

Impact Of Strategic Financial Planning On Business Growth And Financial Stability: Evidence From Kichha, Udham Singh Nagar

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Abstract

Strategic financial planning (SFP) is increasingly viewed as a decisive capability that determines whether micro and small enterprises survive, stabilise, and scale. This study examines how SFP practices budgeting, cash-flow forecasting, capital budgeting, and financial record-keeping influence business growth and financial stability among enterprises operating in Kichha, an industrial tehsil of Udham Singh Nagar, Uttarakhand. Using a descriptive cross-sectional design, primary data were gathered from 120 enterprise owners and managers through a structured five-point Likert questionnaire, supported by verified secondary data on the district's MSME base. Descriptive statistics, Pearson correlation, and multiple regression were applied using SPSS. Findings reveal that SFP is moderately-to-strongly adopted and is significantly and positively associated with both growth ($r = 0.62$) and stability ($r = 0.58$). Regression results show SFP dimensions jointly explain 51% of the variance in business growth, with cash-flow forecasting and budgeting emerging as the strongest predictors. The study concludes that disciplined, forward-looking financial planning is a practical lever for enterprise resilience in semi-urban industrial clusters and recommends targeted financial-capability support for local enterprises.

Keywords: strategic financial planning, business growth, financial stability, MSMEs, Kichha.

Introduction

Micro, small, and medium enterprises (MSMEs) form the structural backbone of India's economy, yet a persistent share of them stagnate or fail because of weak financial discipline rather than weak demand. As on 31 December 2024, India had roughly 5.77 crore registered MSMEs across manufacturing, services, and trading categories (Ministry of MSME, 2025), with the sector contributing close to 30% of GDP, around 45% of exports, and providing employment to more than 20 crore people (Press Information Bureau, 2024; India Brand Equity Foundation, 2026). Despite this scale, financial planning at the enterprise level remains under-practised, and empirical studies repeatedly find financial mismanagement to be a leading cause of distress in the sector (Das & Mahapatra, 2021). Strategic financial planning the systematic process of forecasting, budgeting, allocating, and controlling financial resources toward long-term objectives offers a corrective mechanism (Pandey, 2015; Brigham & Houston, 2021).

Udham Singh Nagar is the most industrialised district of Uttarakhand, hosting more than 4,200 MSME units alongside large automobile and agro-processing industries, with Kichha functioning as one of its active industrial tehsils (Office

of the Development Commissioner [MSME], n.d.). Enterprises here operate within a competitive, vendor-driven ecosystem where liquidity shocks, seasonal cash flows, and limited access to formal credit can quickly threaten continuity. In such an environment, whether a firm plans its finances strategically or operates reactively may meaningfully separate growing and stable enterprises from vulnerable ones. Although a substantial body of research links financial management practices to firm performance, most Indian evidence concentrates on listed companies or metropolitan SME clusters, leaving semi-urban industrial towns like Kichha empirically thin. This study addresses that gap by examining, with primary survey evidence, how core SFP practices relate to business growth and financial stability in Kichha. Specifically, it asks whether enterprises that budget, forecast cash flows, evaluate investments, and maintain disciplined records report stronger growth and greater stability. By grounding the analysis in a defined local cluster and recent (2024–25) contextual data, the paper aims to generate actionable, location-specific insight rather than generic prescriptions, informing owners, lenders, and district industry authorities about where financial-capability interventions can yield the highest returns.

Literature Review

The relationship between financial management practices and firm performance is well established internationally and increasingly studied in India. Otoo (2024), using structural equation modelling on 117 small and medium firms, found that working-capital management and capital-budget management significantly improve organisational performance, positioning planning quality as a direct performance driver. Venkatesan (2024) similarly reported that financial management practices significantly shape performance measurement among Tamil Nadu SMEs. These findings echo the foundational working-capital literature: Deloof (2003) demonstrated that the way firms manage receivables, inventory, and payables affects profitability, while Gentry, Vaidyanathan, and Lee (1990) advanced the cash-conversion-cycle framework that underpins much subsequent work. Within the small-firm context, Ebben and Johnson (2011) showed that cash-conversion-cycle management is tied to liquidity and firm performance specifically in small enterprises, where financial buffers are thin. Gill, Biger, and Mathur (2010) provided early evidence that disciplined working-capital practices relate positively to profitability. In the Indian setting, Kumar, Sawarni, and Narayanasamy (2024) found that working-capital efficiency improves overall firm performance, and Sharma and Tripathi (2024) confirmed that working-capital components significantly affect profitability across Indian firms. Ahangar (2021) added nuance by showing the working-capital–profitability relationship in Indian SMEs can be non-linear, implying an optimal rather than maximal level of investment in liquidity.

Budgeting, a central pillar of SFP, has its own supportive evidence. Srbinska, Hristova, and Kazic (2023) argued that budgeting materially matters for SME survival and growth by improving resource allocation and control discipline. Complementing the planning literature, the financial-capability stream stresses the human side of planning: Abdallah, Harraf, Ghura, and Abrar (2025) found that financial literacy significantly enhances SME performance, with financial access strengthening that effect, while Kaur and Bansal (2020) showed financial literacy improves firm sustainability through financial access and growth. Conversely, Khimani and Singhal (2022) documented that limited credit access, weak working-capital management, and low financial literacy remain the dominant financial problems constraining

Indian MSMEs. Taken together, the literature consistently associates structured financial practices budgeting, forecasting, capital budgeting, and record-keeping with stronger performance and resilience. However, most studies rely on listed-firm secondary data or large metropolitan samples; primary evidence from small semi-urban industrial clusters is scarce. This study extends the literature by testing these relationships directly within Kichha's enterprise base.

Objectives

1. To assess the level of adoption of strategic financial planning practices among enterprises in Kichha, Udham Singh Nagar.
2. To examine the relationship of strategic financial planning with business growth and financial stability of these enterprises.

Methodology

This study adopted a descriptive, cross-sectional research design suited to quantifying the association between strategic financial planning and enterprise outcomes at a single point in time. The target population comprised registered micro and small enterprises operating in Kichha tehsil of Udham Singh Nagar, drawn from manufacturing, trading, and service activities that dominate the district's MSME base. A sample of 120 enterprises was selected using purposive-cum-convenience sampling, prioritising owners or finance decision-makers with at least two years of operational history so that growth and stability could be meaningfully assessed. Primary data were collected through a structured questionnaire administered in person. The instrument captured firm demographics and three latent constructs strategic financial planning (measured through budgeting, cash-flow forecasting, capital budgeting, and financial record-keeping), business growth, and financial stability each operationalised through multiple statements scored on a five-point Likert scale (1 = strongly disagree to 5 = strongly agree). Construct items were adapted from established financial-management performance scales to ensure content validity, and a pilot test of 15 respondents preceded full administration; internal consistency was acceptable (Cronbach's alpha > 0.70 for each construct). Secondary contextual data on the district's MSME base were obtained from government sources for the 2024–25 period. Data were analysed using SPSS. The analytical sequence moved from descriptive statistics (means, standard deviations, and frequencies) to inferential techniques. Pearson's product-moment correlation tested the strength and direction of association between strategic financial planning and the two outcome variables, while multiple linear regression evaluated the joint and individual predictive contribution of the four planning dimensions to business growth, with statistical significance assessed at the 5% level. This clear, staged design ensures that descriptive adoption patterns, bivariate relationships, and multivariate effects are each addressed in alignment with the study objectives.

5. Results

Table 1: MSME and industrial base — national and study-area context (2024–25)

Indicator	Value (2024–25)	Source
Registered MSMEs in India (Udyam + UAP, as on 31.12.2024)	5.77 crore	Ministry of MSME (2025)

MSMEs — Manufacturing / Services / Trading	1.18 / 2.01 / 2.58 crore	Ministry of MSME (2025)
MSME share in GDP / exports	~30% / ~45%	Press Information Bureau (2024)
MSME employment (as on 16.07.2024)	20.39 crore	Press Information Bureau (2024)
MSME units in Udham Singh Nagar district	4,200+ (≈4,500 industrial units)	Office of DC-MSME (n.d.)
Status of Kichha	Industrial tehsil of Udham Singh Nagar	Office of DC-MSME (n.d.)

Table 1 establishes the macro and local backdrop. Nationally, trading (2.58 crore) and services (2.01 crore) enterprises together account for roughly 80% of registered MSMEs, with manufacturing at about 20%, signalling a service- and trade-heavy structure. The sector's ~30% GDP and ~45% export shares confirm its economic weight. At the study level, Udham Singh Nagar's 4,200-plus MSME units locate Kichha within a dense industrial cluster, validating it as a representative setting for examining enterprise-level financial planning.

Table 2: Profile of surveyed enterprises (N = 120)

Characteristic	Category	n	%
Sector	Manufacturing	42	35.0
	Trading	50	41.7
	Services	28	23.3
Firm age	2–5 years	39	32.5
	6–10 years	51	42.5
	>10 years	30	25.0
Enterprise size	Micro	88	73.3
	Small	32	26.7

Source: Primary survey, 2025 (field data).

Table 2 shows that trading enterprises form the largest group (41.7%), followed by manufacturing (35.0%) and services (23.3%), broadly mirroring the trade-heavy national MSME structure seen in Table 1. A majority of firms (67.5%) have operated for more than five years, indicating an experienced respondent base capable of assessing growth and stability. Micro-enterprises dominate the sample (73.3%), consistent with the district profile, ensuring that findings reflect the financial realities of the smallest and most vulnerable enterprise segment.

Table 3: Adoption of strategic financial planning practices

SFP practice	Mean (5-point)	SD	Adoption level
Budgeting	3.81	0.58	High
Cash-flow forecasting	3.74	0.63	High
Financial record-keeping	3.69	0.66	Moderate–High

Capital budgeting / investment appraisal	3.32	0.74	Moderate
Overall SFP index	3.64	0.61	Moderate-High

Source: Primary survey, 2025 (field data).

Table 3 indicates moderate-to-high adoption of strategic financial planning, with an overall mean of 3.64 (SD = 0.61). Budgeting (M = 3.81) and cash-flow forecasting (M = 3.74) are the most widely practised, reflecting their immediate relevance to liquidity-sensitive small firms. Capital budgeting records the lowest mean (M = 3.32) and highest dispersion (SD = 0.74), revealing uneven use of formal investment-appraisal techniques. The pattern suggests enterprises prioritise short-horizon planning over long-horizon investment evaluation.

Table 4: Descriptive statistics of key constructs

Construct	Mean	SD	Min	Max
Strategic financial planning	3.64	0.61	1.9	4.8
Business growth	3.58	0.68	1.7	4.9
Financial stability	3.55	0.71	1.6	4.8

Source: Primary survey, 2025 (field data).

Table 4 summarises the three constructs. All means cluster between 3.55 and 3.64 on the five-point scale, indicating that, on average, sampled enterprises report above-midpoint planning, growth, and stability. Business growth (M = 3.58) and financial stability (M = 3.55) show slightly higher standard deviations (0.68 and 0.71) than planning (0.61), implying greater variation in outcomes than in practices. This dispersion in outcomes sets up the correlation and regression analyses that follow, where the planning–outcome linkage is tested directly.

Table 5: Pearson correlation matrix

Variable	SFP	Growth	Stability
Strategic financial planning	1.00		
Business growth	0.62**	1.00	
Financial stability	0.58**	0.66**	1.00

** $p < 0.01$. Source: Primary survey, 2025 (field data).

Table 5 reports significant positive correlations. Strategic financial planning is moderately-to-strongly associated with business growth ($r = 0.62$, $p < 0.01$) and with financial stability ($r = 0.58$, $p < 0.01$), while growth and stability are themselves strongly linked ($r = 0.66$, $p < 0.01$). All coefficients are positive and significant at the 1% level, confirming that enterprises practising structured financial planning tend to report both stronger growth and greater stability. The results provide preliminary support for both study objectives.

Table 6: Multiple regression: SFP dimensions predicting business growth

Predictor	β	t	Sig.
Budgeting	0.28	3.61	0.000
Cash-flow forecasting	0.31	4.12	0.000
Capital budgeting	0.19	2.41	0.017
Financial record-keeping	0.15	2.04	0.044

Model: $R^2 = 0.51$; Adj. $R^2 = 0.49$; $F = 29.8$; $p < 0.001$			
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Source: Primary survey, 2025 (field data).

Table 6 shows the four planning dimensions jointly explain 51% of the variance in business growth (Adj. $R^2 = 0.49$; $F = 29.8$, $p < 0.001$). Cash-flow forecasting is the strongest predictor ($\beta = 0.31$, $p < 0.001$), followed by budgeting ($\beta = 0.28$, $p < 0.001$); both are highly significant. Capital budgeting ($\beta = 0.19$) and record-keeping ($\beta = 0.15$) are significant at the 5% level. All coefficients are positive, confirming that each strategic-planning dimension independently contributes to enterprise growth.

Discussion

The findings collectively confirm that strategic financial planning is meaningfully associated with both business growth and financial stability among enterprises in Kichha, directly addressing the study's two objectives. The first objective assessing adoption is answered by Tables 3 and 4: enterprises display moderate-to-high overall adoption ($M = 3.64$), but the practice profile is uneven. Short-horizon tools such as budgeting and cash-flow forecasting are well embedded, whereas long-horizon capital budgeting lags. This asymmetry is intuitive for liquidity-constrained micro-enterprises, which prioritise day-to-day solvency over formal investment appraisal, and it aligns with Srbinoska et al. (2023), who positioned budgeting as the most accessible and consequential planning discipline for small firms, and with Khimani and Singhal (2022), who identified weak long-term financial discipline as a recurring MSME constraint in India. The second objective examining the planning–outcome relationship is supported by the correlation and regression results. The significant positive correlations (Table 5) and the regression model explaining 51% of growth variance (Table 6) indicate that planning is not merely correlated with success but is a substantive contributor to it. The prominence of cash-flow forecasting ($\beta = 0.31$) and budgeting ($\beta = 0.28$) as the strongest predictors is theoretically consistent with the working-capital and cash-conversion literature. Deloof (2003), Gentry et al. (1990), and Ebben and Johnson (2011) all established that disciplined management of liquidity and the cash cycle drives small-firm performance, while Gill et al. (2010) and Kumar et al. (2024) linked working-capital efficiency to profitability and overall firm performance. The Kichha evidence localises these broader findings: in a vendor-driven industrial cluster with seasonal and credit-sensitive cash flows, the ability to anticipate and budget inflows and outflows plausibly separates growing firms from stagnant ones.

The significant but smaller contribution of capital budgeting ($\beta = 0.19$) deserves attention. Its low adoption (Table 3) combined with its positive effect suggests an untapped lever: enterprises that do evaluate investments formally gain measurably, yet most do not. This resonates with Otoo (2024) and Venkatesan (2024), who found capital-budget management and financial practices significantly improve organisational performance, and with Ahangar (2021), whose non-linear evidence implies that disciplined rather than excessive financial investment optimises returns. The strong growth–stability correlation ($r = 0.66$) further indicates that planning's benefits are mutually reinforcing: stable cash positions enable reinvestment and growth, while growth strengthens financial buffers, an interplay also reflected in Sharma and Tripathi (2024). Finally, the human dimension of planning underlies these results. Abdallah et al. (2025) and Kaur and Bansal (2020) demonstrated that financial literacy and access amplify the performance benefits of

financial practices. The uneven adoption observed in Kichha particularly the capital-budgeting gap likely reflects capability and advisory shortfalls rather than disinterest. This points to a clear policy implication: targeted financial-capability programmes and improved credit access, delivered through district industry channels, could convert the latent planning gap into realised growth and stability for the cluster's predominantly micro-enterprise base.

Conclusion

This study examined the impact of strategic financial planning on business growth and financial stability among enterprises in Kichha, Udham Singh Nagar. The evidence shows that while planning adoption is moderate-to-high overall, it is concentrated in short-horizon tools, with formal capital budgeting underused. Strategic financial planning is significantly and positively associated with both growth and stability, and its dimensions jointly explain a substantial share of growth variance, with cash-flow forecasting and budgeting as the dominant drivers. The findings establish that disciplined, forward-looking financial planning is a practical and accessible lever for enterprise resilience in semi-urban industrial clusters. Enterprises should institutionalise budgeting and cash-flow forecasting while progressively adopting investment-appraisal techniques, and district authorities and lenders should prioritise financial-capability support and credit access for micro-enterprises. Future research could employ longitudinal designs and larger multi-cluster samples to strengthen causal inference and broaden generalisability.

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