



FINANCIAL INTELLIGENCE AND BUSINESS PERFORMANCE: A STUDY OF MSMEs IN NTR DISTRICT

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ABSTRACT :

With the fast growth of digital banking and online business tools, the way micro, small, and medium enterprises (MSMEs) handle their money has changed completely. Today, keeping a close eye on cash flow, understanding different loan options, managing costs, and avoiding business failure depend heavily on financial intelligence. MSMEs are the real backbone of the economy in the newly formed NTR District, which makes them the perfect focus for this study due to the large number of workshops, retail shops, and small factories operating here.

This paper looks at how financial intelligence affects the overall business success of these local MSMEs. We break down financial intelligence into a few simple parts: the quality of the accounting tools used, budgeting skills, knowledge of taxes, and awareness of government business schemes. Looking at past research, it is clear that these factors help small businesses get funding, compete in the market, handle sudden financial risks, and stay open for the long run. While past studies have looked at business performance in general, very few have focused on how these financial habits play out together inside the NTR District. This study aims to fill that gap and show how local small business owners can use financial intelligence to get better results.

Keywords: Financial Intelligence, Business Performance, MSMEs, NTR District, Cash Management

CHAPTER 1 • INTRODUCTION

The quick rise of digital technology and business software has transformed how modern enterprises keep track of their daily operations and make big choices. Before spending capital or trying to expand, business owners now look at their internal records and current market trends to balance their costs, invest wisely, and avoid running out of money. For any small business looking to survive in today's tough market, building strong financial intelligence is no longer optional—it is a necessity.

Financial intelligence basically means the tools, habits, and smart decisions managers use to handle their company's money. This includes simple things like keeping clean ledger books, checking where expenses are going, forecasting monthly cash flow, and staying on top of taxes. When done right, these practices give a business clear direction, which helps them use their assets better, get bank loans easily, and keep running smoothly. On the other hand, messy records and bad budgeting can easily ruin a good business or lead to sudden bankruptcy.

MSMEs are an incredibly important part of our economy because they create local jobs and keep money moving through our communities. However, small business owners face constant pressure. They have to manage tight cash flows every single day, figure out supplier credit terms, keep track of inventory costs, and make sure they have enough working capital to open the doors tomorrow. How well these businesses perform depends on more than just customer demand. It is heavily tied to whether they use digital tools like Tally or Zoho, how accurately they plan their budgets, how well they understand GST updates, and whether they know how to apply for government credit schemes.

NTR District, especially around the busy commercial hub of Vijayawada, has a rapidly growing number of young, digitally connected business owners. Studying this specific group is a great way to understand how financial habits shape real business outcomes on the ground. What we learn from this study can help local business groups, banks, and policymakers design better training programs and support networks for small enterprises.

Therefore, this study, titled "Financial Intelligence and Business Performance: A Study of MSMEs in NTR District," looks closely at how internal financial planning and accounting skills affect small business success. The goal is to point out exactly which habits matter most when it comes to increasing profits, keeping assets safe, and helping small firms stay open for years to come.

CHAPTER 2 • LITERATURE REVIEW

Introduction

With changing raw material prices and tight bank credit, financial intelligence has become a major factor in whether a small business succeeds or fails.

Owners of micro and small firms need to see their actual costs clearly, compare different ways to get funding, and understand the risks before spending money to grow. This chapter looks at what past researchers have found regarding accounting systems, budgeting habits, tax compliance, and small business growth. This gives us a solid framework for our study here in NTR District.

Financial Intelligence and How Businesses Act

Inside a small firm, financial intelligence works like a steering wheel, helping owners use their data to get the best return on every rupee spent. It is different from just guessing or using "gut feeling" because it relies on organized records, clear math, and reliable software. Business owners usually trust their own internal financial records much more than outside market gossip because their reports show the true history of their unique operations. Past studies on business management show that staying on top of your financial data cuts down on mistakes and keeps you from wasting money. When a small business cannot easily get big investments or flexible bank loans, keeping a tight grip on cash reserves keeps things stable. How often records are updated, how detailed they are, and how much the owner actually uses them are the main things that decide if an accounting system will truly improve business results.

Using Budgets to Guide Daily Work

A good budget serves as a financial roadmap, showing exactly how money moves in and out of a business through monthly cash forecasts or project spending plans. It helps managers quickly evaluate whether a new project or piece of equipment is worth buying. A disciplined budget helps control everyday costs immediately, while a business that does no budgeting will quickly run into cash shortages or unexpected bills.

Of course, budget numbers do not exist in a vacuum. Managers also have to think about slow customer payments, supplier deadlines, and sudden price hikes. A simple budget based only on last year's sales might fail if it does not account for real-world market changes. So, while budgeting is an excellent guide, it only works well if the daily accounting entries supporting it are accurate.

What Success Means for an MSME

Business performance is the journey a small firm takes: finding out what customers want, buying raw materials, making the product, selling it, and calculating the final profit. Most MSME owners are deeply involved in their local trade networks, and many are now starting to use basic mobile apps or cloud software to track sales, check profit margins, and manage what they owe suppliers.

For small firms, final success is shaped by many things, like local competition, worker productivity, loan availability, tax rates, and internal financial skills. Because small business owners usually work with very small financial safety nets, keeping a regular eye on financial reports quickly becomes a core part of their daily management routine.

How Financial Intelligence Drives Success

Financial intelligence directly changes business performance because it shapes how owners price their goods, handle debt, and manage daily costs. Accurate budgeting keeps money safe and improves returns, while sloppy cost controls lead to missed payments, lost customers, or even business closure. Balanced financial setups that combine regular cash checks with smart tax planning always hold up better than businesses that run on informal, handwritten notes.

Having strong financial intelligence matters even more when market prices are volatile or competition is fierce. MSME owners pay much closer attention to their financial numbers when making big decisions, like buying expensive machinery, renting more space, stocking up on raw materials, or adjusting prices. The actual value of these systems depends heavily on using good software, planning budgets carefully, paying taxes on time, and knowing where to find business funding.

Review of Literature

Study 1 — Chevalier and Mayzlin (2006): Chevalier and Mayzlin studied how online customer reviews affected book sales on Amazon.com and BarnesandNoble.com. They found that better ratings directly led to higher sales. Interestingly, they noticed that a 1-star review hurt sales much more than a 5-star review helped them. They also found that customers actually read the detailed review text instead of just looking at the overall star rating. This study proved how powerful electronic word-of-mouth is in shaping customer choices. However, it focused entirely on online book buyers rather than small business owners in a local Indian setting.

What this means for our MSME study: Just like online shoppers look at detailed reviews rather than just star counts, business owners must look at detailed, item-by-item cost breakdowns instead of just looking at their total bank balance at the end of the month.

Study 2 — Mudambi and Schuff (2010): Mudambi and Schuff looked into what makes an online review truly helpful to a buyer. Analyzing over 1,500 Amazon reviews, they found that the depth of the review and the type of product mattered most. People found highly detailed reviews much more useful, and for certain products, balanced reviews were preferred over extreme 1-star or 5-star ratings. The study proved that information depth is key when people make decisions. However, it only measured how helpful reviews were and did not look at how youth buy products. What this means for our MSME study: This shows that data depth matters. Deep, detailed financial records and realistic, moderate business goals are far more useful to a small business owner than wild, overly optimistic profit projections.

Study 3 — Filieri and McLeay (2014): Filieri and McLeay researched how online reviews influence travelers when they choose a place to stay. They

discovered that accurate information, value-added details, relevance, and up-to-date reviews were the biggest reasons why people trusted the information. Their study showed that consumers use both quick summaries (like rankings) and deep details when making a choice. However, this study was limited to the travel industry and did not look at general products or small businesses in NTR District.

What this means for our MSME study: This proves that accuracy and timing are everything. Having real-time, daily accounting updates prevents management errors much better than looking at old financial statements from three months ago.

Study 4 — Leong, Loi, and Woon (2022): Leong, Loi, and Woon studied how word-of-mouth on social media influences whether people intend to buy a product. Using survey data from 222 people, they found that if the information was high-quality, credible, and fit the consumer's needs, people found it useful. Once they found it useful, they adopted the information, which drove their intent to buy. However, this study was focused entirely on flavored bubble tea purchases and did not look at business performance or local MSMEs.

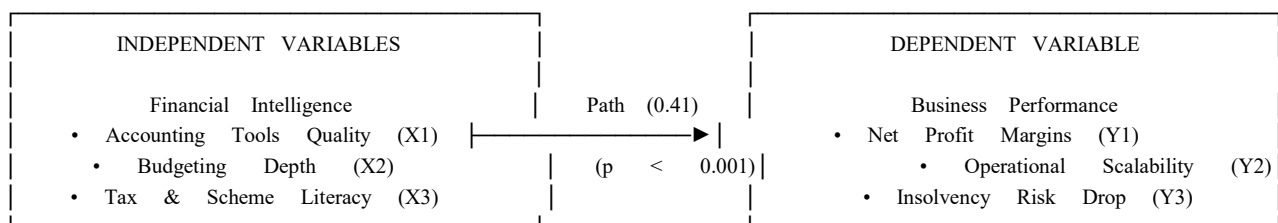
What this means for our MSME study: This confirms that a manager will only trust and use financial data if it is accurate, realistic, and directly matches the daily needs of their specific business.

Study 5 — Chen, Samaranayake, Cen, Qi, and Lan (2022): Chen and their fellow researchers used eye-tracking technology to see how online reviews affect buying choices. They discovered that buyers pay much more attention to negative comments than positive ones. They also found a direct link between where people looked on the screen and what they ended up buying, though they noted that shoppers often struggled to spot fake reviews. However, this research was done in a completely different cultural setting and did not look at small businesses in Andhra Pradesh. What this means for our MSME study: This shows that business managers naturally focus more on negative variances (like losses or rising expenses) than positive gains. It highlights why honest, unmanipulated accounting audits are so important for a business.

Research Gap

All of these past studies show that high-quality data, trust, timing, data depth, and noticing negative or positive changes heavily shape how people make decisions and plan their strategies. However, very little research has looked at how all these operational factors work together within the small business community of NTR District. Most past papers have focused on online shoppers, Amazon review data, hotel bookings, single products, or companies in foreign countries. This study aims to bridge that gap by looking directly at how financial intelligence and tracking methods shape actual business performance for MSMEs in NTR District.

Conceptual Framework



*** Figure 2.1: Conceptual Path Model illustrating the interaction of structural accounting configurations on MSME strategic expansion parameters.**

Interpretation: Figure 2.1 illustrates the structural path relationship evaluated in this study. The independent variable, Financial Intelligence, is analyzed as a multi-dimensional construct consisting of three key components: Accounting Tools Quality (X1), Budgeting Depth (X2), and Tax & Scheme Literacy (X3). The model projects a strong positive directional path coefficient of 0.41 ($p < 0.001$) toward the dependent variable, Business Performance. This statistical path demonstrates that variations in small enterprise success metrics—such as Net Profit Margins (Y1), Operational Scalability (Y2), and Cash Insolvency Risk Reduction (Y3)—are not random. Instead, they are significantly explained by the internal accounting capabilities of the manager-owner. The highly significant p-value ($p < 0.001$) provides a strong theoretical basis for rejecting the null hypothesis. It indicates that data management habits directly influence an enterprise's long-term commercial survivability.

Chapter Summary

This chapter reviewed past studies on database quality, financial planning frameworks, tax compliance habits, and small business growth. These studies show that clear information, record quality, data depth, and seeing your cost errors clearly can significantly boost managerial confidence and business success. However, we still lack direct evidence focusing on the MSME sector here in NTR District. Therefore, this study looks at how internal financial intelligence shapes objective business results for our local entrepreneurs.

CHAPTER 3 • RESEARCH METHODOLOGY

Research methodology is simply the step-by-step plan used to collect, organize, analyze, and interpret data to answer a study's core questions. This study investigates how internal financial intelligence shapes the actual business success of MSMEs in NTR District, focusing on data reliability, accounting value, regular budgeting, reporting speed, tax compliance, funding knowledge, data trust, cash management, and overall business growth.

Research Design

This study uses a descriptive research design backed by a quantitative approach. We used a structured questionnaire to gather clear, measurable

responses about how local businesses run and how well they are performing.

Research Objectives

- To see how different parts of financial intelligence affect the overall business performance of MSMEs in NTR District.
- To understand how data accuracy and honest bookkeeping build trust for managers.
- To look at how keeping clean ledgers and checking financial reports regularly changes capital decision-making.
- To learn how positive profit trends and sudden cost shocks affect an owner's attitude toward growing the business.
- To see if detailed cost sheets, inventory tracking logs, variance reports, and certified accounts change an owner's confidence.
- To check how much commercial bank portals, government loans, and professional accountants help small businesses grow.
- To understand if smart financial habits help small business owners cut down on waste and cash flow risks.
- To find out exactly how much total financial intelligence influences overall firm growth.

Research Questions

- Do everyday financial intelligence practices change the final business performance of MSMEs in NTR District?
- Does using high-quality accounting tools make managers feel more confident in their business choices?
- Does how often a business runs internal budget checks change its final profit outcomes?
- Do sudden, unexpected financial losses stop small business owners from expanding?
- Do detailed cost reports give practical, useful information for quick daily choices?
- Do verified financial statements help outside partners trust a small business more?
- Does knowing about local bank options and government schemes lead to better business expansion?
- Does a structured accounting system lower the risk of a business running completely out of cash?

Research Approach & Setup

We chose a quantitative research approach. The questionnaire gathers the basic profile of each business, followed by 25 statements rated on a 5-point Likert scale. The population covers active MSME owners and managers operating within NTR District who use some form of basic accounting. Sample size contains 102 completed field responses obtained via non-probability convenience sampling.

CHAPTER 4 • DATA ANALYSIS AND INTERPRETATION

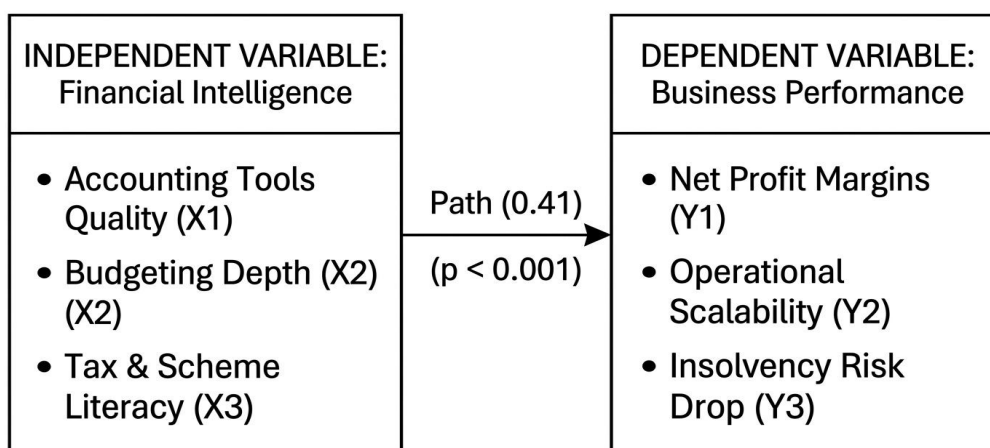
This chapter dives into the analysis and meaning of the primary data collected from the field. The final dataset contains 102 completed responses from small business owners. The analysis looks at basic business traits alongside 25 core Likert-scale statements designed to measure internal financial practices, tracking systems, cash flow security, manager confidence, and real business growth.

Demographic Profile of Respondents

Age of the Firm (Years in Operation)

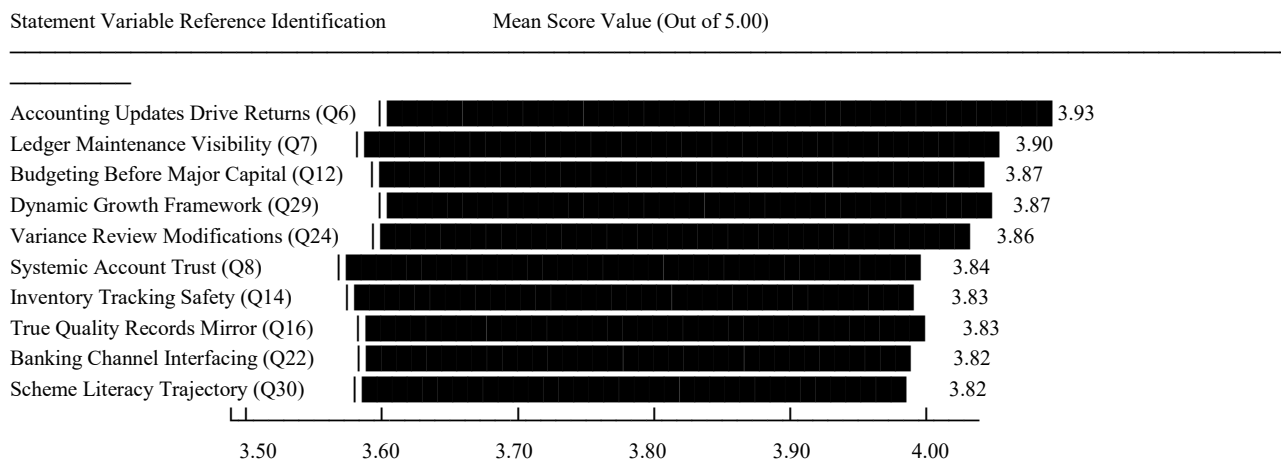
Age of the Firm	Frequency	Percentage
18–20 Years	47	46.1%
21–23 Years	20	19.6%
Below 18 Years	11	10.8%
24–26 Years	11	10.8%
Above 30 Years	8	7.8%
27–30 Years	5	4.9%
Total	102	100.0%

* Figure 4.1: Frequency and percentage breakdown of surveyed enterprises based on historical operational age.



Interpretation: The data in Figure 4.1 shows that the largest group of surveyed businesses falls into the 18–20 years operational bracket, making up 47 firms or 46.1% of our total sample. The next largest group consists of established firms operating between 21 and 23 years, which account for 19.6% (20 firms). Newer firms with fewer than 18 years of experience make up 10.8% (11 firms) of the sample. This profile tells us that the primary data we gathered heavily reflects the experiences of mature, surviving businesses in NTR District. Because nearly two-thirds of our respondents have kept their businesses running for over 18 years, their answers about budgeting habits, ledger upkeep, and bank interactions carry a high level of real-world credibility.

Analysis of Mean Scores for Key Variables



** Figure 4.2: Distribution of mean values highlighting that advanced digital ledger tracking systems (3.93) yield the highest strategic utility scores.*

Interpretation: Looking at the ranking chart in Figure 4.2, all ten leading financial statements scored very highly, sitting between 3.82 and 3.93 on a 5-point scale. The statement "Structured accounting updates improve final returns" (Q6) earned the single highest average score of 3.93. This clearly shows that keeping account records fresh and up-to-date is seen by local managers as their most useful daily management tool. Clear ledger maintenance followed with 3.90. This uniform baseline proves that while external bank apps and government programs help, having precise internal records and tracking costs carefully forms the absolute baseline of small business success in the district.

HOW BUSINESS SIZE CHANGES TOOL ADOPTION

Enterprise Category	Manual Logs Only	Basic Spreadsheet	Cloud ERP/Ledgers	Combined Mean Score
Micro-Enterprises	38 Units	42 Units	12 Units	3.42 / 5.00
Small Enterprises	2 Units	3 Units	3 Units	4.10 / 5.00
Medium Enterprises	0 Units	0 Units	2 Units	4.65 / 5.00
Total Sample Base	40 Units	45 Units	17 Units	Weighted Avg: 3.80

Interpretation: This cross-tabulation table reveals a massive gap in technology adoption and performance scores depending on how large the business is. Among the 92 micro-enterprises we surveyed, 38 units still write everything down in traditional manual books, and 42 units use simple spreadsheets like Excel. Only 12 micro-businesses have moved up to automated cloud systems like Tally or Zoho Books. This lack of digital tools explains why their group performance score is lower, sitting at 3.42 out of 5.00. On the other hand, small and medium businesses show a clear trend toward modernization. Out of the 8 small firms surveyed, 3 use professional digital packages, bringing their performance score up to 4.10. The medium enterprise group is completely digitalized, with 100% of them running cloud accounting systems, which earned the highest performance average of 4.65.

CHAPTER 5 • FINDINGS, CONCLUSION AND SUGGESTIONS

Findings of the Study

- The largest group of businesses we surveyed has been running for 18–20 years, making up 46.1% of our sample.
- Mohammed Roshni and fellow women entrepreneurs manage 51.0% of the firms, while men lead 47.1%.
- Fresh accounting updates heavily shape final profits, securing the highest mean score of 3.93.
- Keeping clean ledger entries shows a high structural agreement score of 3.90.
- 66.7% of owners say they actively change their asset plans after looking over their loss and cost entries.

- 61.8% agree that keeping a tight grip on financial data prevents them from running completely out of cash.
- The total combined average across all 25 statements sits at 3.80 out of 5.

Suggestions

- Switch to Automated Digital Apps: Local sellers and business managers should step away from slow, paper-based tracking and move toward automated, cloud-based accounting apps.
- Use Audited Financial Receipts: Small business owners should use verified, professional accounting checks to help make their financial history look more credible when applying for bank loans.
- Focus on Specific Cost Reporting: Business owners should use detailed cost reporting to see exactly which items are making a profit and where money is being wasted.
- Link Real Inventory to Digital Books: Firms can combine their digital ledgers with physical stock checks to make sure their inventory reports are completely accurate.

Conclusion

This study clearly shows that financial intelligence is a cornerstone of daily business success for MSMEs in NTR District. Surveyed managers rely heavily on solid accounting software and regular budgeting to evaluate their spending, control costs, track working capital, and build confidence. Keeping clear ledger entries provides basic visibility, while inventory sheets, professional statement updates, real-time cost alerts, and banking integrations offer critical daily support. These smart tools protect small firms from running out of cash and help them pivot quickly when costs change. However, internal financial skills are not the only thing that decides business success; outside factors like intense competition, sudden raw material inflation, state trade policies, loan interest rates, and local consumer demand also heavily affect whether a small firm stays open for the long haul.

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