Financial Management Practices and Organizational Performance in Emerging Private Service Firms: Evidence from a Financial Advisory

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ABSTRACT

Financial management is a key component of long-term success but is not yet fully understood by small regional private service providers in india. The aim of this study is to examine how financial management affects the organisational structure, impact and effectiveness of financial management systems used in XYZ technologies private limited (XYZ), which provides financial advice and service and was founded in bhopal, india in 2022. Based on the following research questions, will XYZ have valid systems of support for operational sustainability and growth from their financial management systems based on their financial planning; liquidity management; cost control; working capital discipline; digital finance usage; and internal controls?. A questionnaire was distributed to 120 members of the organisation, consisting of 5 point likert scale items, as the basis for data collection. Purposive sampling, coupled with stratified convenience sampling, were employed to ensure representation of all functional areas (i.e., management, finance, operations, sales, and administration) of the organisation. In order to analyse the results, the researcher will use weighted mean analysis, percentage distribution, and composite variable scoring as methods of interpreting data. Findings: the relative strengths of the organisation indicated by mean digital finance adoption and internal control strength values of 4.0 and 3.9 respectively were significant. Areas for improvement included cash forecasting (mean score 3.4), receivables management (mean score 3.4), and adequate training (mean score 3.3). Working capital discipline was viewed as the single most significant factor by over 31.7% of respondents in determining financial performance. While the company has an operational finance foundation, it has not yet fully transitioned from process-based to analytic-based financial management. Other organisations with similar development levels should implement rolling cash forecasting systems, structured receivable aging dashboards and finance capabilities training, in conjunction with investing in digital infrastructure.

Keywords: Financial Management; Working Capital; Digital Finance Adoption; SME Performance; Financial Advisory; Internal Control; Indian Service Firms; Financial Planning

INTRODUCTION

Financial management occupies a central position in contemporary organizational theory and practice, encompassing the planning, acquisition, allocation, and control of financial resources in pursuit of sustainable value creation (Brigham & Ehrhardt, 2023; Van Horne & Wachowicz, 2010). While classical corporate finance literature emphasizes capital-market decisions, investment valuation, and long-term wealth maximization, the operational dimensions of finance—liquidity planning, working-capital control, budgetary discipline, cost management, and internal governance—exert equally decisive influence on organizational performance, particularly in small and medium-sized enterprises (SMEs) that operate without the resource buffers available to large corporations (Otoo, 2024; Jha & Mittal, 2024). India's rapidly evolving service economy provides a fertile context for examining these dynamics. The Indian IT and business-process management (BPM) sector generated estimated revenues of approximately US$ 283 billion in FY25, with exports accounting for US$ 224 billion (India Brand Equity Foundation [IBEF], 2025a). Beyond headline aggregates, a structural shift is underway: non-metropolitan cities increasingly contribute to service and technology-based economic activity,

enabling regional private firms to compete through digital delivery, lower operating costs, and specialized domain expertise (IBEF, 2025a). Yet expansion from regional bases demands rigorous financial management because growth often precedes cash realization, creating liquidity vulnerabilities even when market demand appears strong.

XYZ Technologies Pvt. Ltd., a Bhopal-based financial advisory and services company incorporated in December 2022, represents this emerging class of regional private enterprises. Operating at the intersection of wealth management, investment planning, insurance-linked solutions, mutual fund distribution, and customized financial consultation, the firm's business model is predicated on sustained client trust, relationship continuity, and advisory credibility. Such a model imposes particular demands on internal financial management: revenue may be variable and relationship-driven, while operational expenditures on personnel, communication infrastructure, compliance, and client servicing recur regardless of short-term revenue fluctuations. The firm's authorized capital of Rs. 15 lakh and paid-up capital of Rs. 1 lakh further underscore the importance of disciplined resource deployment at its current developmental stage.

Despite the theoretical and practical significance of financial management in such contexts, empirical research on this topic within young, regionally situated, advisory-led service firms in India remains limited. The preponderance of existing literature focuses on listed companies, manufacturing enterprises, or large financial institutions, leaving a discernible gap in understanding how financial management principles are operationalized in smaller advisory firms navigating growth, liquidity constraints, and digital transformation simultaneously. This study addresses that gap through a structured empirical investigation of financial management practices at XYZ Technologies Pvt. Ltd.

LITERATURE REVIEW

2.1 Theoretical Foundations of Financial Management

Author's foundational framework for this research comes from the authors' concept for financial management as both the planning, acquiring, and using of funds which all take place in a manner that enables value to be created while at the same time controlling risk (Brigham & Ehrhardt, 2023). This trinity—planning, acquiring, and controlling—are all applicable to the operational realities of a service enterprise with the need for continuous financial oversight versus a single period of evaluation driven by revenue uncertainty, recurring expenditure, and growth through relationships, where all aspects of service require funding to meet operational commitments. Additionally, Gitman & Zutter (2014) also argue that financial management reaches beyond the mechanics to include strategic allocation of resources and risk-adjusted decision-making, which is especially relevant for advisory firms that rely on funding to maintain their reputation and provide quality services. The Resource-Based View (RBV) of the Firm serves as another theoretical perspective that is consistent with the Foundations of this study. As financial management practices (e.g., systematic budget review, disciplined billings, clear authorizations, dashboards, accurate reporting) become embedded in practice, they become strategic capabilities that are valuable, specific to the context, and not easily replicated (Barney, 1991). In applying this perspective to this study it explains how two otherwise identical firms who occupy the same market may achieve different financial results, based upon their internal financial capabilities; therefore, the ability for growth to be converted into profitability is determined as much by internal financial capabilities, as by market position.

2.2 Working Capital Management and Firm Performance

The connection between the management of working capital and the profitability of corporations has been examined extensively in scholarly literature since the work of Shin and Soenen (1998), who found that net trade cycle efficiency is a strong predictor of firm profitability. Deloof (2003) added to this research by demonstrating that the collection, storage, and payment of receivables, inventories, and payables negatively impact profit levels of Belgium-based firms. This research indicated that funds contained within the operating cycle reduce profitability. While the original studies were conducted on firms in manufacturing, the primary finding—cash conversion efficiency affects firm profitability—applies strongly to service-type businesses that do not hold inventory and have uncertain and extended periods to collect receivables. In more recent studies of

the relationship between cash conversion cycles and firm performance, Kiymaz, Haque, and Choudhury (2024) confirmed that there is also a negative association between cash conversion cycles and firm performance, but the strength of the relationship depends on the component of the cash conversion cycle examined (receivables, payables, inventories) and the country in which the firm operates. Collection period management and discipline with respect to short term liquidity are priorities for firms operating in emerging markets. The nature of these unique operating conditions is particularly relevant for XYZ Technologies Pvt. Ltd., where the difference between payment cycles by clients, billing based on milestones, and irregularity in the generation of revenues creates unique working capital issues that have a fundamentally different structure from the working capital issues faced by manufacturing companies with physical inventories. Jha and Mittal (2024) note in their panel study on listed Indian Small-Medium Enterprises (SMEs) that trade-credit and short-term finance decisions significantly affect financial performance, but that long-term debt has an insignificant effect on performance, using the authors' model as a basis for this impact. The impact of these observations would be to support the view that small advisory firms utilize cash flow management and discipline in billing to achieve operational integrity more than they utilize their capital structure decisions to do so.

2.3 Financial Literacy, Digital Finance Adoption, and Performance

The positive relationship between access to financial resources and the strong influence of financial literacy on SME performance was established by Abdallah et al (2025). The study further concluded that while technological systems are necessary, the ability of individuals to use, interpret and act on financial information is the ultimate determinant for future success. For service-based businesses that are looking to grow, allocating resources to develop a digital financial system must concurrently include establishing formalized training processes, especially formalized processes for authorizing transactions and reviewing transactions by management, to provide continued benefits for performance.

In a more forward-thinking way, Akdogan (2025) illustrated a new, AI-based working capital strategy through the lens of how using advanced analytic technology enables businesses to maximize organizational value through the examination of how macroeconomic and microeconomic factors influence organizations based on their liquidity positions. Akdogan's work is representative of an emerging trend that is reshaping traditional financial management from a historic compliance function into an evolving strategic planning function, through which businesses can take advantage of digital technology. Evidence of this trend is supported by the India SME Forum (2025) state-of-digitalisation report, which cites that digital tools for invoicing, tracking expenses and reporting results are increasingly used by Indian MSMEs to improve financial transparency, however complementary governance policies will be required to sufficiently leverage the benefits of digital technology.

2.4 Financial Management in Small and Medium Service Enterprises

Otoo (2024) assessed the impact of financial management practices on the performance of SMEs and concluded that both working capital management and capital budgeting management had very significant influences on their performance; thus, Otoo's study will contribute to this study by broadening the framework from strictly accounting-based performance to broad organizational performance which includes efficiency, competitiveness, and operational resiliency. Currently, more than 55 percent of India's Gross Value Added (GVA) is attributable to the service sector, and it continues to grow (IBEF, 2025b); therefore, there is a large number of opportunities to create new businesses and face competition for private advisory firms as well. The literature and industry evidence suggest that service SMEs generally have a more difficult time making long-term capital investments than they do making short-term cash flow decisions and protecting their margins and maintaining operational continuity—those dimensions relate directly to the analytical core of this study.

2.5 Research Gap

The above reviewed literature points to an essential conclusion: effective financial management in SMEs is integrative, timely and decision oriented. Budgeting plus cash control is an incomplete exercise; reporting plus analytical interpretation is a weak exercise, and digital systems plus human capabilities produce variable levels of return on investment. However, there are still three gaps that need attention. First, most empirical research

has been based on publicly listed companies, manufacturing firms, and cross-country datasets, with little or no case-based research on financial management in early stage private service businesses in India's regional cities. Secondly, the literature typically does not address how the principles of financial management are operationalized in advice driven enterprises where there is a dependency on trust, ongoing relationship management, and commission based revenue models which result in unique financial behaviours. Thirdly, the combined impact of digital finance adoption, working capital prudence and employee capability on the perceived effectiveness of financial management in a single emerging entity has not received enough scholarly attention. This study seeks to address the gaps identified by providing theoretically based, empirical support for the case of XYZ Technologies Pvt Ltd.

METHODOLOGY

3.1 Research Design

A mixed-method study is utilized as it utilizes an exploratory and descriptive methodology with a causal orientation. This methodology is typical in applied research to provide a means to measure the different perceptions, detect trends, and infer the possible cause and effect relationships between their variables (Saunders, Lewis & Thornhill, 2019). The exploratory phase consisted of some initial conversations with employees, along with a review of secondary data, such as the organisation's records, the corporate web site, and other industry databases, in order to help identify the most relevant dimensions of financial management for further review. The primary analytical phase of the research design was descriptive in nature and relied upon the utilisation and description of the data obtained from the survey of respondents to provide a current description of financial management practices. In conjunction with having a descriptive phase, as established in the first two phases of this study, a causal component was established by evaluating the extent to which there is a theoretical and empirical relationship between the independent variables of financial management and the overall dependent variable of financial management effectiveness.

3.2 Population, Sampling, and Sample Size

XYZ Technologies Pvt. Ltd. is home to employees and managers who interact with financial processes (i.e., budget preparation, billing, expense approval, client payment collection, financial reporting, and system usage) from both direct and indirect perspectives; thus the target population includes every employee and manager who interacts with any of these processes. Specifically, 120 respondents were included in the study using purposive and stratified convenience sampling. With purposive sampling, the researchers ensured that all participants had a high sufficient level of experience with financial management processes; the purpose of the stratified sampling was to ensure appropriate representation from five functional groups (i.e., top and functional management [15%], finance and accounts [20%], operations [26.7%], sales and client service [23.3%], and administration and support [15%]) so that all functions were represented in this cross-functional study. This design is analytically significant because the efficacy of financial management in service organizations depends on the level of coordination between the various functions rather than just the activities taking place within the finance office.

3.3 Data Collection Instrument

A structured questionnaire that had the potential for self-administration (15 closed ended, Likert scaled items and 3 open end) was used to collect the primary data. The Likert items provided a five-point Likert scale of responding to the questions with 1 being, Strongly Disagree and 5 = Strongly Agree. There were seven independent variables that were grouped to measure how respondents perceived these dimensions of financial management. The seven independent variables measured were: Budget discipline, Cash forecasting accuracy, Receivables management, Working capital monitoring, Digital finance adoption, Internal control strength and Training adequacy. The overall financial management effectiveness as a dependent variable will be operationalised through perceived changes in the following areas: Liquidity management, Cost visibility, Reporting quality, Speed of decision making, Financial performance. Secondary data used were from academic journals, industry reports (IBEF, India SME Forum), corporate databases (Tofler, ZaubaCorp) and the corporate website.

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3.4 Measurement and Analytical Tools

To compute average ratings assigned to each Likert item by respondents within the context of weighted averages and composite variables, an interpretive framework was consistently applied to all ratings. Specifically, mean responses greater than 4.0 (above average) signify a positive attribute of the organization, a response from 3.5 up to 3.9 (average) suggests adequate performance, and responses less than 3.5 (below average) require management's attention. Respondent profile data also analyzed by means of percentage analyses, along with the analysis of dominant response patterns within each profile. Using mean values of composite scores created from related available items, thematic findings were drawn from multiple sources. The utilization of graphs (i.e., pie charts and bar graphs) was beneficial in representing distributions of data visually. It is important to recognize that response-driven perception analysis is subject to contextual specificity and is dissimilar to financial analysis as it does not have an equivalent to audited financial ratio analyses; however; for an organizational-type study of the size and nature of this project, evidence of perception accurately reflects the way financial practice was experienced, understood and acted upon by individuals in the enterprise.

Sampling Parameter	Details
Target Population	Employees and managers associated with budgeting, billing, cash flow, approvals, reporting, and related processes at XYZ Technologies Pvt. Ltd.
Sample Size	120 respondents
Sampling Technique	Purposive and stratified convenience sampling
Data Collection Tool	Structured Likert-scale questionnaire (five-point scale, 15 items)
Unit of Analysis	Individual respondent perceptions of financial management practices
Analytical Tools	Weighted mean analysis, percentage distribution, composite scoring, graphical methods

Table 1: Sampling Framework of the Study

3.5 Variable Operationalization

The independent and dependent variables, their descriptions, and hypothesized directional relationships are presented in Table 2.

Independent Variable	Description	Expected Relationship
Budgetary Discipline	Regular preparation, review, and variance control of budgets	Positive
Cash Forecasting Quality	Ability to project inflows, outflows, and short-term liquidity needs	Positive
Receivables Management	Billing timeliness, follow-up discipline, and collection effectiveness	Positive
Working-Capital Monitoring	Monitoring of current assets, liabilities, and cash cycle indicators	Positive
Digital Finance Adoption	Usefulness and acceptance of digital accounting and finance tools	Positive

Internal Control Strength	Clarity of approvals, documentation, authorization, and control checks	Positive
Training Adequacy	Employee capability to use finance systems and interpret reports	Positive

Table 2: Independent Variables and Expected Relationships with Financial Management Effectiveness

DATA ANALYSIS AND INTERPRETATION

4.1 Respondent Profile

To create a broad organizational representation, the final sample consisted of 120 respondents across five categories of functions. Thus, half of the total sample is split between operations (26.7%) and sales and client services (23.3%) since their outcomes have a direct impact on revenue realization, billing timeliness, and collection quality when analyzed. In addition to the specialist information provided by finance and accounting professionals (20%), the total sample also included cross-sectional representation from top and functional management (15%) and administrative and support functions (15%) for providing (cross functional) management oversight and operational grounding, respectively.

Functional Role	Respondents (N)	Percentage (%)
Top / Functional Management	18	15.0
Finance & Accounts	24	20.0
Operations	32	26.7
Sales / Client Service	28	23.3
Administration & Support	18	15.0
Total	**120**	**100.0**

Table 3: Respondent Distribution by Functional Role

A young business's experience profile is representative of its organizational experience, as 40% of surveyed individuals indicated they have only been employed for between one (1) year and three (3) years; 21.7% indicated they had less than one (1) year of employment; 23.3% had between three (3) ten five (5) years; and 15% had been employed for greater than five (5) years. This distribution shows a large proportion of employees who are still unfamiliar with their company's constantly changing systems, making the lower training adequacy scores noted in the following analyses an indication of lack of experience due to lack of time on the job..

Experience Category	Respondents (N)	Percentage (%)
Below 1 year	26	21.7
1–3 years	48	40.0
3–5 years	28	23.3
Above 5 years	18	15.0
Total	**120**	**100.0**

Table 4: Respondent Distribution by Length of Association

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4.2 Statement-Wise Likert Analysis

Core components of management of finance were measured with ten Likert Items and their response distributions along with the calculated weighted mean scores can be found in Table 5. Digital Accounting Tools were ranked highest of all items with an average mean of 3.98, followed by Internal Control Systems (3.92); Clarity of Expense Approval (3.78); and Utility of Financial Reporting for Managerial Decisions (3.78). Budgetary discipline (3.72), cost control (3.58) were both in the mid-range. Cash Forecasting (3.42); Collection of Receivables (3.38); and Adequacy of Employee Training (3.27), received the lowest scores and represent the areas in which attention needs to be paid to the capabilities of the Systems and to the operational discipline.

Statement	SD (1)	D (2)	N (3)	A (4)	SA (5)	Mean	Rank
Budgets are prepared and reviewed regularly	8	12	20	46	34	**3.72**	4
Cash forecasts are updated in a timely manner	12	18	24	40	26	**3.42**	7
Receivables are collected within expected cycle	10	20	28	38	24	**3.38**	8
Digital accounting tools improve financial control	4	10	18	40	48	**3.98**	1
Expense approvals are clear and disciplined	6	12	22	42	38	**3.78**	3
Working capital is monitored adequately	8	16	26	42	28	**3.55**	6
Financial reports support managerial decisions	5	11	25	44	35	**3.78**	3
Cost control measures are effective	7	14	31	39	29	**3.58**	5
Internal controls reduce errors and fraud risk	4	9	22	43	42	**3.92**	2
Employees receive adequate training on finance	15	18	30	34	23	**3.27**	9

Table 5: Statement-wise Likert Response Distribution and Weighted Mean Scores (N = 120)

4.3 Composite Variable Mean Scores

The mean scores for the composite indicate the consolidation of similar Likert items into specific themes (see Table 6). Digital Financial Adoption (4.0) as well as Internal Control (3.9) indicate that these two areas represent organizational strengths. The decision-making usefulness of Reports (3.8) and Budgetary Discipline (3.7) indicate some positive effectiveness; however, Cost Control (3.6) and Working Capital Monitoring (3.5) are very near to the level of acceptable performance. Cash Forecasting (3.4) and Receivables Management (3.4) have room for improvement. Training Adequacy (3.3) was identified as the primary development need in this study.

Financial Management Variable	Composite Mean	Classification
Digital Finance Adoption	**4.0**	Strength
Internal Control Strength	**3.9**	Strength
Decision-usefulness of Reports	**3.8**	Moderate

Budgetary Discipline	**3.7**	Moderate
Cost Control	**3.6**	Moderate
Working-Capital Monitoring	**3.5**	Moderate
Cash Forecasting Quality	**3.4**	Needs Improvement
Receivables Management	**3.4**	Needs Improvement
Training Adequacy	**3.3**	Needs Improvement

Table 6: Composite Mean Scores of Key Financial Management Variables

4.4 Most Influential Factor on Financial Performance

Table 7 indicates that respondents think the biggest single factor that has impacted their overall financial performance was working capital discipline (31.7%) followed by digital finance tools (24.2%), receivables management (18.3%), budgetary control (15%) and internal control (10.8%). This distribution shows that, overall, respondents view effective financial management as multi-faceted and collectively driven, while also indicating that liquidity is the most visible performance driver on a day-to-day basis at an organisation.

Factor	Votes (N)	Percentage (%)
Working-Capital Discipline	38	31.7
Digital Finance Tools	29	24.2
Receivables Management	22	18.3
Budgetary Control	18	15.0
Internal Control	13	10.8
Total	**120**	**100.0**

Table 7: Respondent Perceptions of Most Influential Factor on Financial Performance

4.5 Perceived Outcomes of Financial Management Practices

The five outcomes of financial management that respondents agreed with or strongly agreed are listed in Table 8. Cost visibility was the most frequently cited result (74%), followed by cash (71%), quicker decision making by managers (69%), a reduction in the time it takes vendors to receive payments from my organisation (66%), and less operational waste (61%).

The declining number of responses relates to the study results. Cost visibility is one of the few measurable results that can be attributed to digital reporting systems, which were previously rated as high-performing based on similar respondents' perceptions. Cash availability depends on the organisation's ability to forecast and collect receivables. Operational waste requires the organisation to have an advanced level of analytical financial-management operations, which confirms the study will need to continue its transition from procedural finance and analytical finance. Greatly improving financial management processes through analytical financial management will ensure a successful transition from procedural to analytical finance.

Perceived Organizational Outcome	Agree / Strongly Agree (%)
Better cost visibility	**74**
Improved cash availability	**71**

Faster managerial decisions	**69**
Reduced vendor-payment delay	**66**
Lower operational waste	**61**

Table 8: Perceived Outcomes of Effective Financial Management Practices

RESULTS AND KEY FINDINGS

The major findings of the study are synthesized below:

(1) XYZ Technologies Pvt. Ltd. has established a technological and governance infrastructure that is functional. Digital finance adoption (4.0) and internal control strength (3.9) are the only dimensions of financial management that have positive perceptions.

(2) Both the decision-usefulness of financial reports (3.8) and budgetary discipline (3.7) demonstrate moderate effectiveness, indicating that there are systems of planning and reporting in place but not yet fully institutionalized.

(3) Cash forecasting quality (3.4), receivables management (3.4), and training adequacy (3.3) all are below an adequate level and therefore are the three major areas needing focused managerial intervention.

(4) When asked what is the single most important determinant of financial performance, 31.7% of respondents identified working capital discipline as the most important determinant, supporting the theoretical primacy of proper working capital management for improving service firm performance.

(5) Effective financial management has resulted in improved cost visibility as identified by 74% of respondents and improved cash availability as confirmed by 71% of respondents. In contrast, lower operational waste is perceived by 61% of respondents to promote analytical maturity, which is not yet achieved in the organization.

(6) The findings support a characterization of the firm as being located in the transitional stage between procedural finance, defined as the recording, processing, and approval of transactions, to analytical finance, which is the use of transactional data to project risk, construct budgets, and make proactive decisions.

DISCUSSION

The results confirm the theoretical assumptions made in prior studies while also identifying some differences among the organizations which add further insight into our understanding of Financial Management in these emerging regional services. The digital finance adoption score is the brightest spot in the study. As noted by Akdogan (2025) and the India SME Forum (2025), all respondents see a real value proposition in digital technologies that enable financial processes. This indicates that organizations are ready to adopt more sophisticated practices (e.g. variance-trigger alerts, automated receivable reminders, rolling cash-forecast dashboards, and role-based approval workflows). However, the inadequate training score represents an important limitation, because benefits of technology will not be uniformly received by users, and without a structured capability development program, there is also likely to be no consistent outcome from using these systems due to differences in analytical capabilities. This finding is similar to the work of Abdallah et..al. (2025), which found financial literacy to be a moderator within the financial access-performance relationship for SMEs.

Respondents believe working capital discipline is critical in their management and concurs with prior research data compiled by Shin and Soenen (1998), Deloof (2003), and the 2024 Kiymaz et al., Cross-Country Study. For XYZ Technologies Pvt Ltd, working capital coexists in practice with theory. XYZ Technologies generates revenue through commissions and advisory fees. Because of the nature of these two revenue sources, they are both at risk of experiencing inconsistent billing cycles, delays in milestone payments, and extensions to their clients' credit terms; thus, creating the potential for a cash conversion barrier. While any company has monthly

salaries and overhead expenses regardless of how their collections perform, following up on receivables and timing cash will be of value to XYZ Technologies, strategically versus administratively.

Outcome perception mapping and operational waste reduction relate back to the distinction between first-order and second-order financial management outcomes. The evaluation of tangible outcomes such as knowing where money goes (1st Order) can be achieved through basic reporting discipline (standardized records) or digital recordkeeping (improved accuracy). However, second-order outcomes like reduced waste and improved efficiency throughout a system require behavioral changes, management review processes, and analytics for financial reporting. The research results demonstrate that this particular organization has captured its 1st Order benefits and has the potential to become 2nd Order successful, provided that certain gaps in planning (forecasting), collection policies, and training are resolved.

The strong internal controls of the company provide a positive indicator regarding the presence of a positive control culture, especially at an early-stage organization. This type of culture minimizes documentation gaps, duplicate authorizations, and misalignment of funding, all of which could lead to governance failures as the company gets larger and matures. However, the study warns that strong internal controls do not necessarily result in mature analytical financial management. Compliance based control systems will provide a necessary, but insufficiently exclusive basis for sustainable business performance. The next major developmental milestone for the business will be to transition its internal control system to one that can also produce exception based reporting, budget/variance analysis, and proactive liquidity alerts.

From the perspective of management practices, the above findings all point to an improvement framework with five priorities. One priority is to establish a consistent monthly rolling cash-forecasting system that accurately tracks historical receipt activity as well as committed payments, payroll, tax , and reserve. A second priority is to develop and implement a formal receivable aging dashboard with departments taking ownership for ensuring the appropriate follow up is taking place and rules outlined regarding escalation of collections to management . A periodic review of budget variances with appropriate action plans based on departmentally-specific issues should replace the current documentary-based review of budgets as a 3 rd priority. A fourth priority should be to provide finance capability training designed to improve an employee's ability to read and use reports, identify cost centers, and recognize the financial implications of their decisions. Finally, a concise management finance dashboard which aggregates liquidity, overdue receivables, budget variances, major categories of expenditures and any exceptions to any approvals , will facilitate the transition from historical-based to analytical finance .

IMPLICATIONS

7.1 Practical Implications

This study gives a number of useful insights for managers and other organizational practitioners in their respective areas of development. First, the stronger perceived view of digital finance as the most significant dimension of financial management suggests that investing in technology provides managers with a visible degree of internal legitimacy and user confidence in their organization's use of digital technology to achieve improved fiscal performance and greater governance capabilities. Second, the discovery of working capital discipline as the most effective method for improving performance suggests that advisory and service organizations should develop written policies regarding the collection of accounts receivable, assign responsibility for the collection of those accounts to individual departments, and establish formal cash flow forecasting processes before continuing their pursuit of more advanced methods of financial modelling. Third, financial institutions and regulatory authorities that support small and medium-sized enterprise (SME) development in tier-II cities in India should consider that building the financial management capacity of SMEs through the implementation of financial capacity-building initiatives (e.g., training programs, subsidies to develop digital accounting systems, and tools for managing accounts receivable) may offer greater opportunities to continue to make sustainable improvement the performance of SMEs than simply providing access to external sources of finance.

7.2 Theoretical Implications

This research theoretically has three contributions to the existing literature.

1. First, it builds upon the conceptual framework proposed by Shin and Soenen (2000) and Deloof (2002) to evaluate the working capital performance of a service firm operated under an advisory model in an emerging economy. In doing so, empirical evidence is offered demonstrating that this relationship is evident not only through accounting ratios, but also through managerial perceptions collected in real organizational settings.

2. Second, it provides case-based evidence in support of Abdallah et al.'s (2021) findings that financial literacy moderates the effectiveness of finance systems, while also adding a perception-based organizational dimension to what has primarily been examined through analyses of firm level performance.

3. Third, by developing a framework for the procedural to analytical transition of financial management the present study provides a new conceptual lens for evaluating financial management maturity in emerging private enterprises—it provides a distinction between compliance based financial systems and decision based financial systems in addition to providing a developmental route for advancing organizational development.

LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

8.1 Limitations

There are several limitations to this study. Firstly, it's an issue of single company research design and therefore the results may not be applicable to wider various companies, industries, and regions without further verification. Secondly, this study uses surveys as opposed to collected additional objective data such as financial statements or ratio metrics; surveys are appropriate for understanding how people perceive their own organization's financial management, but might not reflect how healthy an organization actually is financially. Thirdly, because the study was done at one point in time longitudinal data would be required to assess causation of the independent variables on effective financial management given the theoretical reasoning of currently published literature regarding how these variables are related. Fourthly, because the data structure model is a function of limitations of the access to organization proprietary documentation, the results should only be considered to be representative of the data structures and not to be considered as being absolutely validated by the organizations that provided the data.

8.2 Future Research Directions

This research identifies multiple directions for future studies. Additional comparative studies of tier II Indian cities with the data in this study could assist in developing contextually specific generalizability from the current results obtained. Longitudinal studies would provide empirical testing of the process-analytical transition framework by tracking the same firm throughout its financial development. In addition, a mixed-method approach that combines survey results, financial ratio analyses, and financial management interviews will enable richer triangulation of the determination of financial management effectiveness. Specific digital finance tools (cloud accounting, automated receivable dashboards, AI cash flow forecasting, etc.) should also be analyzed individually to determine any significant differences in their relationships with SME service sector financial performance outcomes. Lastly, comparison across sectors (e.g., financial advisory firms, technology-enabled service businesses, consulting businesses) in regional Indian markets will allow for a clearer understanding of whether the results of this study are sector-specific or more generally applicable.

CONCLUSION

Examining the financial management practices of XYZ Technologies Pvt., Bhopal, Madhya Pradesh, was conducted through the aggregate perception of 120 cross-functional respondents on functional digital finance infrastructure and positive internal control culture. However, there were also identified meaningful gaps in cash forecasting, receivable management, and employee financial competence. The primary driver of financial performance according to the study was working capital discipline, which was consistent with a significant

body of theoretical and empirical literature.This study identifies two different types of financial management, definitional distinctions between procedural (process-oriented) and analytical (data-focused), in terms of the conceptual framework of XYZ Technologies' transitional position along the spectrum between these two developmental stages. This study has a practical use because it examines not only what types of gaps exist within the organization but also what types of systematic changes are required to rectify those gaps. That is to say that systemic upgrades from a level of being process-based to behavioural routinisation; from transactional to anticipatory in terms of short-term cash flow planning; and from historical to exception-based in terms of providing relational support for decision making. For XYZ Technologies Pvt. Ltd., the implications are now very clear: there will be less opportunity for sustained performance improvement by simply acquiring more technology, but rather through the implementation of disciplined forecasting procedures, the establishment of structured collection procedures, the provision of employee training, and by having a formal integrated management review mechanism. Collectively, this study adds to the growing evidence that the quality of financial management is an important, if not the most important, organization capability in providing the competitive, trust-based environment needed to support Indian service entrepreneurship. In addition, it further establishes that for emerging regional firms, a company's internal financial discipline, or lack thereof, will not simply function as a "support area," but will be a fundamental factor in the organization's ongoing operational resiliency, client credibility, and long-term growth.

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