DETERMINANTS OF FINANCIAL BEHAVIOUR OF MANAGERS OF SMALL AND MEDIUM ENTERPRISES: EVIDENCE FROM INDIA

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Abstract

This paper attempts to highlight the rationality in the financial decision making of the SME's financial managers that either leads to optimisation in financing activities of the SMEs or closures. Based on systematic review of literature various variables have been identified to study the financial behaviour of the managers of SMEs in India and a structured questionnaire have been constructed and studied on 257 Entrepreneurs/Financial Managers of SMEs in northern region of India, We found the relationship and impact of Demographics and Firm specific factors, Financial Attitude, Financial Knowledge and Financial Performance Measure on the financial management behaviour of the Financial Managers of Indian SMEs. The results reveal that financial knowledge is insignificant in terms of financial management behaviour of the manager and financial attitude is major component which governs the financial behaviour of the SMEs financial managers. Practically the results highlight the issue of financial rationality in the financial decision making of the Indian SMEs.

KEYWORDS- SMEs, Financial Behaviour, Qualitative Model, Financial Decision Making
JEL Classification- C20, G02

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1. Introduction

Small and medium sized enterprises (SMEs) have been popular to add significantly for the all-natural advancement a country. Nearly 95% of this corporations around the world are SMEs, plus they are the source of 60% of private employment (Ayyagari et al., 2007). SMEs play a vital role in preserving the economic health and wellness of developed and developing countries. In developing economies, SMEs focus on the static and effective face. Within the static front side, SMEs play a role in a country's production and generate work, although on the other front, they serve as a nursery to large organizations, supply the subsequent level pertaining to growing micro-firms, and in addition gives a contribution to the nation's GDP. India is one amongst the top emerging economies of Southeast Asia, and SMEs take into consideration 95% of the Indian Industrial Environment. In addition to this, SMEs provide occupation to an extremely huge and needy section of the society, and nurture international trade by promoting export and assisting and stimulating the nature of entrepreneurship. This kind of take noteworthy sociable and financial contribution of SMEs causes them to be one of the major drivers of Indian economy and motivates researchers to analyze these types of progress enablers in the framework of their financial progress and growth.

Definitely, SMEs own tremendous potential, and to control the total energy of the SME's, the financial environment of the SME sector must be studied extensively. Additionally, it is imperative to analyze modern day financing condition of Indian SMEs as even after adding 17% to India's gross domestic product, the data reveals that SMEs are struggling to get money for their growth and expansion (Allen et al., 2012; Dalberg, 2010; Klapper, 2006; Thampy, 2010). This plainly indicates that deficiency of access to fund is definitely the main reason SMEs will be underdeveloped. Perhaps, due to this we emphasise that financial behaviour is an ability to analyse and work rationally in the fields of finance and various traditional approaches to study finance in case of SMEs stresses on the capital structure, financing etc.

SME's in India as found out in the study done by (Kanojia et al., 2020) have been still following a neo pecking order theory in financing themselves this creates a knowledge gap between the entrepreneurs and big firms. They usually tend to follow their own funds majorly to rely on financing, this study can be further understood on the behavioural grounds only as the gap of knowledge shows that entrepreneurs/financial managers of SMEs might be facing a tendency to behave irrationally in terms of financing their firms. So, this paper tries to attempt to bridge the gap and tries to find out if the behavior affects the financial decision making of the entrepreneurs. The learning of human psychology in understanding the financial decision making plays a key role especially in case of the smaller size firms as there is need to understand the rationality of financial concepts and their applicability in the SMEs where there is huge resource differential when compared to large firms. Thus, objectives of the study are in line with the same gap in case of SMEs in India. The objectives of the study are as follows:

1. To study variables which are related to the suggested financial decision making practices and to identify whether financial knowledge, financial attitude and financial performance measure influence financial decision making behaviour of Entrepreneurs/Financial Managers of SME's.
2. To identify if the demographic variables such as Age, Investment, Turnover etc. influence the financial decision-making behaviour of Entrepreneurs/Financial Managers of SME's.

This kind of research is useful in two ways as:

1. Different measures of financial decision making, financial attitudes, financial performance measure and financial knowledge are used which have not been used on the small-scale entrepreneurs.
2. The various scales (financial attitude, financial knowledge, financial performance measure and financial decision making behaviour) and are designed and adapted according to Indian perspective to judge the behaviour related attributes of financial decision making.

This paper is an attempt to bring the concept of psychological framework regarding the various dimensions used to analyse the specific variables particularly in case of Managers who owns/manages finances of SME's. This study is a unique attempt as this kind of study is done with the various parameters regarding the SME Managers and there is hardly any seminal work being considered in this particular domain or frame work (SME in India). The study contributes in the understanding of the fact that attitude is the predominant factor in the financial decision making of the managers/owners of the SMEs in India.

2. Theoretical Framework

2.1 Financial Management Behaviour

There is an extensive literature on financial management behavior and other factors which are being used in the study the more relevant to this particular research have been used in this paper. Financial behaviour research verified, that financial education consistently calculates measures related to the monetary behaviour surrounding people. Some of the studies like that of (Potrich et al., 2016) concocted "diverse representation which are used to make use of economic knowledge, demonstrated that economic knowledge vis a vis economic attitude adverse comprise of the ability to settle on financial decisions that expansion riches and counteract vulnerabilities of businesses and people. These kinds of practices generate monetary assets, counteract over indulgence in debt, investment sequestration, and guarantee alongside real life potential." Majority of economical behaviour is challenged by (Grohmann et al., 2015) to be the ability to differentiate assets over numerous kinds of investment as various investment types are predisposed by its individual particular risk summary. Financial management behaviour is the main question pertaining to the particular situation of understanding the financial managers financial decision making this is why this particular variable becomes the dependant variable in our case.

The model used is constructed in a similar manner to the different researchers in the management field (Mugenda et al., 1990; Titus et al., 1989). This paper relied on, different inputs such as income, age, sales, financial knowledge and financial attitude used to identify the relational outcome on the output which is measured by financial management behaviour scale. Such data regarding the behavioural aspects of finance can only be gathered through a structured questionnaire as the financial behavioural anomalies can be hardly gathered through financial statements, moreover it is hardly published too.

2.2 Financial Attitudes

Limited studies have investigated on financial attitudes(D Godwin & Koonce, 1992; Godwin, 1994; Wilhelm et al., 1993), of the studies reviewed, only (Godwin, 1994) tested attitude as an independent variable, thereby testing the impact of financial attitudes on financial management. Additional research is required to discover whether the findings are generalizable to different dimensions of financial management behaviour. Other studies like (Godwin & Carroll, 1986) scrutinized attitudes as a dependent variable, with results not contributing to the understanding of its impact on management behaviour. The following hypotheses are built up on the same premise.

This study is basically an extension to study the behaviour of the managers/owners of the SMEs in context with their financial decision making and attitude can be an important factor in understanding the whole concept of decision making.

H_{01}: Financial attitude influences Financial Decision Making Behaviour of the Entrepreneurs/Financial Managers of SME's

2.3 Financial Knowledge

There are different definitions of this concept like rational theoretical knowledge in the field of finance with this viewpoint a multi-item index of knowledge was developed (Fitzsimmons et al., 1993; Mugenda et al., 1990; Titus et al., 1989). Financial knowledge – irrespective of the fact that how it has been defined and framed – it has shown to have a significant impact on financial management behaviour, more constantly, when multi-item measures are used as in previous studies.

(Mugenda et al., 1990) measured financial knowledge with an index of 22 items on various aspects of management, namely cash and credit management, insurance, asset growth, estate planning, and retirement. Analysis discovered that out of the 10 input variables, financial knowledge was the only one to impact people usage with recommended financial management practices. (Titus et al., 1989) used Mugenda et al.'s 22-item measure of financial knowledge and discovered an ample amount of effect of financial knowledge on management, both in terms of scale of the effect and its statistical significance. Moreover, financial knowledge was the second largest predictor of financial management.

Thus, previous researches have established a positive influence of financial knowledge on financial management behaviour, with deeper effects being found when broad measures of financial knowledge are engaged. Greater the amount of financial knowledge, greater is the possibility of employing suggested financial management practices. The following hypotheses are built up on the same premise.

H_{02}: Financial knowledge influences Financial Decision Making Behaviour of the Entrepreneurs/Financial Managers of SME's

2.4 Financial Performance Measures

(Bruwer & Watkins, 2010) in their study highlighted the performance measures are the factors that should support business managers in articulating enhanced knowledge about one's business. As per the study of (Fawcett et al., 1996) performance calculation must be given businessmen having a big view about his own business. Furthermore (Bourne et al., 2003) shared parallel outlook about performance measurement. It also indicates measuring external performance along with internal performance; determine what one has achieved in reference to what have to be achieved.

(Lusimbo & Muturi, 2016) discusses about record keeping otherwise called accounting is an imperative financial procedure that consist of footage of almost every business interaction for constant growth of business. It also incorporates the means in the direction of assembly, organize, position, dissecting, etc. of financial information of material for encouraging daily activities, preparation of statements, tax returns, internal information. Enterprises anticipate proceedings for the use of managers as supporter of scheduled activities, decision making, and details of planning and maintaining relations with other business partners. The discoveries of SME managers do not work because of their lack of knowledge on accounting in their own business. Study demonstrated, maximum SME proprietor employs untrained personnel to perform administrative and accounts related work which in return unable to keep proper account records, as a result, it gets difficult to calculate profits or loss. The decisions backed by accounting data and conviction drawn there from somehow remains missing in large number of SME's which are deficient in professional expertise. Keeping the scale of activity, capital allocation and operations, it becomes difficult for small and micro enterprises to create a professional structure with expertise in each function of management, so as to bring bottom line sustainable. The following hypotheses are built up on the same premise.

H_{03}: Financial performance influences Financial Decision Making Behaviour of the Entrepreneurs/Financial Managers of SME's

2.5 Demographics

Manager's experience, size of the company, age of the company, age of the manager and other firm specific factors are used by the authors to capture the impact of intangible factors on the SME financing (Rocca Espinoza & Duréndez Gómez-Guillamón, 2017) The results held in the study found out a significant relation in intangible factors and financing easiness in case of Peruvian SMEs. (Wiklund & Shepherd, 2005) in their study have found out that strategic orientation of the entrepreurs have been an important factor to judge the financial stability of the SME. (Abor & Biekpe, 2007) elucidated the information asymmetries that are there in the financial system that results in poor credit lending situation for SMEs they also suggested that how SMEs can give positive signals to banks for better credit evaluations. The following hypotheses are built up on the same premise.

H_{04}: Firm Specific Factors and Demographics influences Financial Decision Making Behaviour of the Entrepreneurs/Financial Managers of SME's

3. Methodology

3.1 Population and Sample

The research is of a quantitative nature exploring the effect of independent variable towards dependent variable to find out the causality of the independent variable over the dependent variable. Questionnaire is used to collect the data from the target population. Moreover, questionnaires were spread by using a personal approach and electronic approach (Google Forms). The convenience sampling technique is the transcendent and fastest method for acquiring basic data in light of the fact that the interviewees are known to the researcher. The researcher could distinguish 257 interviewees utilising this technique. This type of sampling is quite fruitful when gathering data over a larger geographical space and it is known to remove the researcher/respondent bias. The segregation of total responses is given in Table 1.

Table 1: Sample Size and rate of responses

Method of Data Collection	**Sample Size**	**Total Number of Respondents**	**Response Rate**
Researches managed (collected on the spot)	150	125	
Drop and Collect	50	5	
Google Forms	200	120	
Telephonic	20	7	
Total	420	257	61.2%

Source: Researchers Compilation

3.2 Variable Measurement

Questionnaire is divided into 5 categories Demographics', Financial Performance Measure, Financial Attitude, Financial Knowledge and Financial Decision Making Behaviour. Financial Attitude, Financial Performance Measure and Financial Decision Making Behaviour is graded using a scale from 1 (Strongly Disagree) to 5 (Strongly Agree) and Financial Knowledge is graded through a scale of 1 (True) and 0 (False). The Financial decision-making Behaviour Scale has been adapted from (Fitzsimmons et al., 1993; Godwin & Carroll, 1986; Porter & Garman, 1993) twenty three statements were taken for consideration rather than thirty eight statements that were used originally in the scale as other statements doesn't suit the purpose of the study. Financial Attitude scale have been adapted from ten statements that were used originally in the scale. Financial Knowledge scale have been adapted from fourteen statements were used from the original twenty-one statements of the scale. Financial Performance Measure scale is a self-structured scale of researcher based on the preliminary study conducted. Financial Performance Measure Scale has been self-constructed by the researcher. All the scales have been made on the basis of associated percentage to make the scale an interval scale so that it can be further used for quantitative analysis.

3.3 Statistical Analysis

Before testing the hypotheses by applying multiple regression analysis, reliability and data validity needs to be checked by using Cronbach coefficient of alpha for testing "reliability" and KMO measure of sampling adequacy and Bartlett test of sphericity for testing "validity". Cronbach coefficient alpha is used to ascertain the reliability of the data used in the scale and the statements correlation needs to be checked and consideration of a good reliability of the scale is based on the value of Cronbach alpha if it is close to 1 and minimum value which is required to work upon further testing is considered to be 0.7. If the value of Cronbach alpha for any scale lies below 1 that doesn't qualify for further analysis (Taber, 2018). Table 2 depicts the reliability analysis of the following study:

Table 2: Reliability Statistics of different Scales

S. No.	Scale	Cronbach's Alpha	N of Items
1	Financial Decision Making Behaviour Scale	.833	23
2	Financial Attitude Scale	.826	10
3	Financial Knowledge Scale	.705	14

4	Financial Performance Measure Scale	.612	10

Source: Researchers' Output

Measuring the adequacy of the sample is important to determine the knowledge variables, KMO is the degree between aggregate square of relationships and summation of whole square of connections and total of squared fractional connections. KMO's ideal study outcome must be higher than 0.5 (KMO > 0.5). Bartlett test is used to measure internal variable correlation that are used in the scale, value of test is used on the basis of chi square and can be tested if the value of data significance must be less than 0.05 (Significance < 0.05). In the study results and findings of Measuring sampling which is fulfilling both the criterion to take the study to do further analysis and for conducting the multiple regression.

Multiple regression analysis is a statistical tool that is considered to be a robust way to study about the relationship between independent variables and dependent variable. This gives researchers a deep insight into the relationship between independent and dependent variable, thereby enabling researchers to gain more data about the relationship to construct a powerful and accurate forecast of how things are behaving in their own way (Higgins, 2005). This study uses multiple regression to analyse the relationship between financial decision making behaviour, demographics, financial attitude and financial knowledge of Entrepreneurs/Financial Managers of SME's.

The regression equations that have been used in the following study are as follows:

Hierarchical Regression modality have been used where in the first stage the equations is formulated like:

***FMBMR = a + b_1(Demographics)**

In the second stage of hierarchical regression three new added variables are introduced and gave the final equation formulation like:

***FMBMR = a + b_1(Demographics) + b_2(Financial Attitude) + b_3(Financial Knowledge) + b_2(Financial Performance Measure)**

*FMBMR = Financial Management Behaviour

R value is the typical indicator to describe the correlation coefficient value and also gives an indication about the correlation of dependent variable and independent variable. R value is considered to be one of the measures the quality of prediction of dependent variable, i.e. it is used to describe the direction and power of the linear relationship between dependent and independent variable. Range is there between 0.1 to 1.

4. Results And Interpretations

4.1 Descriptive Analysis

A summary of the characteristics of the sample in the study has been conferred as follows. Majority of the respondents were male (65%). The period of the firms existence ranged from less than a year to 10 years or more out of which majority were from 10 years or more (26%). The categorization of the activity is based on manufacturing, trading and services out of which major responses were gathered from services (41%). Age of the manager is ranging from 10 years to 51 years and more in which most of the responses were gathered from the age bracket of 20-30 years (26%). Investment in the SMEs are categorized according to the definition by MSMED and most of the responses are being gathered from Firms investment up to 25 lacs in case of manufacturing/trading (13%) and services up to 10 lacs (35%). Maximum turnover which was observed in the data gathered is up to 10 lacs (23%). Preliminary analysis is based on the Pearson correlation which were run between the demographic variables and the dependent variable to check whether any of the demographic variables needs to be included as controls in hypothesis testing. Categorical variables such as activity, gender etc. are tested and found out that five variable Financial Attitude, Firm Period of doing business, Firm Manager/Gender of the manager, Activity of the business and Turnover of the firm are the variables which are significantly related to the dependent variable. Previous researches have studied the effect of financial attitude and financial knowledge as different regressors. Separate regression equations have been conducted on both the parameters but resulted in insignificant relationship between knowledge and financial decision making behaviour.

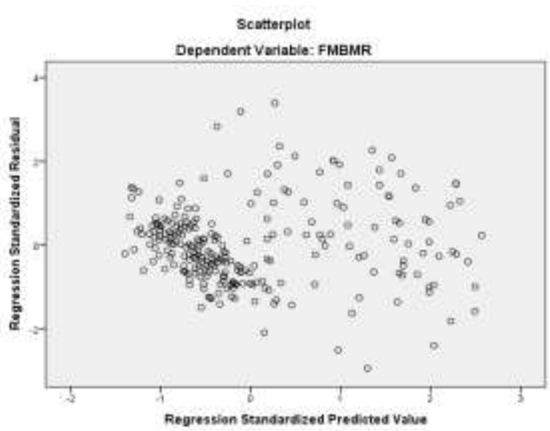
In this study hierarchical regression have been used in which other factors such as Firm's period of existence, Age of the manager, gender of manager, activity of the firm, Age of the manager, investment and turnover of the firm are entered in the first step and then followed by the financial attitude, financial performance measure and financial knowledge. Dummy variables have been created for the various qualitative factors which represents the demographics of the organisation so that the same can be used for the purpose of regression to be used in the further analysis. Demographic variables used in the analysis are Period of the Firm (Less than a year, 1-3 years, 3-

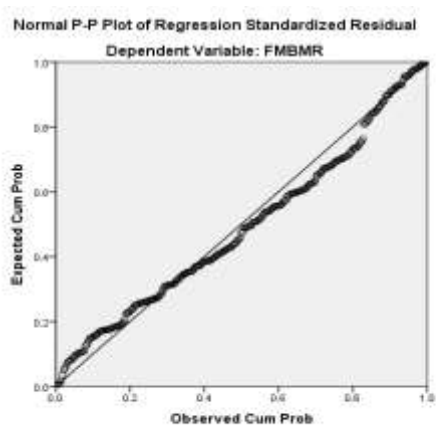
5 years, 5-10 years &10 years or more), Manager of the Firm/ Gender (Male Owner, Female Owner), Activity of the firm (Manufacturing, Trading and Services), Age of the manager (10-20 years, 20-30 years, 30-40 years, 40-50 years & 51 years or more), Investment in the fixed asset of the firm (Manufacturing upto 25 lacs, Manufacturing upto 500 lacs, Manufacturing upto 1000 lacs, Manufacturing more than 1000 lacs, Services upto 10 lacs, Services upto 200 lacs, Service upto 500 lacs, Service more than 500 lacs) and turnover of the firm (upto 10 Lacs, over 10 - 100 lacs, over 100 - 500 lacs, over 500 -1000 lacs, over 1000 - 2000 lacs, over 2000 lacs). Financial knowledge and Financial Attitude are converted to a summated scale for using them as predictor variable for regression analysis.

4.2 Interpretations

Hierarchical regression is used for the purpose of understanding the impact of the demographic variables and financial knowledge & financial attitude separately. This has helped in understanding the outcome in a better manner. VIF value is less than 10 and Tolerance is more than .1 in most of the cases the cases which have been indifferent have been reported and will not be taken for further study. It tests to see if the data met the assumption of collinearity indicated that multicollinearity was not a concern (Table 6.3). The data met the assumption of independent errors as Durbin-Watson statistic which comes out to be 1.808 is within the acceptable parameters as any value which is closer to 2 is considered to be within the requisite range.

The scatter plot of the standardised predicted value showed that the data met the assumptions of homogeneity of variance and linearity.





Source: Researchers' Compilation

Normal P-P plot suggests that the data contained approximately normally distributed as it showed the points that were not completely on the close but were very close to it resultantly, we can say that the data is normally distributed.

Using the hierarchical regression method it was found out that Demographics of the Entrepreneur/Manager of the firm explain a significant amount of variance in the Financial decision making Behaviour of the Entrepreneur/Manager {$F(22, 234) = 9.205$, $p < .01$, $R^2 = .464$, $R^2_{Adjusted} = .414$} (Table 6.2) in the first equation.

In the second equation of the hierarchical regression it was found out that Financial Attitude, Financial Performance Measure and Financial Knowledge of the Entrepreneur/Manager of the firm explain a significant amount of variance in the Financial decision making Behaviour of the Entrepreneur/Manager {$F(24, 232) = 20.128$, $p < .01$, $R^2 = .676$, $R^2_{Adjusted} = .642$} (Table 6.2).

The same interpretations where quite clear from the correlation matrix as well which signifies significant strong positive relationship between Financial Management Behaviour and Financial Attitude. This study has a very strong inclination towards attitude as a major driver in governing the financial decision making of the entrepreneurs/owners which in way points out the irrelevance of knowledge as an important which also suggests that SMEs in India are more behavioural biased rather have an orientation to gain knowledge or take rational decisions on the basis of perceived or learned knowledge.

Table 3: ANOVA Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	52.182	22	2.372	9.205	.000[b]
	Residual	60.296	234	.258		
	Total	112.478	256			
2	Regression	75.985	24	3.166	20.128	.000[c]
	Residual	36.493	232	.157		
	Total	112.478	256			

Source: Researchers' Compilation

Hierarchical regressions analysis for the first equation (Demographics) (Table 3) shows that firms which are in existence for more than 10 years significantly predict financial decision making behaviour ($\beta = .209$, $t(256) = 2.955$, $p < .01$), similarly gender (male owner) significantly predict financial decision making ($\beta = .164$, $t(256) = 3.273$, $p < .01$), Age group of managers/entrepreneurs also significantly predict financial decision making age group of 20-30 years ($\beta = .166$, $t(256) = 2.445$, $p < .01$) and age group 30-40 years ($\beta = .107$, $t(256) = 1.615$, $p < .10$), Investment is significantly related with the financial decision making at ($p < .01$) significance and Turnover is also significant at every dummy level at ($p < .1$) significance.

In second equation (Table 6.3) with the introduction of financial attitude, financial performance measure and financial knowledge are introduced into the regression resulting in firms which are in existence for more than 10 years significantly predict financial decision making behaviour ($\beta = .098$, $t(256) = 1.751$, $p < .1$), Investment in manufacturing is significantly related with the financial decision making at ($p < .01$) significance, Financial attitude very significantly predict financial decision making ($\beta = .617$, $t(256) = 12.301$, $p < .001$), Financial Knowledge is not at all significant in this particular setup of the study this shows that and Financial Performance Measure ($\beta = .061$, $t(256) = 1.518$, $p < .1$) influences but significance is at 10 % level which can't be taken into consideration for this behavioural study but the point of causality can be taken into consideration which shows a positive relation between financial performance measure and financial management behaviour this shows that it utilisation of financial measures impacts the financial management behaviour in Indian SMEs owners/managers.

Table 4: Final Hierarchical Regression Results for variables showing the impact on Financial Management Behaviour (N=257)

Model	Beta	t	Sig.	VIF
(Constant)		6.676	.000	
Firm Age 10 years or more	.098	1.751	.081***	2.243
Manufacturing upto 500 lacs	-.379	-3.772	.000*	7.235
Manufacturing upto 1000 lacs	-.380	-3.271	.001*	9.674

Turnover over 100 - 500 lacs	.113	-2.337	.020**	1.678
Turnover over 500 -1000 lacs	.106	-2.276	.024**	1.561
Financial Attitude	.617	12.301	.000*	1.802
Financial Knowledge	.000	.002	.998	1.156
Financial Performance Measure	.061	1.518	.098***	1.026

* Significant at 1%, ** Significant at 5% & *** Significant at 10%

Source: Researchers' Compilation

From the Table 4 the results from the second step of hierarchical regression is used which depicts there are chances of multicollinearity in Manufacturing Dummy variable but have been taken into consideration as the value is less than 10 and this could be the probable reason of highly significance in values of dummy variables of manufacturing firm specific component. The variables are thus stated but have of no use in the study. Apart from manager of firm ageing 10 years or more (mature firms) which is significant at 10% level of confidence and Manager of Firms Turnover of more than 500 lacs significantly impacts the financing decision behaviour of the manager. This clearly shows that managers of firms having more experience and firms' managers whom have high turnover significantly positively impacts the financing decision making behaviour and financial performance of the firm. Financial Performance measure variable significant at a very low level but impacts positively of the financing decision making behaviour of the manager of the firms. Financial attitude is highly significant and thus proves to be a dominant factor affecting the whole modality.

In Table 5, the summary of different hypothesis has been depicted that says Financial Attitude, Firm Specific Factors (Turnover and Age of the Firm) and Financial Performance Measurement only have significance in the present study. Apart from that other Firm Specific, Demographic and Financial Knowledge variables have no impact on the Financial Decision Making Behaviour of the SMEs managers/owners.

Table 5: Summary of Hypothesis

	Variable					
S. No.	Independent	Dependent	Hypothesis	Beta	Sig.	Information
1	Financial Attitude	Financial Decision Making Behaviour	H_{01}	.617	.000	H_{01} is accepted
2	Financial Knowledge	Financial Decision Making Behaviour	H_{02}	.000	.998	H_{02} is rejected
3	Financial Performance Measure	Financial Decision Making Behaviour	H_{03}	.061	.098	H_{03} is rejected
4	Firm Specific and Demographics	Financial Decision Making Behaviour	H_{04}	-.379	.000	H_{04} is accepted

Source: Researchers' Compilation

5. Conclusion & Implication Of The Study

Financial Attitude is the most dominant behavioural factor that affect the financial decision making of the owners/managers of the SMEs in India as that is clearly depicted in the above analysis which signifies that the prevalence of the financial theories and applicability of all the theories are almost futile and non existent in case of financial decision making in SMEs of India. This paves path to create more robust models in terms of financial literacy and awareness amongst this domain in Indian perspective. Demographics which are significant in affecting the decision making again portrays the concept of the same that as and when the company grows in to a big firm their managers/owners have greater impact on their financial decision making and hence they becomes more inclined towards gaining traction in the financial domain. Financial knowledge bearing no or almost negligible impact signifies that owners/managers have a tendency to play by the guts and are more behaviourally biased and tend to work by the attitude rather than based on the perceived knowledge of finance. This shows a gap between the decision making and can be an explanation of irrationality that can be explained with the behaviour in terms of external financing opportunity. Financial Performance which is a new variable being introduced can be studied further with financial knowledge to gain insights on the behavioural aspects of Financial managers in SMEs.

The results show that the impact of Financial Knowledge is negligible regarding the depiction of financial management behaviour which can be seen in previous researches' (Plakalovic, 2015) where it has been seen that financial knowledge is not a significant factor in determining the financial behaviour of management towards the firm therefore so in further researches it can be used as a moderator variable to gauge the attitude and behaviour relationship of mangers and there is a need to see the impact of knowledge converting into an effective financial performance measure that can be taken care of in further researches if conducted at pan India level moreover there can be more focused governmental policies can be facilitated in terms of increasing financial literacy in managers of SME's. Financial Performance measure's though it was not significant at the desired level of confidence still it can be a promising factor that can be studied further this shows the importance of various books and ratios used by the managers influences their behaviour. Firm specific factors though they are scattered in various terms and can change with the change in demographics so that is again needs to be addressed time and again to gauge the impact on financial behaviour but the attitude which is a predominant variable in our case gives a clear indication about the management behaviour of managers of Indian SMEs that they are bound to irrational when taking financial decisions and are guided by their attitude and not knowledge.

The major limitations with this study is due to financial and time constraints this study is predominantly limited to the northern part of India which cannot be an indication of the total SMEs situation in India and thus the results cannot be generalised, moreover the actual size of the population is because of the geographical limitation is not known to the researcher.

The scope of further research is very vast as the financial knowledge can be used a moderator variable or as an independent variable depending upon again the objectives of future researcher and financial performance measure can be used frequently to gauge the financial behaviour of the managers of SMEs in further research.

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