convenience stores, which served as the dependent variable of the study. The independent variables consisted of Inventory Management Practices and Financial Management Practices, which included processes like stock optimization, demand forecasting, order and replenishment systems, and inventory control techniques for Inventory Management Practices, while the latter consisted of processes like budgeting and cost control, cash flow management, revenue and expense tracking, and financial decision-making. These practices, in general, were significant for effective operational activities of an organization, which helped ensure the effective allocation of resources in convenience stores.

Meanwhile, Financial Performance as the dependent variable included metrics such as profitability, sales growth, return on investment (ROI), and cost efficiency. These metrics were used to provide a comprehensive understanding of how well convenience stores in Bulacan performed financially in a market with increasing competition and evolving consumer demands.

Furthermore, the study incorporated the mediating or intervening variable to assess how the independent variable influenced the dependent variable. Operational efficiency served as the bridge that connected management practices and financial performance. It measured the stores' ability to provide their customers with high-quality products and services with minimal resources and costs. When inventory and financial management practices were implemented effectively, the operational efficiency of an organization also improved, which led to a reduction in their operational expenses, more efficient and optimized processes, and better customer service. According to Feriandy (2024), businesses could reduce costs and excess inventory by maintaining the right stock levels. In addition, Feriandy also noted that companies that managed their inventory effectively obtained higher return on assets (ROA) and return on equity (ROE), which emphasized the financial benefits that a business gained from effectively managing their inventory levels. On the other hand, Rahmah (2024) found that financial management practices were important to ensure that resources were allocated efficiently, which helped businesses reduce unnecessary expenditures. Rahmah also stated that budgeting and financial analysis contributed to a business's increased profitability and operational performance. This showed that the proper and effective use of both practices led to enhanced operational efficiency, which contributed to positive financial performance.

The conceptual framework allowed the study to examine the way inventory management and financial management practices impacted the financial performance of convenience stores in Bulacan, looking at the operational efficiency that was gained through the successful adoption of these practices. By examining the relationship of these factors, the study was able to effectively determine the extent to which operational efficiency mediated the impact of inventory management and financial management practices on the financial performance of convenience stores.

3. RESEARCH QUESTIONS

1. How may inventory management practices in convenience stores in Baliwag be described in terms of:

    1.1 Order and Replenishment Strategies

    1.2 Inventory Control Techniques

    1.3 Stock Optimization

    1.4 Demand Forecasting

2. How may the financial management practices of convenience stores in Baliwag be described in terms of:

    1.5 Cash Flow Management

    1.6 Financial Decision Making

    1.7 Budgeting and Cost Control

    1.8 Revenue and Expense Tracking

3. How may the financial performance of convenience stories in Baliwag be described in terms of:

    3.1 Profitability

    3.2 Sales Growth

    3.3 Return on Investment (ROI)

    3.4 Cost Efficiency

4. How may the operational efficiency of convenience stores in Baliwag be described?

5. Do operational efficiencies of convenience stores significantly influence the relationship between inventory and financial management practices and financial performances?

4. SIGNIFICANCE OF THE STUDY

The speculation of this study lies in its significant contribution to the understanding of inventory management and financial management practices on the financial performance of convenience stores in Baliwag, Bulacan. This research is helpful to convenience store owners, managers, and future researchers. This study serves as a guide to the owners and managers since it provides an understanding of the importance of effective inventory and financial management practices for improving their stores' financial performance. By recognizing the key practices that lead to better financial outcomes, the study can further serve as a basis for store owners in making informed decisions to improve their operations. For future researchers, this study provides insights into the relationship between management practices and financial performance within the business, especially in the convenience store industry. It serves as a structure for further studies to explore specific factors that influence profitability and efficiency.

5. SCOPE AND DELIMITATION

This study emphasized the inventory management and financial management practices on the financial performance of convenience stores in Baliwag, Bulacan. It analyzed how the practices of managing inventory and finances contributed to the overall profitability and sustainability of these businesses. By addressing this gap, the study aimed to provide significant perspectives for participants, such as business owners and managers conducting business in Baliwag, Bulacan, to gain a better understanding of their financial health.

The sample was taken from a select number of convenience stores in the area, using a cluster sampling method to ensure that those involved were actively participating in overseeing the stores' inventory and financial practices. The sample size focused on 30 convenience stores that met the conditions and were open to participating in the research. The study was delimited by area, emphasizing only the convenience stores within Baliwag, Bulacan, and did not extend to other types of retail businesses or locations. The sample encompassed both conveniences store owners and managers, meaning the results were based on their perspectives.

6. RESEARCH DESIGN

This study utilized a quantitative research design. Specifically, descriptive evaluation and descriptive correlational designs were used. A descriptive evaluation was employed to describe the inventory management practices of convenience stores in terms of their order and replenishment strategies, inventory control techniques, stock optimization, and demand forecasting. This was also applied to describe their financial management practices in terms of cash flow management, financial decision-making, budgeting and cost control, and revenue and expense tracking. It was also employed to describe their financial performance in terms of profitability, sales growth, return on investment, and cost efficiency. Finally, it was used to describe the operational efficiency of convenience stores. On the other hand, a descriptive correlational design was used to assess if the operational efficiencies of convenience stores significantly influenced the relationship between inventory and financial management practices and financial performance.

7. RESPONDENTS

Population and Research Sample

For the reason that it enabled the researchers to especially target convenience stores with the traits required to provide rich, relevant data on the mediating role of operational efficiency in the relationship between inventory and financial management practices on financial performance, purposeful sampling was selected.

This focused strategy ensured that the sample comprised convenience stores actively using inventory control strategies, keeping financial records, and having enough operational experience to offer significant analysis. This targeted method raised the possibility of spotting important links and reaching insightful analysis pertinent to the study subject.

Characteristics of Respondents/Participants

Key people from the chosen barangays with enough convenience shops directly involved in inventory control and/or financial decision-making would be the respondents, particularly with:

1. ***Title or Role in Employment***

   This may include roles such as Inventory Manager, Finance Manager, Operations Manager, Business Owner, or similar professions having responsibility for inventory control and financial monitoring.

2. ***Years of Mastery.***

   Years of experience in their present job and/or in inventory management or finance.

3. ***Knowledge of Inventory Management Systems***

   Experience utilizing certain inventory management methods or techniques (e.g., Stock Optimization, Demand Forecasting, Order and Replenishment System, & Inventory Control Techniques.)

4. ***Familiarity with Financial Management Practices***.

   Experience with certain financial management strategies or approaches (e.g., Budgeting and Control, Cash Flow Management, Revenue and Expense Tracking, & Financial Decision-Making).

Sampling Selection and Recruitment

Given the requirement for in-depth insights into the mediating function of operational efficiency to the link of finance & inventory management to financial success, a purposive sample strategy was adopted. The researchers took the data on the existing number of convenience shops in Baliwag and picked out a specified number of barangays that had the largest number of convenience stores out of 27 presently subdivided barangays.

The convenience stores should exhibit the following requirements to be a respondent for the study:

Operational History. The business must have been functioning for at least 1 year to ensure established processes.

Inventory Management System. They must employ a formal inventory management system (or have clearly defined inventory management methods) to supply appropriate data.

Financial Management. They must have a current financial management practice that is matched with the study aims to produce meaningful data.

8. INSTRUMENT

Survey Questionnaire

The study used survey questionnaires that were close-ended. By using a Likert scale for the close-ended questions, with 1 as strongly disagree, 2 as disagree, 3 as agree, and 4 as strongly agree, the researchers allowed the respondents to rate the statements. The instrument consisted of sections such as: (1) Inventory Management Practices to determine the current system and process of the respondents when it came to Order and Replenishment Strategies; Stock Optimization; Inventory Control Techniques; and Demand Forecasting. Secondly, (2) Financial Management to analyze respondents' financial knowledge in terms of Cash Flow Management; Financial Decision-Making; Budgeting and Control; and Revenue and Expense Tracking. (3) Financial Performance in terms of Profitability; Sales Growth; Return on Investment; and Cost Efficiency. And lastly, (4) Operational Efficiency to measure the company's current operational performance.

The first set of questions focused on gathering information about the respondents' knowledge of inventory management practices and consisted of fifteen (15) statements. The second set of questions focused on information regarding the respondents' financial management practices with nineteen (19) statements. Meanwhile, the researchers gathered information about the business's financial performance, which consisted of sixteen (16) statements. Lastly, the study gathered information on how the convenience stores performed in terms of their operational efficiency, which consisted of seven (7) statements. The questionnaires had a total of 57 statements to be answered by placing check marks in the box that reflected the respondents' level of agreement.

The questions were from the study entitled "The Effect of Inventory Management on The Operational Performance in A Business' Stores" (Nabiryo) and "Selecting the best periodic inventory control and demand forecasting methods for low demand items" by B Sani and BG Kingsman. The second set of questions was from the studies "The effects of financial management practices on the growth of small and medium enterprises in Zambales, Philippines" by Alferos (2023) and "Working Capital Management and Financial Performance of selected companies in Kampala" by Paluko Kazimoto. The last set of questions was from the studies "Influence of Inventory Management Practices on Financial Performance of Plastic Manufacturing Companies in Nairobi County" by Matara (2024) and "Effects of Selected Financial Management Practices on Financial Performance of Commercial Banks in Kenya" by Harrison & Muiru. The last set of questions was also from "Organization operational efficiency and Innovativeness: Exploring the role of employees' task-based training, operational task commitment, operational engagement, and supervisor support" (Al Doghan et al., 2023).

The instruments were validated by the previous studies and were tailored and slightly modified to align with the objectives of the current study. Furthermore, the questionnaires' reliability was tested through pilot testing. After conducting a pilot test, the Cronbach's alpha was used to measure the reliability of the instruments. The results of 0.860, 0.956, 0.948, and 0.704 confirmed that the instruments were reliable.

9. DATA GATHERING PROCEDURE

The researchers began by asking permission from the municipality of Baliwag to obtain the total number of convenience stores in each barangay. This data helped the researchers calculate the adequate sample needed for the study. Upon receiving approval from the municipality, and after determining the number of stores to survey, the researchers approached the managers of these convenience stores to seek permission to distribute the survey. A letter was given to the store employee who was engaged in managing finances and inventory of the said store to ask for their cooperation to participate in the survey. The letter assured the respondents that the answers they provided on the questionnaire would be kept completely confidential and used solely for the purpose of the study. After receiving consent, they proceeded with the survey, which contained questions related to inventory management practices, financial management practices, and how these influenced their financial performance. Once the respondents finished the surveys, the researchers gathered the responses to verify that the collected data met the needed sample size. Finally, the researchers reviewed and assessed the completed surveys to create conclusions and generate insights that supported the objectives of the study.

10. DATA ANALYSIS

After collecting all the questionnaires, data were organized, tallied, tabulated and analyzed using statistical tools. This study utilized descriptive and inferential statistics. Descriptive statistics such as mean and standard deviation will be used to analyze the convenience store's inventory management practices in terms of their order and replenishment strategies, inventory control techniques, stock optimization, and demand forecasting. In addition, this will be applied to describe their financial management practices in terms of the business' cash flow management, financial decision making, budgeting and cost control, and revenue and expense tracking and to describe their financial performance as well in terms of profitability, sales growth, return on investment, and cost efficiency.

Finally, this were used to describe their operational efficiency. On the other hand, regression analysis under the inferential statistics as used to determine if operational efficiencies of convenience stores significantly influence the relationship between inventory and financial management practices and financial performances.

11. ETHICAL CONSIDERATIONS

Ethical Considerations. The researchers ensured that ethical considerations in research writing were followed while conducting the study.

Informed Consent. On the first page of the research instrument, the researchers added a question for the respondents' approval if they are willing to participate and be a part of the study It was also explained to them that their participation is voluntary, and they are free to refuse anytime they want. Additionally, the researchers informed them that their identity and the details about them are protected during the data collection.

Anonymity and confidentiality. The researchers ensured the participants that their identities as well as their responses will be treated with utmost confidentiality and respect. The name of the respondents and their identifying information that they filled out were not taken and excluded from any reports.

12. RESULTS AND DISCUSSION

Table 1

Descriptive Measures of ***Inventory Management Practices of Convenience Stores*** *in terms of Order and Replenishment Strategies*

NO. ***Order and Replenishment Strategies***	**Mean**	**SD**	**VI**
1. Vendors are fully responsible with the replenishing of inventory on time. (Vendor-Managed Inventory)	1.57	0.504	SA
2. We replenishes inventory just when needed. (Just-in-Time)	1.43	0.504	SA
3. Supplier monitors the business' inventory level for re-supply aiming at improving performance (Vendor Managed Inventory)	1.43	0.504	SA
4. We replenishes inventory on a timely basis e.g, weekly, monthly, annually. (Periodic Review System)	1.33	0.479	SA
OVERALL	1.44	0.224	SA

LEGEND:

SCALE:	*VERBAL INTERPRETATION:*
3.25 – 4.00	*Strongly Disagree (SD)*
2.50 – 3.24	*Disagree (D)*
1.75 – 2.49	*Agree (A)*
1.00 – 1.74	*Strongly Agree (SA)*

Table 1 shows descriptive measures of the Convenience Stores Inventory Management Practices in terms of Order and Replenishment Strategies. According to the table, the statement "Vendors are fully responsible with the replenishing of inventory on time" received the highest mean of 1.57, suggesting that the respondent's convenience stores are dependent on vendors to manage and replenish their inventories, On the other hand, the "We replenishes the inventory on a timely basis, eg. Weekly, monthly, annually (Periodic Review System)" received the lowest mean with 1.33, stating that convenience stores do not rely on fixed replenishment schedules and relies on the vendor continuous monitoring of inventory.

The total mean for Order and Replenishment Strategies was 1.44, under "Strongly Agree". This shows that convenience stores strongly implement effective order and replenishment strategies.

Table 2

Descriptive Measures of ***Inventory Management Practices of Convenience Stores*** *in terms of Stock Optimization*

NO. ***Stock Optimization***	**Mean**	**SD**	**VI**
5. We order a specific amount of inventory at a time.	1.50	0.509	SA
6. We have only the required inventory according to the forecasted demand.	1.70	0.466	SA
7. The business regularly conduct stock reviews to monitor inventory levels.	1.53	0.507	SA
OVERALL	1.58	0.276	SA

LEGEND:

SCALE:VERBAL INTERPRETATION:

3.25 – 4.00Strongly Disagree (SD)

2.50 – 3.24Disagree (D)

1.75 – 2.49Agree (A)

1.00 – 1.74Strongly Agree (SA)

Table 2 shows descriptive measures of the Convenience Stores Inventory Management Practices in terms of Stock Optimization. According to the table, the statement "We have only the required inventory according to the forecasted demand." received the highest mean pf 1.70, suggesting that the respondent's convenience stores aim to stock only the necessary inventories based on their forecasted demands. Conversely, the "We order a specific amount of inventory at a time." received the lowest mean with 1.50, stating that convenience stores do not rely on fixed-quantity ordering approach and practice demand-driven replenishment strategies.

Overall, the mean score for Stock Optimization is 1.58 which indicates the stock optimization in the "Strongly Agree" category. Based on this, the convenience stores prioritize stock optimization to meet customer demands while minimizing the excess stocks and wastes.

Table 3

No. Inventory Control Techniques	**Mean**	**SD**	**VI**
8. We give information to suppliers of different products. (Supplier Communication)	1.33	0.479	SA
9. We order inventory when current inventory level has reached a certain defined level. (Reorder-Point System)	1.37	0.490	SA
10. We maintain level of inventory that lessen the total inventory holding costs. (Inventory Cost Management)	1.53	0.507	SA
11. Receiving, issuing, accounting and storing responsibilities are segregated.	1.37	0.490	SA
Overall	**1.40**	**0.233**	**SA**

Descriptive Measures of ***Inventory Management Practices of Convenience Stores*** *in terms of Inventory Control Techniques*

LEGEND:

SCALE:VERBAL INTERPRETATION:

3.25 – 4.00Strongly Disagree (SD)

2.50 – 3.24Disagree (D)

1.75 – 2.49Agree (A)

1.00 – 1.74Strongly Agree (SA)

Table 3 shows descriptive measures of the Convenience Stores Inventory Management Practices in terms of Inventory Control Techniques. Based to the table, the statement We maintain level of inventory that lessen the total inventory holding costs. (Inventory Cost Management)" received the highest mean pf 1.53, revealed that convenience stores are conscious of the financial impact due to excess inventory and prioritize minimizing holding cost. Meanwhile, the We give information to suppliers of different products. (Supplier Communication)" received the lowest mean with 1.33, which indicates that convenience stores do not provide detailed information regarding the products.

Overall, the mean score for Inventory Control Techniques is 1.40 which is equivalent to "Strongly Agree" shows that the convenience stores strongly implement effective inventory control techniques.

Table 4

Descriptive Measures of ***Inventory Management Practices of Convenience Stores*** *in terms of Demand Forecasting*

NO.	Demand Forecasting	Mean	SD	VI
12.	Service level of the business is more improved when there is a large stock of inventory	1.50	0.682	SA
13.	Out of stock items in the business contribute to forecasting demand more precisely	1.33	0.606	SA
14.	Low and intermediate demand levels tend to reduce inventory cost	1.53	0.730	SA
15.	Unpredictable demand increases the inventory holding cost	1.23	0.430	SA
	Overall	**1.40**	**0.443**	**SA**

LEGEND:

SCALE: *VERBAL INTERPRETATION:*

3.25 – 4.00 *Strongly Disagree (SD)*

2.50 – 3.24 *Disagree (D)*

1.75 – 2.49 *Agree (A)*

1.00 – 1.74 *Strongly Agree (SA)*

Table 4 shows descriptive measures of the Convenience Stores Inventory Management Practices in terms of Demand Forecasting. Table shows that the statement "Low and intermediate demand levels tend to reduce inventory cost" received the highest mean of 1.53, suggesting that convenience stores manage lower and intermediate level of demands to reduce inventory costs. Conversely, the "Unpredictable demand increases the inventory holding cost" statement received the 1.23 lowest mean, stating that convenience stores do not consider unpredictable demand as a factor in increasing inventory holding cost.

Overall, the mean score for Demand Forecasting is 1.40 under the "Strongly Agree" category indicating that convenience stores strongly believe in prioritizing demand forecasting in their inventory management practices.

Table 5

Descriptive Measures of ***Financial Management Practices of Convenience Stores*** *in terms of Cash Flow Management*

NO.	Cash Flow Management	Mean	SD	VI
1.	We constantly maintain up-to-date financial records.	1.40	0.498	SA
2.	The business keeps proper records for all payable.	1.47	0.507	SA
3.	The business keeps proper records for all receivables.	1.47	0.507	SA
4.	The business ensures that there is sufficient flow of cash to meet daily needs.	1.60	0.675	SA
5.	The business securely stores backups of the financial records to safeguard them.	1.40	0.498	SA
	Overall	**1.47**	**0.254**	**SA**

LEGEND:

SCALE: *VERBAL INTERPRETATION:*

3.25 – 4.00 *Strongly Disagree (SD)*

2.50 – 3.24 *Disagree (D)*

1.75 – 2.49 *Agree (A)*

1.00 – 1.74 *Strongly Agree (SA)*

Table 5 shows descriptive measures of the Convenience Stores Financial Management Practices in terms of Cash Flow Management. According to the table, the statement “The business ensures that there is sufficient flow of cash to meet daily needs.” received the highest mean of 1.60, suggesting that convenience stores can maintain adequate cash flows to sustain the business’s expenses. Meanwhile, two items got the lowest mean which are the “We constantly maintain up-to-date financial records.” and “The business securely store backups of the financial records to safeguard them.” received the lowest mean with 1.40, indicating that while convenience stores have financial management practices, maintaining up-to-date financial records, and storing financial records back up may have areas for improvement.

Overall, the mean score for Cash Flow Management is 1.47, and falls under the category of “Strongly Agree” showing that convenience stores strongly believes that cash flow management factors is crucial in the business. Although it falls under the strongly agree category, aspects such as back up storage and record keeping received lower ratings.

Table 6

Descriptive Measures of ***Financial Management Practices of Convenience Stores*** *in terms of Financial Decision Making*

NO.	Financial Decision Making	Mean	SD	VI
6.	The business can seek financial help from outside the business.	1.43	0.504	SA
7.	The business invests in equipment for the use of the business.	1.50	0.509	SA
8.	The business has cash for investment in long-term projects.	1.60	0.498	SA
9.	The business has acquired land or building for the expansion of the business.	1.40	0.498	SA
10.	The business obtains finances for funding purchase of property, plant, and equipment (building, land, furniture, equipment, etc.).	1.30	0.466	SA
	Overall	**1.45**	**0.261**	**SA**

LEGEND:

SCALE: *VERBAL INTERPRETATION:*

3.25 – 4.00 *Strongly Disagree (SD)*

2.50 – 3.24 *Disagree (D)*

1.75 – 2.49 *Agree (A)*

1.00 – 1.74 *Strongly Agree (SA)*

Table 6 shows descriptive measures of the Convenience Stores Financial Management Practices in terms of Financia Decision Making. According to the table, the statement “The business has a cash for investment in long-term projects.” received the highest mean of 1.60, suggesting that most of the convenience stores can be able to provide funds for long term projects. Meanwhile, “The business obtains finances for funding purchase of property, plant, and equipment (building, land, furniture, equipment, etc” received the lowest mean with 1.30, indicating that while the business can invest for a long-term investment having the lowest mean suggests that investing in major assets may not be prioritized.

Overall, the mean score for Financial Decision Making was 1.45 under the “Strongly Agree” category which shows that convenience stores can plan and allocate their financial resources efficiently.

Table 7

Descriptive Measures of ***Financial Management Practices of Convenience Stores*** *in terms of Budgeting and Cost Control*

NO.	Budgeting and Cost Control	Mean	SD	VI
11.	The business uses Strategic Budgeting Control to avoid unplanned operational expenses.	1.43	0.504	SA
12.	The business flexibly adjusts in response to changes in its operations.	1.57	0.679	SA
13.	Budgetary Controls are essential tools in managing the financial resources of the business.	1.43	0.504	SA

14.	The business struggles to stick with the budget and overspend on expenses.	1.60	0.621	SA
15.	An effective budgetary control has a strong impact on the financial performance of the business.	1.47	0.507	SA
Overall		**1.50**	**0.267**	**SA**

LEGEND:

SCALE: *VERBAL INTERPRETATION:*

3.25 – 4.00 *Strongly Disagree (SD)*

2.50 – 3.24 *Disagree (D)*

1.75 – 2.49 *Agree (A)*

1.00 – 1.74 *Strongly Agree (SA)*

Table 7 shows descriptive measures of the Convenience Stores Financial Management Practices in terms of Budgeting and Cost Control. Table shows, highest mean was 1.60 which is the statement "The business struggles to stick with the budget and overspend on expenses." suggesting that respondents are strongly agree that financial discipline can be difficult. On the other hand, statements "The business uses Strategic Budgeting Control to avoid unplanned operational expenses" and "Budgetary Controls are essential tool in managing the financial resources of the business." received the lowest mean of 1.43, means that although financial management practices are valued, these aspects may not be strong compared to other financial management aspects.

Overall, the mean score for Budgeting and Control was 1.50 under the "Strongly Agree" category which shows that convenience stores strongly believe that having budgeting and cost control manages their resources effectively.

Table 8

*Descriptive Measures of **Financial Management Practices of Convenience Stores** in terms of Revenue and Expense Tracking*

NO.	Revenue and Expense Tracking	Mean	SD	VI
16.	The business reviews and analyzes the expenses to ensure its effective financial management.	1.43	0.504	SA
17.	The business maintains comprehensive records of sales related to the business.	1.57	0.504	SA
18.	The business maintains comprehensive records of expenses related to the business.	1.47	0.507	SA
19.	The business uses a structured system to track and manage its revenue.	1.27	0.450	SA
	Overall	**1.43**	**0.278**	**SA**

LEGEND:

SCALE: *VERBAL INTERPRETATION:*

3.25 – 4.00 *Strongly Disagree (SD)*

2.50 – 3.24 *Disagree (D)*

1.75 – 2.49 *Agree (A)*

1.00 – 1.74 *Strongly Agree (SA)*

Table 8 shows descriptive measures of the Convenience Stores Financial Management Practices in terms of Revenue and Expense Tracking. Based on the table, the statement "The business maintains comprehensive records of sales related to the business." received the highest mean of 1.57, suggesting that most of the convenience maintains detailed records. Conversely, "The business uses a structured system to track and manage its revenue." received the lowest mean with 1.27, indicated that convenience stores may not consistently use a system for tracking and managing their revenues.

Overall, the mean score for Revenue and Expense Tracking was 1.43 under the "Strongly Agree" category which shows that convenience stores monitors their revenues and profitability through comprehensive records and usage of system in tracking the revenues may have an area for improvement.

Table 9

*Descriptive Measures of **Financial Performance of Convenience Stores** in terms of Profitability*

No.	Profitability Indicators	Mean	SD	VI

No.	Profitability Indicators	Mean	SD	VI
1	The business has funded its growth from its profits.	1.30	0.466	SA
2	The business has been able to produce salaries and wages from the profits.	1.63	0.490	SA
3	The business has been able to meet its annual financial objectives.	1.50	0.509	SA
4	The business pays on time (invoices, salaries, loans) due to the availability of profits.	1.43	0.504	SA
Overall		**1.47**	**0.492**	**SA**

LEGEND:

SCALE: *VERBAL INTERPRETATION:*

3.25 – 4.00 *Strongly Disagree (SD)*

2.50 – 3.24 *Disagree (D)*

1.75 – 2.49 *Agree (A)*

1.00 – 1.74 *Strongly Agree (SA)*

Table 9 shows descriptive measures of the Convenience Stores Financial Performance in terms of Profitability. According to the table, the statement "The business has been able to produce salaries and wages from the profits." received the highest mean of 1.63, indicating that the businesses are financially capable of covering salary and wages expenses using their profits. On the other hand, the "The business have funded its business growth from its profits" received the lowest mean with 1.30, stating that convenience stores do not heavily rely on profits to expand or prioritize business growth. Overall, the total mean for Profitability was 1.47, under "Strongly Agree". This shows that convenience stores are profitable enough to meet or cover necessary expenses.

Table 10

Descriptive Measures of ***Financial Performance of Convenience Stores*** *in terms of Sales Growth*

No.	Sales Growth Indicators	Mean	SD	VI
5	The business's sales have increased over the last year.	1.33	0.479	SA
6	The business's number of customers has increased over the last year.	1.50	0.509	SA
7	The business has been able to meet its annual sales objectives.	1.57	0.679	SA
8	The business's suppliers have increased over the last year.	1.50	0.572	SA
Overall		**1.48**	**0.560**	**SA**

LEGEND:

SCALE: *VERBAL INTERPRETATION:*

3.25 – 4.00 *Strongly Disagree (SD)*

2.50 – 3.24 *Disagree (D)*

1.75 – 2.49 *Agree (A)*

1.00 – 1.74 *Strongly Agree (SA)*

Table 10 shows descriptive measures of the Convenience Stores Financial Performance in terms of Sales Growth. According to the table, the statement "The business has been able to meet its annual sales objectives." received the highest mean of 1.57, indicating that the businesses consistently achieve their target sales goals. On the other hand, the "The business' sales has increased over the last year." received the lowest mean with 1.33, suggesting that convenience stores do not normally experience sales growth over the past year.

Overall, the total mean for Profitability was 1.48, under "Strongly Agree". This shows that convenience stores experienced positive sales growth over time.

Table 11

Descriptive Measures of ***Financial Performance of Convenience Stores*** *in terms of Return on Investment*

No.	**Return on Investment Indicators**	**Mean**	**SD**	**VI**
9	The business can produce profits that support its expansion.	1.33	0.479	SA
10	The business has enough profits to pay employee salaries and wages.	1.50	0.509	SA
11	The business has been able to meet its financial targets (e.g., increase in revenue, customer retention), indicating a strong return on investment.	1.50	0.682	SA
12	The business is able to meet its financial obligations on time due to the availability of sufficient profits.	1.47	0.507	SA
Overall		**1.45**	**0.544**	**SA**

LEGEND:

SCALE:	*VERBAL INTERPRETATION:*
3.25 – 4.00	*Strongly Disagree (SD)*
2.50 – 3.24	*Disagree (D)*
1.75 – 2.49	*Agree (A)*
1.00 – 1.74	*Strongly Agree (SA)*

Table 11 shows descriptive measures of the Convenience Stores Financial Performance in terms of Return on Investment. According to the table, the statements “The business has enough profits to pay employee salaries and wages.” and “The business has been able to meet its financial targets (e.g. Increase in revenue, customer retention).” both received the highest mean of 1.50, indicating that the convenience store has sufficient profits to pay their employee salaries and achieve its financial targets effectively. On the other hand, “The business can produce profits that could support the expansion of the business.” received the lowest mean with 1.33, stating that convenience stores may have challenges in generating sufficient profits to support business expansion.

Overall, the mean score for Return on Investment is 1.45 under the “Strongly Agree” category indicating that the convenience stores consider their financial performance of return on investment.

Table 12

No.	**Cost Efficiency Indicators**	**Mean**	**SD**	**VI**
13	The business efficiently manages its resources to minimize overall holding costs.	1.43	0.504	SA
14	The business manages its purchasing and ordering process well to keep overall costs low.	1.53	0.507	SA
15	The business has been able to minimize unplanned expenses, allowing for improved cost efficiency.	1.37	0.556	SA
16	The business struggles to control its expenses, resulting in reduced cost efficiency.	1.37	0.490	SA
Overall		**1.42**	**0.514**	**SA**

Descriptive Measures of **Financial Performance of Convenience Stores** *in terms of Cost Efficie*

LEGEND:

SCALE:	**VERBAL INTERPRETATION:**
3.25 – 4.00	Strongly Disagree (SD)
2.50 – 3.24	Disagree (D)
1.75 – 2.49	Agree (A)
1.00 – 1.74	Strongly Agree (SA)

Table 12 shows descriptive measures of the Convenience Stores Financial Performance in terms of Cost Effeciency. According to the table, the statement "The business manages its purchasing and ordering process well to keep overall costs low." Received the highest mean of 1.53, indicating that the convenience store perform well on managing their purchasing and ordering processes to maintain low costs. On the other hand, "The business struggles to control its expenses, resulting to reduced cost efficiency." received the lowest mean with 1.37, stating that convenience stores face challenges in controlling their expenses.

Overall, the mean score for Cost Efficiency is 1.42 under the "Strongly Agree" category indicating that the convenience stores perform well in terms of cost efficiency across the various aspects measured.

Table 13

Descriptive Measures of ***Operational Efficiency***

No.	**Operational Efficiency Indicators**	**Mean**	**SD**	**VI**
1	The business has adopted new methods for stocking products efficiently.	1.60	0.466	SA
2	The business management listens when there are work-related problems that affect business operations.	1.67	0.490	SA
3	The business provides employee training that can be used directly to perform business operations.	1.47	0.509	SA
4	The business experiences inefficiencies due to poor resource management.	1.53	0.507	SA
5	Accurate resource management is necessary for improving sales effectiveness and operational efficiency.	1.50	0.509	SA
6	The availability of resources is checked regularly to enhance business efficiency.	1.40	0.498	SA
7	Proper utilization of management plays a significant role in improving operational efficiency.	1.50	0.509	SA
Overall		**1.52**	**0.527**	**SA**

LEGEND:

SCALE:	*VERBAL INTERPRETATION:*
3.25 – 4.00	*Strongly Disagree (SD)*
2.50 – 3.24	*Disagree (D)*
1.75 – 2.49	*Agree (A)*
1.00 – 1.74	*Strongly Agree (SA)*

Table 13 shows descriptive measures of the Convenience Stores Operational Efficiency. According to the table, the statement "The business management listens when there are work-related problems that affects the business' operations." received the highest mean of 1.63, indicating that the businesses are open for discussion whenever there are issues. On the other hand, the "The business provides employee training that can be use directly to perform business' operations." received the lowest mean with 1.47, suggesting that convenience stores may not be providing sufficient training for employees.

Overall, the total mean for Operational Efficiency was 1.52, under "Strongly Agree". This shows that convenience stores generally operate efficiently.

Table 14

Inventory Management – Operational Efficiency – Financial Performance

Mediation Estimates

				95% Confidence Interval				
Effect	**Label**	**Estimate**	**SE**	**Lower**	**Upper**	**Z**	**P**	**% Mediation**
Indirect	a × b	0.00968	0.0476	-0.1006	0.0980	0.203	0.839	1.60
Direct	c	0.59679	0.2119	0.0109	0.8683	2.816	0.005	98.40
Total	c + a × b	0.60647	0.2053	0.0350	0.8382	2.954	0.003	100.00

Path Estimates

						95% Confidence Interval			
			Label	**Estimate**	**SE**	**Lower**	**Upper**	**Z**	**P**
IMPMEAN	→	OEMEAN	a	0.4457	0.2639	-0.2885	0.777	1.689	0.091
OEMEAN	→	FPMEAN	b	0.0217	0.0992	-0.1630	0.228	0.219	0.827
IMPMEAN	→	FPMEAN	c	0.5968	0.2119	0.0109	0.868	2.816	0.005

Mediation Analysis was performed to assess the mediating role of Operational Efficiency on the relationship between Inventory Management Practices and Financial Performance (see Table 14) revealed that the total effect of Inventory Management Practices on Financial Performance was statistically significant (H1: $\beta = 0.606$, $Z = 2.95$, $p = 0.003$); with the inclusion of the mediating variable (Operational Efficiency), the direct effect of Inventory Management Practices on Financial Performance remained significant ($\beta = 0.597$, $Z = 2.82$, $p = 0.005$); the indirect effect through Operational Efficiency, however, was statistically non-significant ($\beta = 0.0097$, $Z = 0.20$, $p = 0.839$), *indicating that Inventory Management Practices directly influence Financial Performance, but the data does not support a statistically meaningful mediating role for Operational Efficiency.*

Table 15

Financial Management – Operational Efficiency – Financial Performance

Mediation Estimates

				95% Confidence Interval				
Effect	**Label**	**Estimate**	**SE**	**Lower**	**Upper**	**Z**	**p**	**% Mediation**
Indirect	a × b	-0.0307	0.0736	-0.175	0.128	-0.418	0.676	4.23

Mediation Estimates

				95% Confidence Interval				
Effect	**Label**	**Estimate**	**SE**	**Lower**	**Upper**	**Z**	**p**	**% Mediation**
Direct	C	0.6955	0.1707	0.325	1.007	4.074	< .001	95.77
Total	c + a × b	0.6648	0.1800	0.286	0.996	3.693	< .001	100.00

Path Estimates

						95% Confidence Interval			
			Label	**Estimate**	**SE**	**Lower**	**Upper**	**Z**	**P**
FMPMEAN	→	OEMEAN	a	0.6615	0.228	0.137	1.066	2.896	0.004
OEMEAN	→	FPMEAN	b	-0.0465	0.106	-0.216	0.207	-0.440	0.660
FMPMEAN	→	FPMEAN	c	0.6955	0.171	0.325	1.007	4.074	< .001

Mediation analysis was performed to assess the mediating role of Operational Efficiency on the linkage between Financial Management Practices and Financial Performance (See Table 15) revealed that the total effect of Financial Management Practices on Financial Performance was significant ($\beta = 0.6648$, $Z = 3.693$, $p < 0.001$); with the inclusion of the mediating variable (Operational Efficiency), the direct effect of Financial Management Practices on Financial Performance remained significant ($\beta = 0.6955$, $Z = 4.074$, $p < 0.001$); the indirect effect through Operational Efficiency, however, was statistically non-significant ($\beta = -0.0307$, $Z = -0.418$, $p = 0.676$), indicating that *Financial Management Practices directly influence Financial Performance, but the data does not support a statistically meaningful mediating role for Operational Efficiency.*

SUMMARY OF THE FINDINGS

This study aimed to determine the mediating role of operational efficiency on the relationship between inventory management and financial management practices and the financial performance of convenience stores in Baliwag, Bulacan.

By applying the methods outlined in the previous chapter, the answers to the issues examined in this study were identified and summarized as follows: How might inventory management practices in convenience stores in Baliwag be described in terms of: 1.1 Order and Replenishment Strategies, Stock Optimization, Inventory Control Techniques, and Demand Forecasting.

Findings revealed that convenience stores strongly agreed to rely on their vendors to replenish their inventories. Furthermore, the study also revealed that convenience stores stocked only the necessary inventories according to the forecasted demands.

This indicated that convenience stores relied on demand forecasting to determine their inventory levels, ensuring they stocked just enough products to meet customer needs without overstocking.

Based on the results, the respondents from convenience stores strongly agreed that they maintained enough inventory levels to lessen the inventory holding costs. This meant that convenience stores effectively managed their inventory, ensuring they did not overstock, which could lead to excess holding costs.

In addition, convenience stores confirmed that they handled demand levels between low and intermediate amounts to lower their inventory expenses, indicating that a strategic inventory management approach drove convenience stores to base their restocking practices on customer demand levels.

Additionally, the study aimed to assess the financial management practices of convenience stores in terms of Cash Flow Management, Financial Decision-Making, Budgeting and Cost Control, and Revenue and Expense Tracking.

In terms of Cash Flow Management, the study revealed that convenience stores strongly agreed that they could maintain enough cash flow to sustain the business's expenses. This indicated that convenience stores effectively managed their cash flows to ensure they had enough funds for operational expenses.

Moreover, as indicated by the results, convenience stores strongly agreed that they could provide funds for long-term projects, which suggested that convenience stores had sound financial health for being able to sustain not only daily operations but long-term investments as well.

Also, the data showed that convenience stores strongly agreed that the business struggled to stick with the budget and overspent on expenses, suggesting that respondents recognized the importance of financial management practices but found financial discipline difficult.

In addition, research findings indicated that the business strongly agreed to maintain comprehensive records of sales related to the business. This revealed that convenience stores prioritized proper record-keeping for financial tracking.

Moreover, this study aimed to evaluate the financial performance of convenience stores in terms of Profitability, Sales Growth, Return on Investment (ROI), and Cost Efficiency.

Regarding Profitability, the study found that convenience stores strongly agreed that they were able to generate salaries and wages straight from their profits, indicating that they were financially stable in terms of sustaining payroll expenses.

In terms of Sales Growth, the business strongly agreed that they were able to achieve their objectives, particularly in sales. This suggested that convenience stores had a high level of confidence in meeting their desired sales.

With regard to Return on Investment (ROI), convenience stores strongly agreed that they were capable of having strong financial performance by generating enough income to compensate their employees and by meeting or achieving their financial targets.

Lastly, the Cost Efficiency part revealed that convenience stores strongly agreed that they were effective in controlling their procurement well enough to reduce overall costs. This showed that the business possessed and was recognized for having a key strength.

As part of the research objective, the study aimed to describe the Operational Efficiency of convenience stores, measuring how effective and well the stores were in managing their day-to-day operations.

The study revealed that convenience stores strongly agreed with the statement expressing their responsiveness when it came to work-related issues. This suggested that they were open to discussing matters that might affect the business's operations.

Mediation analysis revealed that Inventory Management Practices had a significant total influence on Financial Performance, independent of operational efficiency being taken into account. However, the indirect impact via operational efficiency lacked statistical relevance. Therefore, inventory management techniques obviously influenced financial performance even if operational efficiency did not seem to be the key mechanism through which this link developed.

Results showed that financial performance was significantly influenced by financial management practices; especially with regard to operational efficiency, a substantial direct influence persisted. The indirect impact was statistically non-significant, which suggested that possible mediation via operational efficiency was unlikely. This implied that, with little regard for operational efficiency, financial management practices had an essentially direct effect on financial performance.

CONCLUSION

This research aimed to examine the intervening impact of operational efficiency between inventory and financial management practices and the financial performance of Baliwag, Bulacan's convenience stores. It indicated that the convenience shops extensively utilized inventory management practices, including vendor-managed inventory and demand forecasting, to maximize inventory levels. These techniques aided in reducing holding costs and achieving resource allocation efficiency.

Proper financial management practices were also important, as cash was managed well in day-to-day activities, alongside operational expenditures, enabling long-term investments. The expenses could be tolerated without a problem. However, challenges in budget adherence and expense control suggested areas for improvement.

In addition, the financial performance of convenience stores remained good, with positive results in aspects such as profitability, sales growth, return on investments, and cost savings. They were operationally efficient by making generally quick decisions about work-related matters, which enabled smooth day-to-day operations.

From the analysis of mediation, it was identified that the financial performance of Baliwag, Bulacan convenience stores directly corresponded with inventory and financial management practices. It turned out that the mediation of operational efficiency did not matter. Instead, inventory and financial management practices directly affected financial performance, suggesting that enterprises practicing appropriate levels of stocks, accurately forecasting cash flow, and budgeting cash flow appropriately were likely to grow and be financially stable.

While operational efficiency was important for any business, the analysis implied that stores needed to improve their inventory and management strategies directly to achieve improved profitability, sales growth, return on investment, and reduced expenses. The lack of significant mediation was an indicator that operational efficiency was a supporting factor to management practices, not the other way around. Convenience store owners and managers were advised to view operational efficiency as a determinant of business effectiveness instead of a bridge between management practices and financial success.

Overall, the study confirmed that effective inventory management and financial management practices contributed to the financial performance and success of convenience stores. Firms that strategically managed their resources were able to sustain stability, reduce expenses, and increase profit margins. Further success could result from further refining financial control and improving inventory management.

RECOMMENDATION

Recommendations were the following with the conclusions and study findings taken into consideration:

1. Store managers should work on improving inventory management practices by focusing on improving demand forecasting and vendor-managed inventory. Regular training can ensure that advanced inventory management best practices are implemented to maintain optimal stock levels at the minimum holding costs.

2. The owners should preserve their budgets, keep track of finances regularly, and spend cash for financial management tools for accurate tracking and handling of expenses.

3. Managers must constantly improve day-to-day operations by promoting speedy decision-making and rapid problem-solving culture. Using lean management practices will help reduce waste and increase profitability.

4. Store personnel should adhere to standardized accounting practices, and management should put in place regular audits. This will identify areas where cost savings can be achieved and increase the overall financial accountability of the organization.

5. Convenience stores should utilize advanced data collection systems and software to facilitate accurate inventory tracking and real-time analysis of financial performance so that managers can make better decisions based on data-driven insights.

6. Convenience stores must continue to reinforce training programs that aim at improving inventory and financial management skills. Additionally, conducting performance reviews regularly and discussing them will help to motivate them to improve their productivity and align themselves with organizational goals. expenditures.

7. The managers should continuously improve day-to-day operations by encouraging the culture of quick decision-making and quick problem-solving.

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