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“The impact of financial decisions on the institutions’ growth”

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Abstract:

The study's purpose is to enhance the institution's financial success by clarifying financial decisions. It also evaluatesthe impact of financial decisions on corporate growth, such as financing and investment. In Muadi Al-Jadedah Municipality, a study was conducted based on financial balance indicators and financial ratios to explain their relationship of influence during the last years. To characterize the study variables and assess the outcomes, descriptive and analytical methodologies are utilized.

Key words: Financial decision, Investment decision, Municipal growth, Municipalities

1. Introduction:

Today, there are numerous economic, social, and scientific developments. Institutions' interest in their financial and human resources has increased as a result of these developments. In order to address and adapt to the difficulties that surround them, the importance of financial performance and its improvement inside institutions has grown, as has the desire to achieve high financial performance because it is the foundation of the decision-making process. because everything that cannot be measured cannot be managed and thus cannot be controlled, the performance evaluation is also a basic requirement for the progress of any institution, whether industrial, commercial, or service, and the issue of performance appraisal in service institutions such as municipalities is one of the topics that has attracted the attention of many researchers in the field of management. Furthermore, the technological advancements that we are witnessing today necessitate institutions developing and organizing their operations in order to attain growth and stability. Each institution must consider the external environment in which it operates, whether in terms of opportunities or threats; it has become her responsibility to check her financial health, which she does by analyzing her financial performance.

Through a comprehensive analytical analysis of the financial position, financial performance evaluation is one of the most important scientific approaches for providing information that reflects the financial performance of the organization (Hassan and Bitar, 2020). Municipalities are major service organizations that play an important part in the local community's existence and offer inhabitants with services that improve their level of living through developing diverse economic, social, and cultural public services. and democracy, because towns' financial performance determines their ability to distribute resources efficiently, offer public services to local residents, and design appropriate development and development plans in response to changes, difficulties, and innovations in municipal activity. Financial decisions in the institution are among the most essential decisions made because of the impact they have on the institution. Financing and investment decisions are linked to financial decisions. Financing decisions are concerned with how to manage the necessary financial resources from available sources with the most appropriate circumstances and timing. Financing decisions can be made in the long term, short term, or medium term. According to the long-term financing choice, which is connected to financing non-current assets, the short-term financing decision is related to financing current asset investment, and the medium-term financing decision is relatedto medium-term financing of fixed assets in general. Once it relates to investment decisions, they relate to how the institution's financial resources are invested and divided among investments in order to maximize the institution's worth. We'll go over the following principles to help you grasp the many components of the study:

1- Financing Decisions
2- Investment Decisions
3- Institution growth

<u>1: Financing decisions:</u>

This role encompasses all decisions relating to assessing the influence of various types of financing, such as short- term or long-term financing, on the enterprise's value and profitability (Al-Hasnawi, 2015, p. 22.). The short-term funding decision is related to how to seek sources of financing with a one-year maturity and which the institution is obligated to return with interest, if any, within one year. Suppliers' enterprise. In the case of short-term bank credit, itis represented by money that the institution borrows from the banking system and is obligated to repay, plus interest,in less than a year. Those funds collected by the institution, whether by long-term borrowing, bonds or ordinary shares issued by the institution, or preferred shares with a maturity of more than seven years, indicate the long-term financing decision. Long-term funding costs vary depending on market interest rates, as well as the institution's reputation and financial position. Long-term loans and bonds are generally less expensive than other sources becausethey provide the institution with a tax savings, as well as the degree of risk to which the lender or bond holder is exposed, which is lower than that to which ordinary and preferred stock holders are exposed, because the return is commensurate with the risk, and the higher the risk, the higher the rate of return.

<u>1.2.: The main factors affecting the financing decision:</u>

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Given the variety of funding sources available to the institution, the institution has many financing options that mustbe weighed against one another. As a result, various aspects should be considered, including the following (Matar, 2006, pp. 287, 288.):

A- The costs of various sources of financing, such as the cost of each dinar from each source.

b- Appropriateness in the sense that the funding source is suitable for the purpose for which the funds are being used.If, for example, the purpose of the financing decision is to finance working capital, it is not advisable for the elementof financing it to be a long-term loan, but rather a short-term loan to keep the funds' expected cost to their own. If thepurpose of the financing option is to expand or buy an investment asset, it's best to fund it either through the owners or with a long-term loan.

c. Cash flow in the facility when making a decision, and the policies followed in its management. If this situation is difficult, the facility may be forced to exceed the cost factor and search for a long-term funding source in order to avoid pressure factors on cash flow in the future, and thus the maturity date becomes a key factor in such a case.

D- Tax advantages, because external sources of financing in general achieve tax savings that lower the expected average cost of money, which are not achieved by internal financing sources, on the basis that interest paid on loansis considered a burden that carries the profit of the enterprise, unlike distributions paid to the owners, and thus is notincluded in the tax calculation, which is considered controlling in such circumstances.

E- Restrictions imposed on the borrowing company by the lender, which are typically related to the guarantees granted, profit sharing policies, or restrictions on other sources of funding.

1.3: The Importance of financing decisions:

Financing decisions are those that are made to ensure to improve the use of capital in any organization. Financial decisions, such as the decisions to issue bonds, involve the liabilities and stockholders' equity sides of the balance sheet. Every organization must make a number of daily decisions in order to keep things running smoothly. All decisions are vital and crucial, from the purchase of assets to the sale of products, from the employment of workersto the dismissal of staff. Finance decisions, on the other hand, play a critical part in any organization. Planning entails understanding your country's economic situation and prospects.

Finance can be applied to influence a country's economic well-being, whether it is in a developing or developed country. It can assist rich countries maintain maximum growth, and it can change the face of an underdeveloped economy's entire financial situation by properly utilizing financial tools. Finance is one of those things that can't bereplaced, so make sure you use your money properly so that you may ensure your future.

2. Investment Decision:

Investment choice (Al-Hasnawi, 2015, p. 23.) is a financial decision that deals with how the firm's finances are invested in various assets. A long-term or short-term investment decision has to be made. A budgetary control strategy is a long-term investment decision that includes large amounts of long-term investments and is inflexible perhaps at a high cost. Cash flow decisions are short-term investment choices that determine a company's day-to-dayactivities. It includes decisions about cash, inventory, and receivables levels.

2.2 : Factors Affecting Investment Decisions:

A-Cash Flows of the Project- When choosing the best investment proposal, the series of cash receipts and paymentsover the life of the proposal should be evaluated and analyzed. B-Rate of Return- To choose the optimal proposal, take into account the predicted returns from each proposal as well as the risk associated. C-Investment criteria used-Capital budgeting techniques are used to evaluate the various investment plans. Which entails calculating the investment amount, interest rate, cash flows, and rate of return, among other things. It is necessary to consider the method to utilize for project evaluation.

2.3 : Features of the investment decision:

1- The enormous magnitude of the required investments, whether in the production or service sectors, and whether carried out by the government or private economic units, especially in light of the restricted resources that do not bear any excess or misuse.

2- Investment spending entails allocating a specific amount of money to fixed assets that are difficult to recover andthat represent fixed burdens that are difficult to modify or reverse in the short term if it is discovered that this spending is not sound after implementation, without causing significant loss.

3- There is a significant amount of uncertainty risk associated with investment spending since it necessitates

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generating estimates of projected returns over lengthy periods of time, and these risks increase as the period for which these estimates are generated grows longer. To make an investment decision, it must first be examined, andthere are various criteria that may be used to determine whether or not the investment would be lucrative.

2.4 : Factors that must be taken in consideration before making investment decisions:

The true long-term investment decision has a number of benefits, the most important of which are: 1.Investment Return (ROI) The advantage that the investor receives after deducting the cost of the investment is known as return on investment. It could come in the form of interest, dividends, or capital gains (an increase in the value of assets). The net after-tax income should be used to calculate the return on investment. The net after-tax return should exceedthe rate of inflation. Risk and return on investment risk are usually inextricably linked. Risk refers to the possibility of losing money due to unforeseen situations in the financial world.

2. Investment Period / Investment Term: The investment period is the length of time that the investment is held for, which might affect the return on investment. The investment can be made for a short, medium, or long period of time. Short-term investments must be held for one year or less, and long-term investments must be held for more than a year. Long-term investments, on average, outperform short-term ones. The length of the investment is determined by the investor's personal requirements.

3. Liquidity Cash is a liquid asset since it is easily accessible and can be used to purchase practically anything. As a result, liquidity refers to the ease with which an investment can be turned to cash. In the event of an emergency, some amount of funds should be set up in an investment that can be easily converted to cash. A savings account is more liquid than real estate since it is faster to convert to cash, but selling real estate takes time. Many stock marketshares are considered liquid because they can be easily sold to other market participants.

4. Taxation / Tax Implications: Tax is a government-mandated cost that citizens must pay. Tax rates vary dependingon the type of investment. In order to get a high net after-tax return, the investor must consider income tax implications. A solid investment must yield a positive after-tax return.

5. Inflation Rate: Inflation is defined as an increase in the price of basic goods and services over time, resulting in a decline in the value of money. The inflation rate is a percentage used to assess the growth in the average price of goods and services in the economy on a yearly basis. To overcome inflation and yield tangible returns, a successful investment should generate a 6 percent or higher interest rate. When the rate of inflation rises, customers' purchasingpower declines. A smart investment should generate a higher return on investment than inflation. Inflation has a favorable impact on some investments, such as real estate and stocks.

6. Volatility refers to the swings in market prices. A market is considered highly volatile if it experiences frequent swings or variations. Low volatility indicates a stable investment, market, or economy. Investors should analyze theswings in national and worldwide economic trends before making a decision. The quantity of returns that the investment provides will be affected by the level of volatility. Typically, market volatility is linked to investment risk.

7. Factors to Consider in Investment Planning:

When making investments, you should think about the safest options available. Even if certain investments have poor returns, they can be safer than those with greater returns. Look for possibilities with a proven track record ofsuccess. Divide your savings among the many investing options to reduce risk. It's also worth thinking about howinterest is calculated.

8. Budget: The investor's budget refers to the quantity of money he or she has. Unexpected costs must be factored into an investor's budget. Emergency funds, savings, and investments should all be included in the budget. Investorshave the option of allocating a portion of their spare funds to investments.

3. Institution growth: Various stakeholders with an interest in the company regard growth to be one of the desirable characteristics. Shareholders prefer corporate growth because it allows them to maximize their wealth, managers want growth because it allows them to increase their compensation, lenders because it ensures that their money willbe returned with interest on their due dates, and employees benefit from corporate growth because it allows them toadvance in rank and receive bonuses, and thus growth is considered sub rigueur

3.1 : The concept of Institution Growth:

The definition of growth is a point of contention among experts. Growth is defined by some as an increase in inputs, assets, property rights, and employment, while others define it as an increase in output, sales, profits, cash flow, andthe number of clients (http://www.toppr.com).

3.2 : Reasons for institution growth (Hana &Muhammad, 2015, p.23):

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It can be divided into two categories: 1-External reasons, which include strong demand, competitive pressures, andthe evolution of production art. 2-The internal motivations reflected in managers' aims, worker pressures, and wageworkers' demands for salary increases. The rise in the number of workers, the increase in the amount of production,and the profit are some of the metrics used to quantify growth. (AL-Dawi, 2011, p.58) Business number...etc.

3.3 : Forms of growth:

Growth can be classified into two sorts (AL-Dawi, 2011, p.58):1-Internal growth: This sort of growth allows business owners to always govern their organization because the institution finances and fulfills its growth requirements on its own, for example, by building new productivity capabilities. 2-External growth: involves the participation of many institutions and results in the transfer of assets from one institution to another. It can take theform of a group of institutions merging to form a single major institution.

3. The importance of studying

Financial performance is the criterion that determines the success of municipalities, as failure to achieve the required financial performance puts the municipality at risk. Because financial performance is a primary goal for all institutions, financial performance indicators can be used as basic indicators in the municipality's internal analysis process. Financial performance is a key technique that helps managers determine the municipality's overall level of performance, as well as one of its internal strengths. Good financial performance, on the other hand, helps the municipality meet the needs of its employees as well as residents in the surrounding community.

4. Literature review:

From the most current to the oldest, a number of past studies dealing with the study's dimensions will be mentionedin this section.

Data were collected from 12 A private insurance company operating in the Syrian insurance market for a study (Hassan and Bitar, 2020) titled "Factors Affecting the Financial Performance of Private Insurance Companies Operating in Syria," which aimed to study the effect of a set of factors influencing the cost of private Syrian insurance companies during the period One of the panel data models, the random effects model, was used to analyze the study data. The study discovered that (total written premiums, total investments, and inflation rate) all have a favorable impact on the financial performance of the insurance businesses analyzed, as measured by return on equity,and the results demonstrated that.

While the study (Al-Qadas, 2015) attempted to determine the factors affecting the financial performance of Jordanian industrial public shareholding businesses as assessed by return on assets and return on equity for the period2005-2011. As assessed by return on assets and return on equity from 2005 to 2011. The statistical program (E- VIEWS) was used to do this, and the study population comprised all companies, which numbered (73) companies, 8 of which were prohibited from trade, resulting in a study sample of (65). The study's findings revealed that the combined independent variables (company size, institutional investor, debt ratio, company age, percentage of liquidity, customer satisfaction, productivity, and degree of financial leverage) have a positive significant effect on the company's financial performance, and that there is a negative, statistically significant relationship between financial performance and the independent According to the survey, businesses should evaluate the influence of debton their financial performance, as well as the necessity to design and implement policies and strategies to keep customers

The study (Ahmaro, 2014), titled "Adjusting the financial performance of Jordanian municipalities through improving the financial system, an analytical study," aimed to identify the symptoms of weak financial control in Jordanian municipalities, as well as the role of systems that cover municipal performance as causes of these symptoms. To do so, the study looked at the symptoms of poor financial control that occurred in the Audit Bureau's annual reports from 2009 to 2012 and related them to weak systems that cause symptoms, as well as the articles of law and financial laws of municipalities. The study also discovered that the Municipal Law is deficient and confusing in addressing the rights of the mayor and municipality director, and that it grants the Minister of Municipal Affairs additional executive and supervisory authorities. The financial regulation reveals that municipalities in numerous regions are in violation of municipal legislation, and it was discovered that they lack sufficient accounting standards to improve financial management in the municipality. A well-defined regulatory and oversight structure that incorporates the finest local and international practices. The study also advised that the municipality form an internal control unit. While the study "The players that affect the financial status of the local government in Indonesia" (Ritonga, Clark, & Wickremasinghe, 2012) tried to uncover the factors that affect LGs' financial situations using supply and demand theory,, and the study used the quantitative research method, the study looked at seven factors as independent variables: population, population density, and the age profile of the community, the wealth of the community, and the wealth of the community. The study found that four factors (financial efficiency, cost of services and goods, population, and revenue-based) have a significant impact on LG's financial position, while the other three (population density, community age profile, and community wealth) do not, and that the central government, LG executives, and legislators can benefit as a result of the For Indonesian researchers, evidence for effective policy creation about LG's financial conditions will be enhanced, and as a result, the quality of decision- making related LG's financial management in the future will be improved.

5. Methodology:

Due to the nature of the study, which examines the elements that influence financial performance, the current study adopted a descriptive-analytical technique. Several advantages distinguish the descriptive-analytical approach, the most prominent of which are: (Al-Jadili, 2011) 1. It investigates the phenomenon's existence and appropriately depicts its qualities. 2. It is expressed statistically and qualitatively so that researchers can determine the scope of thephenomena and the degree to which it is linked to the study's factors, allowing them to draw conclusions that aid in the understanding and development of reality. The current study drew on two primary sources of data:
First, the subject of the study was covered by studying relevant Arab and foreign books, magazines, references,research, articles, and studies. Second, using the questionnaire created specifically for this study to collect data.

First: The study's population and sample:
The study population consists of workers from the Fuheis municipality, representing various functional levels. Thestudy sample consisted of a random sample of workers from the municipality of Fuheis, with a total of 50 workersfrom the municipality of Muadi AL-Jadedah

6. Research's tool:

The questionnaire is divided into three sections: Part one: demographic characteristics, such as name, gender, and educational attainment, as well as section Part two: The factors that influence the municipality's financial performance. The third is made up of a series of terms aimed at determining the financial performance of the municipality of Muadi AL-Jadedah

7. The Study Objectives:

We hope to accomplish the following goals through the research:
1. Exploring the significance of financial decisions.

2. Explore and clarify the influence of funding and investment decisions on the institution's growth, as indicated inthe institution's development.

7. Data Analysis:

In the present study, a range of statistical techniques such as frequencies, percentages, standard deviation, and meansis used. In addition, software is used to analyze the data. Table (1). Features of sample populations

Qualifications	**Gender (15) Males (35) Females**	**Percentage**
1.Diploma	31	62%
2.Bachelor's	18	36%
3. Master	1	2%
4.PhD	-	-

Some employees show different levels of agreeing with these decisions as it mentioned in table (2):
Table (2). Responsiveness to financial decisions

Opinion	**Numbers**	**Percentage**

1. agree with these decisions	35	70%
2. disagree with these decisions	15	30%

Factors which affects the financial performance in table (3):

The factors	Numbers	Percentage
1. The constant change of the institution laws	10	20%
2.The laws are understandable to the employee and it can help in the financial performance	12	24 %
3. The specialization in work lead to an effective financial performance and reduces costs	8	16%
4. Giving freedom for employee in institutions and positivity affects the financialperformance	6	12%
5.educing time that is required to complete the work affects positively the financial performance	14	28%

8. The results:

The study came up with the following answers to the research questions:

The study found that It is obvious from the above that there are elements that influence financial success in a different municipality, and this suggests that the sample members agree that a variety of factors influence financial performance in municipalities in general and in the Maadi AL-jadedah ddJmunicipality in particular. In general, theresponses were proportionate, and we may deduce from this that municipal employees believe that a variety of factors influence municipal financial success.

9. Discussion of the results:

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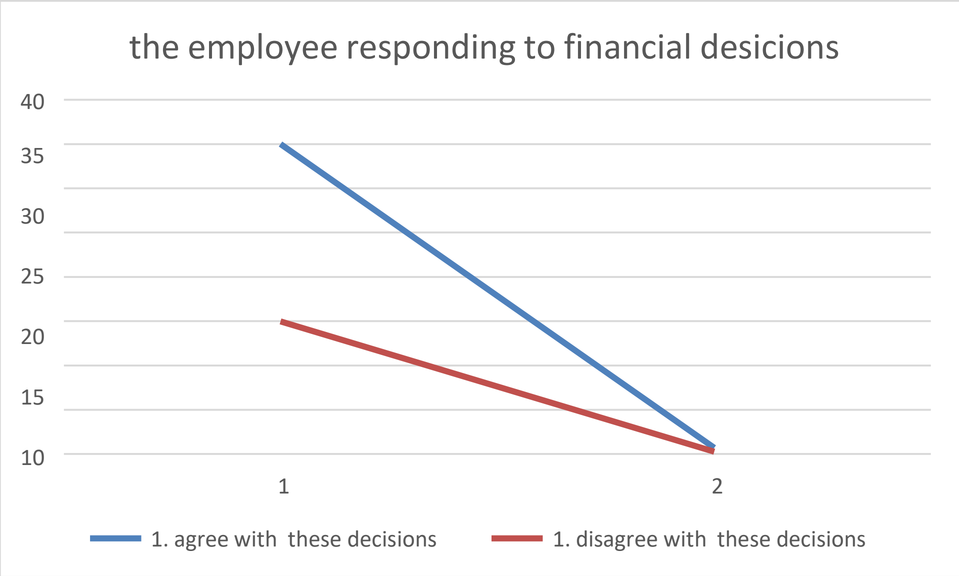

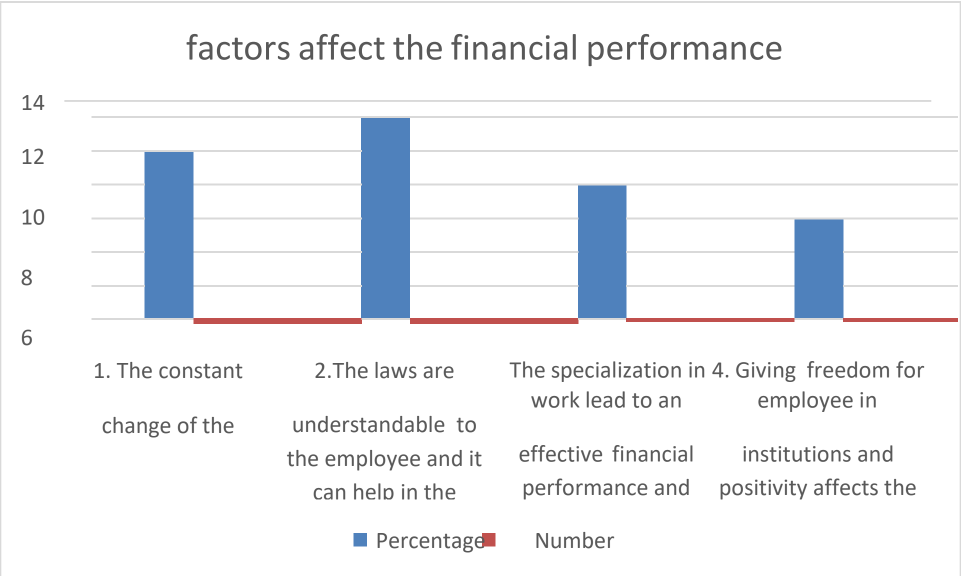

As shown in the tables above, there is an impact of laws and legislation on the financial performance of the Maadi municipality from the perspective of the workers, and this is widely accepted among the samplemembers because there is an impact of laws and legislation on the municipality's financial performance.

Furthermore. The workers' agreement that laws and legislation positively affect the financial performanceof the Fuheis municipality, and that this effect is high from their point of view, is based on the sample's overall positive attitude toward the questions.

Based on the preceding, we may infer that the municipality's personnel are correctly executing financial legislation and rules governing financial performance. They also state that the financiallegislation and rules that govern local income collection are appropriate for the nature of the municipalities' work, and that the financial legislation and laws that govern municipal expenditures are acceptable for the nature of the towns' work.

n terms of the impact of organizational variables on financial performance in the municipality, organizational factorshad an impact on financial performance in the municipality, according to the workers. We also draw the conclusion that organizational characteristics have a good impact on the municipality's financial performance.
We can conclude from the foregoing that employees perceive freedom to organize and plan, position the right man inthe right place, and define employee job performance as one of the most important organizational variables affecting financial performance in the Muadi AL-Jadedah municipality. The routine at work, as well as these characteristics, clearly have a good impact on financial performance.

10. Conclusion:

The following are the findings of the study:

The sample members agreed that there are numerous elements that influence municipal financial success. Employees agree that laws and regulations have a favorable impact on a municipality's financial success. The workers' agreement that organizational elements have a beneficial impact on the municipality's financial performance - there is a link between the variable of organizational factors and the municipality's financial performance.

Recommendations:

The author suggests that the reason based on the above results and analysis: That the municipality pay more attention to the most important factors that affect financial performance because of their positive impact, and that themunicipality develop policies through which the factors that affect financial performance are monitored to further improve financial performance in that the municipalities work on new strategies to improve financial performance, and take this into account when making any amendments or changes to those laws .

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