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Understanding the Role of Financial Management Practices in Business Sustainability: A Survey of Local Retailers

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Keywords

Financial Management, Business Sustainability, Local Retailers, Financial Practices, Small and Medium Enterprises (SMEs).

Abstract

This research examines how financial management practices facilitate the sustainability of local retail businesses with reference to small and medium-sized retailers in Kerala, India. With the retail businesses experiencing more financial and operational pressure as a result of market fluctuations and regulatory changes, proper financial management is the key to long-term sustainability. This research is primary data-oriented with the help of structured questionnaires that are distributed to 427 local retailers in urban and semi-urban areas. Some of the major areas looked at are budgeting, cash flow management, inventory control and financial planning. Descriptive statistics and correlation analysis are used to analyse the responses to determine how financial practices influence the business sustainability indicators of profitability, cost control, and economic downturn resilience. The results indicate that retailers have formalised financial practices, particularly those who frequently check the flow of cash and have proper financial records, are more financially stable and flexible. Nevertheless, a large percentage of companies are not aware of structured financial planning and therefore have a problem managing their debt and optimizing their inventory. The research suggests that the targeted financial literacy programs should be implemented, digital adoption of financial record-keeping should be encouraged, and the policy should support the training of local entrepreneurs in fundamental financial skills. These are some of the areas that should be strengthened in order to make small retailers more sustainable and competitive, and thus help the local economies to be more resilient and create more jobs.

Introduction

Financial management is one of the core issues of local retailers to retain stability and to realize sustainable growth. In a dynamic business environment such as Kerala, budgeting, planning and record keeping are important to enable the retailers to react to the financial pressure and stay in the competition. Local retailers form the backbone of community-level economies by providing essential goods, supporting employment, and promoting social and economic cohesion. Despite their importance, they face increasing challenges in the modern business environment. From rapid digitalization to heightened sustainability expectations, many local retailers operate under pressure to adapt while managing limited financial and operational resources (Daulay& Hasanah, 2025).In the contemporary business world, sustainability has taken a different turn, incorporating financial sustainability, social responsibility, and business resilience. Financial management practices are crucial for SMEs in the retail industry to achieve their broader vision of sustainability. However, they are typically impeded in their ability to embrace sustainable practices due to technological illiteracy and financial illiteracy. The essence of digital adoption is financial and technological enablers, which, in turn, guarantee long-term business sustainability, especially in competitive markets, as asserted (Kurniasari et al., 2023).Sustainability in the modern business environment is no longer a matter of environmental concerns alone, but it is also a matter of financial stability, social responsibility and long-term business resilience. In the retail industry, financial management practices play a central role in the realization of this greater vision of sustainability of SMEs. Nevertheless, they are not always able to adopt sustainable practices due to the absence of technological preparedness and financial literacy

The sustainability of the business structures of retail networks depends on effective financial management of operating costs (Mustafina et al., 2021). The complexity of retailing activities is increasing, which requires formal cost management and accounting. The sustainable business models should be able to balance profitability with social and environmental responsibility. Grijalvo and Garc-Wang 2023), the models have to be adjusted by businesses of any size to survive. However, there is a tendency of ambition-action gaps among small retailers whereby sustainable objectives fail to be correlated with feasible actions.(Blom et al.,2023), The gaps undermine consumer confidence and progress in reality, especially when it comes to SMEs that do not have a strategic focus or specific resources.In order to eliminate these barriers, a combination of financial tools and technologies is required. Using the Technology, Organisation, Environment (TOE) and Resource Dependency Theory (RDT) frameworks, Lutfi et al. 2022) demonstrate that the implementation of Accounting Information Systems (AIS) enhances the resilience of SMEs, particularly during some disruptions. The technological change will assist the retailers in making better financial decisions, streamlining their operations, and developing adaptive capacity.In addition, human capital is also important in the sustainability of operations.(Hernita et al., 2021) emphasise the fact that insufficient innovation and poor employee training are among the causes of inefficiency in small businesses. Local retailers thus have to work on increasing the skills of their workforce and use the institutional support to build stronger and more sustainable business practice

Financial planning is also very important strategically (Gleissner et al., 2022), demonstrating that well-crafted financial systems help to avoid risks and achieve long-term development. Retailers who manage risks beforehand and manage cash flow well are more prone to survive during volatile market situations. Simultaneously, retailers are being pushed to conform to the model of the circular economy. (Munteanu et al. 2024) note that the lack of standardized financial measures in the context of a circular economy makes it difficult to measure impact and returns on investment. Unless backed up by clear financial planning, retailers might not be able to balance between eco-friendly practices and profitability. Financial literacy is another one of the most important issues. (Abdallah et al. 2024), retailers often have low levels of financial knowledge, which is why they cannot budget effectively, make bad investment choices, or even grow. Enhancement of financial capacities might be one of the sources of operational resilience and sustainable development.(Bakare et al., 2024) also, say that there should be more robust internal systems, including human resources, administrative controls, etc., which will be the foundation of efficient financial management. Retailers tend to be informal, and this limits their chances of expanding or resisting external shocks. (Deligero and Ballados, 2025) Financial management, particularly in food retailing, results in failures in times of inflation and liquidity shortages. This highlights the importance of proper financial planning by small retailers to guarantee survival in the long run. The above insights combined help to highlight the importance of financial management in empowering local retailers to attain business sustainability. It aims at providing a concise discussion of budgeting, planning and other practices of local retailers. This paper seeks to explore the effects of financial practices on resilience, profitability and sustainable growth of small retailers in dynamic and, in many cases, resource-scarce environments.

Objectives of the research

- To analyse the trends of financial practices uptake of budgeting, cash flow, inventory and planning among retailers in Kerala.
- To evaluate the correlation between financial management and sustainability factors such as profitability, cost control and ability to survive in down turns.
- To analyze the challenges encountered by local retailers in adopting systematic financial planning
- To determine the significance of the record-keeping process and the periodic monitoring of cash flows in terms of the financial stability and flexibility.
- To assess how financial literacy levels influence the adoption of structured financial practices in local retail businesses.

1.1. Theoretical framework

The theoretical framework is the basis of the comprehension of financial practices on the sustainability of business. It assists in connecting such important concepts as financial resources, planning, and stability with the long-term business outcomes. Resource-Based View (RBV),which states that internal financial resources, including proper budgeting, correct financial statements, and cash flow analysis, are crucial to long-term sustainability. Hamzah (2025) argues that SMEs that have good internal financial practices are in a better position to deal with fluctuations and pressures in the market. Financial management in this regard is considered a strategic internal resource which helps in cost control, profitability and survival during economic recession.Contingency Theory is another framework that supports this framework since it argues that the effectiveness of financial practices is determined by their fit with the external environment. Pacheco-Cubillos et al. (2024), organisational strategies have to be aligned with the contextual issues such as market conditions, availability of resources, and infrastructure. The one-size-fits-all approach does not work in the case of retailers in the urban and semi-urban areas of Kerala. The local challenges have to be addressed in financial practices to be effective.

The research also relies on the Stakeholder Theory, according to which the business practices should be aligned with the interests of important stakeholders. According to Kumar and Singh (2022), ethical and transparent financial management reinforces the relationship with customers, suppliers, and regulatory agencies. Such trust-building practices play an important role in the sustainability of businesses in the retail business in Kerala, where informal relationships and community reputation are important aspects of business. Financial literacy is accepted as an enabling and mediating skill in the application of financial practices. Muigai and Mwangi (2024) note that most of the small business owners are not trained and aware of structured planning. Poor financial literacy may inhibit the management of debts and optimization of inventories. Thus, financial literacy development would be necessary to convert knowledge into practical business behaviors.At long last, the framework includes the acceptance of financial technology as a modern feature for enabling efficient practices. According to Agelyne and Musau (2021), the use of mobile applications and digital tools enhances both financial inclusion and operational efficiency. Thus, simple digital solutions are made available in Kerala to help with better recording and decision-making, especially for businesses that have still not applied these easy-to-use, digitized alternatives instead of manual processes.

Hypothesis

H1: Budgeting practices have a significant positive impact on business sustainability among local retailers.
H2: Cash flow management has a significant positive impact on business sustainability among local retailers.
H3: Inventory control has a significant positive impact on business sustainability among local retailers.
H4: Financial record keeping has a significant positive impact on business sustainability among local retailers.
H5: Financial planning has a significant positive impact on business sustainability among local retailers.
H6: Financial stability mediates the relationship between budgeting practices and business sustainability.
H7: Financial stability mediates the relationship between cash flow management and business sustainability.
H8: Financial stability mediates the relationship between inventory control and business sustainability.
H9: Financial stability mediates the relationship between financial record keeping and business sustainability.
H10: Financial stability mediates the relationship between financial planning and business sustainability.

Figure 1 conceptual framework shows how financial management processes, including budgeting, cash flow management, inventory control, record keeping and planning, have a direct and indirect impact on business sustainability. Financial stability is a moderating variable between the practices and long-term business results.

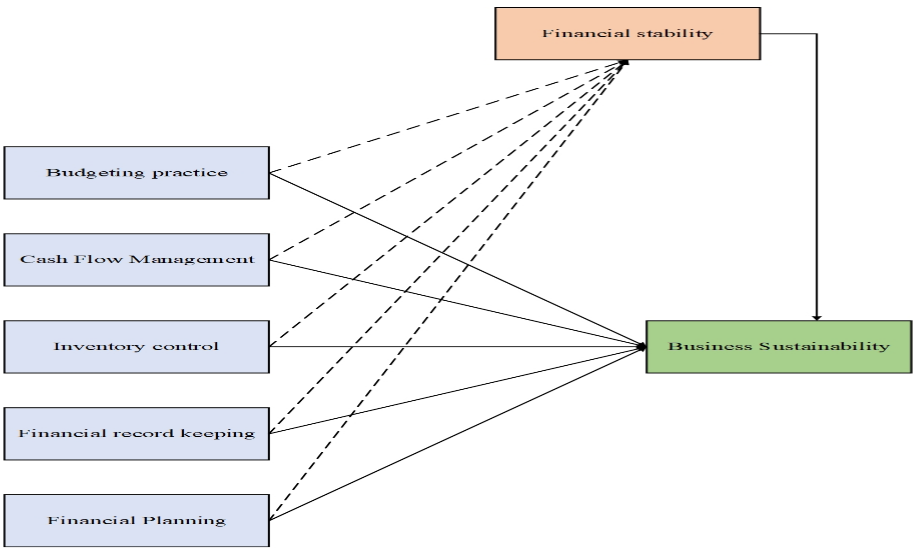

Figure 1: Conceptual Framework of the study

2. Literature Review

In 2022, Arvianto et al. [18] explored whether the ERP system of Odoo is implemented in minor retail outlets to enhance the efficiency of operations and data management. The research findings indicate that the implementation of ERP assists in the simplification of both inventory, finance, and sales procedures allowing traders to have a better understanding of their businesses. Along with the advantages, technical inexperience and change resistance were indicated as the challenges. Training and gradual adoption are key issues brought out by the authors to achieve success in ERP integration. The study focuses on the role of digital technology, e.g. Odoo, to enhance sustainability and competitiveness of small retailers.

In 2021, Kolte et al. [19] offered a detailed financial analysis of the Indian retail field with its modern issues and further evolution. The paper is an examination of important financial indicators, the nature of investment, and possible expansion in the industry. It points at how the change in consumer behavior, digitalization, and policy are changing financial sustainability. The authors suggest strategic fiscal planning and flexible business models that would allow survival in a volatile market and make sure of long-term growth. The conclusion help with valuable insights on bettering resilience and performance levels in the retail sector.

In 2024, Laktabai et al. [20] used the cluster-randomised trial as part of the TESTsmART project to study the influence of the financial incentive targeting both the consumer and the store within the retail medicine stores located in the western part of Kenya. It was the objective of the study to match financial incentives to increase good case management practices, encouraging proper provision of healthcare. Findings revealed that specific financial incentives enhance the quality of a retail health activity to modify provider behaviour and the consumer decision-making environment.

In 2024, Ramadan and Morshed [21]tackled how working capital management, specifically, could affect the success and growth of retail businesses and their involvement in the economy of the whole world. The article notes that proper management of receivables, inventory and payables results in liquidity and efficiency of the businesses in the retail industry in terms of operation. Their results reiterate the importance of bringing financial plans to be in line with operational objectives in order to enable retailers to work through the economic cycles to ensure the business maintains profits.

In 2022, Marginingsih[22] analyzed the economic strength of retail corporations' web-based operations during the COVID-19 pandemic, applying the Altman Z-score technique. The paper shows that a number of retail companies were hit by a strong financial hardship prompted by the decline in customer spending and a loss in the supply chain. Through the use of the z-score model, the study gets to know the firms which were in the greatest danger of going out of business. As this analysis shows, active financial management is the key during times of crisis. The findings will act as a lesson to retailers who need to enhance their financial strength.

In 2022, Tan [23]discussed how traditional retail financial practices are being transformed due to the high rate of development of such technologies as fintech. The researchers point out that fintech innovations like digital wallets, peer-to-peer lending, and the robo-advisor are coming along to disrupt the norms of how small retailers and consumers transact, manage, and invest with money. It maintains that what is happening to retailers as a result of this so-called fintech revolution is an situation in which they become more empowered thanks to the increased access to finance and the smoother way of running overall operations On the whole, the study gives a critical outlook on the role of fintech in transforming financial sustainability among retailers.

In 2024, Belas et al. [24] provided the analysis of SME sustainability through the analysis of the networks of interactions between human resource management (HRM), corporate social responsibility (CSR), and financial management. The research concludes that successful financial operations like budgeting, liquidity management and smart investment actually increase the sustainability of SMEs in the long term. It likewise points out the implications of responsible programs of HRM and CSR in terms of employee turnout and market credibility, which further encourage sustainable growth. The study supports the notion that sustainability is multidimensional and needs to be balanced in terms of both internal and external strategies

In 2025, Blessing [25] examined the effects of capital structure choices on the performance of the financial activities that occur in the retail industry, especially in the context of the emerging market. In this study, it has been noted that a combination of debt and equity funding is critical in identifying profitability and sustainability. Retailers that have an optimally structured capital position have a good competitive performance because they mitigate their financial risk and remain open to exploration of growth opportunities study reinstates the need for strategic financial planning in enhancing resilience and effectiveness of retail organizations.

In 2022, Ic et al. [26]proposed a hybrid decision-making model, the combination of AHP (Analytic Hierarchy Process) and modified VIKOR, that are used to assess the financial performance of retailing and wholesale firms. In their research, they formulate a systematic methodology through which various financial standards are ranked to enable companies to ensure that the areas which need to be improved are of high priority. This combination of the approaches would help the decision-makers with managing the competing financial measurements profitability, liquidity, and efficiency of operations. This strategy is especially useful when it comes to assessing performance in a competitive business climate of retailing and trading.

In 2022, Mandipa and Sibindi [27] discussed the effects of working capital management and its impact on the retail industry's financial performance. Their results,which are based on the South African retailers, imply that both good management of the inventory and the receivables bring about considerable growth in profitability. In the study, the researcher emphasizes the need to achieve liquidity and operational efficiency. It contributes useful information on the impact of financial management practice on the sustainability of retail operations.

3. Research Methodology

Research methodology is the systematic approach used to collect, analyze, and interpret data in a study. It outlines the methods, tools, and procedures applied to achieve the research objectives effectively. The research design used in this study is a quantitative research design to explore the contribution of financial management practices to the business sustainability of small and medium-sized retailers in Kerala. Structured questionnaires were distributed to 427 local retailers in urban and semi-urban areas to gather responses. Considering the increased financial and operational pressure on local retail businesses because of the market volatility, changing customer demands and regulatory environments, the study highlights the significance of objectively quantifying how well-organised financial processes enable businesses to survive through the years.The essence of the study is to determine how much the practices like budgeting, cash flow monitoring, inventory control and financial planning contribute to long-term viability. The research model aims at capturing the prevalence as well as the effectiveness of these financial strategies in the real-life business environment. Also, the mediating effect of financial stability in the connection between financial practices and sustainability performance, including cost control, profit retention, and flexibility in economic downturns, is investigated.

3.1 Data Collection Method

Structured questionnaires were used as a primary source of data gathering, and they were specifically developed according to the information provided in the previous literature and the main topics described in the abstract of the study. The survey instrument was tested and modified to make it clear and relevant to the local retail situation.The responses were collected among 427 retail businesses in Kerala (semi-urban and urban areas). The businesses were diverse; they included grocery stores, textile stores, electronic and hardware suppliers, as well as general merchandise vendors, which guaranteed a wide range of representation of the retail ecosystem. Purposive sampling informed the choice of respondents, with the focus being on owner-managers and key decision-makers directly involved in the management of financial aspects of their businesses.

3.2 Data analysis

Data analysis is the process of systematically applying statistical techniques to interpret and derive meaningful insights from collected data.The descriptive and inferential statistics were used to analyze the collected data. The financial practices embraced by the retailers who participated in the research were summarized using descriptive statistics (frequencies, means, and standard deviations) and a general overview of the trends observed in the sample was provided.Next, the correlation analysis was performed to examine the direction and the degree of relationships between the variables of financial management and the indicators of business sustainability. The paper has particularly looked at the relationship between structured budgeting, effective inventory systems, and the appropriate cash flow management with sustained profitability, expense control, and the ability to withstand market fluctuations. Such practices allowed the researchers to measure not only the direct impacts of financial practices on sustainability but also the indirect impacts that worked through improved financial stability.The quantitative results are discussed against the larger economic background in Kerala, where small retailers usually have very thin margins and little institutional support. In this way, the analysis offers practical implications and policy-relevant conclusions that are used to inform interventions to enhance local retail resilience.

4. Result

The responses received were tabulated and provided insight into the financial management practice which is adopted by local retailers. Here, the most prominent patterns and relationships were found in the data, and attention was paid to the links between the various financial behaviours and the sustainability of businesses. The result facilitates the description of the feasibility of structured financial planning in the day-to-day retail operations.

4.1 Demographic Profile of Respondents

The demographic profile in Table 1 of the respondents provides an interesting perspective on the composition of local retailers who participated in this study on financial management practices and business sustainability.

Table 1. Demographics Profiles

Categories		Frequency	Percentage
Age Group	Below 25 years	50	11.71
	26 – 35 years	75	17.57
	36 – 45 years	85	19.91
	46 – 55 years	97	22.72
	Above 55 years	120	28.09
Gender	Male	242	56.66
	Female	185	43.34
Retail Business	Grocery store	60	14.05
	Clothing / Apparel	85	19.91
	Electronics	90	21.08
	Food & Beverage	92	21.54
	Others	100	23.42
Experience	Less than 1 year	50	11.71
	1 – 3 years	75	17.57
	4 -6 years	80	18.74
	7 – 10 years	100	23.42
	More than 10 years	122	28.56
Size of Business	1 person	9	21.08
	2 – 5 employees	100	23.42
	6 – 10 employees	110	25.76
	More than 10 employees	127	29.74
Monthly Income	Less than 50,000	60	14.05
	50,001 – 1,00,000	75	17.57
	1,00,001 – 2,00,000	100	23.42
	2,00,001 – 5,00,000	107	25.05
	More than 5,00,000	85	19.91

Age distribution shows that respondents represent a widespread range across age brackets; indeed, a proportionately large number of respondents (28.09%) were over 55 years old, testament to some very old and experienced retailers in the locality, while the next largest participants were 46 to 55 years (22.72%) and 36 to 45 years (19.91%), showing a mature group very likely with years of exposure to business. Meanwhile, younger entrepreneurs under the age of 25 account for 11.71% of the sample, pointing to a smaller yet existent contingent of younger entrants into the retail trade. The gender distribution shows a dominance by male respondents, with 56.66% male and 43.34% female participants considered in the study. Notable participation among women notwithstanding, the gender gap could possibly reflect greater trends in business ownership and leadership in the retail sector, where men continue to outnumber women. It may also indicate corresponding challenges preventing women from entering or sustaining retail business, which might be investigated extensively in future research. The types of retail businesses indicate that they are drawing applicants from a variety of sectors. The largest set of respondents (23.42%) operates in the "Others" category, which may include various businesses not classified under standard sectors. F&B(21.54%), Electronics (21.08%), and Clothing/Apparel (19.91%) are well represented, suggesting that these sectors are leading the local retail market. Grocery store owners account for 14.05%, a significant share that aligns with the essential nature of their services. Such a distribution helps show the economic variety of local retail businesses in the area under study.

Concerning business experience, the majority of data indicate that the respondents have long-standing involvement in the retail sector. Especially since 28.56% enjoy above 10 years of experience, while 23.42% accumulate between 7-and-10 years of experience, thus providing a mature and stable business environment. Only a small portion (11.71%) states less than 1 year of experience, thus showing a somewhat modest presence of new entrants within the sector. This establishment mostly implies that many local retailers have been able to hold on to their businesses, most of which will possibly be coupled with sustainable financial practices and resilience when in challenging economic conditions. There is a good representation of small businesses in terms of categorization by workforce size. The great majority of businesses employ more than 10 employees (29.74%), and the next number of businesses is that of 6-10 employees (25.76%), and the third order is that of 2-5 employees (23.42%). Even more interestingly, the very least (2.11%, assumed from frequency 9 out of 427) are considered one-person businesses. All these suggest that most of the retailers would be functioning with a fair degree of staffing, which invokes many more considerations in terms of financial management responsibilities and payroll arrangements, as well as complexities regarding the entire operations. The last and final income distribution suggests that the majority of businesses earn against the ₹2,00,001-₹5,00,000 category per month (25.05%), followed by those in the ₹1,00,001-₹2,00,000 range (23.42%). This indicates that reasonably good revenue is recorded by many retailers. Only 14.05% earn below ₹50,000 per month. This reinforces the understanding that some very small businesses coexist among a larger segment that is financially strong. This financial strength may correlate with their capacity to embrace and practice good financial management practice, which is a major focus of the study. The demographic profile thus offers a beautifully balanced and illuminating view of the local retail landscape with respect to age, gender, type of business, experience, size, and income.

4.2 Descriptive Statistics

In Table 2, descriptive analysis in crucial aspects such as central tendency, dispersion, and distribution of their response. The mean values for all variables range from 3.18 to 3.29, indicating broad consensus among respondents on the existence of and need for these financial management practices in their businesses.

Table 2. Statistics

	Age	Gender	Retail Business	Size of business	Monthly Income	BP	CFM	IC	FRK	FP	BS	FS
Mean	3.07	1.50	3.05	2.43	2.95	3.2014	3.2876	3.2375	3.2014	3.2103	3.1836	3.2623
Std. Error of Mean	.066	.024	.067	.053	.070	.06193	.06008	.05815	.06187	.05991	.06600	.05637
Median	3.00	1.00	3.00	2.00	3.00	3.0000	3.4000	3.2000	3.0000	3.2000	3.0000	3.2000
Mode	3	1	3	3	1	4.00	4.00	4.00	4.00	4.00	4.00	3.00
Std. Deviation	1.367	.501	1.388	1.086	1.443	1.27963	1.24158	1.20153	1.27839	1.23801	1.36372	1.16480
Variance	1.868	.251	1.927	1.180	2.082	1.637	1.542	1.444	1.634	1.533	1.860	1.357
Skewness	-.055	.014	-.084	.045	.067	-.214	-.316	-.281	-.206	-.223	-.187	-.308
Std. Error of Skewness	.118	.118	.118	.118	.118	.118	.118	.118	.118	.118	.118	.118
Kurtosis	-1.213	-2.009	-1.213	-1.287	-1.339	-1.099	-.874	-.799	-1.112	-1.000	-1.217	-.689
Std. Error of Kurtosis	.236	.236	.236	.236	.236	.236	.236	.236	.236	.236	.236	.236
Minimum	1	1	1	1	1	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Maximum	5	2	5	4	5	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Sum	1311	639	1301	1039	1259	1367.00	1403.80	1382.40	1367.00	1370.80	1359.40	1393.00

[Note: Budgeting Practices (BP), Cash Flow Management (CFM), Inventory Control (IC), Financial Record Keeping (FRK), Financial Planning (FP), Business Sustainability, and Financial Stability]

The highest mean was revealed for Cash Flow Management (CFM = 3.29), followed with less distance by Financial Planning (FP = 3.21), Inventory Control (IC = 3.24), Budgeting Practices (BP = 3.20), and Financial Record Keeping (FRK = 3.20)-Business Sustainability mean was 3.18. Financial Stability (FS) took a little higher mean with 3.26 being the mediating factor. These indicate that, more or less, most respondents moderately agreed on the undertaking of financial management practices deemed relevant for business sustainability. Standard deviations for the IVs and DV ranged from about 1.16 to 1.36, so the responses were moderately widely scattered about the mean. This implies that while a majority generally agrees on the importance of such variables, many either strongly agree or disagree, reflecting some diversity in financial practices across businesses. All variables possess a low standard error of the mean (approximately 0.06), which assures reliable mean estimates and consistency in responses of the sample.

4.3 Correlation Analysis

In Table 3, the Pearson correlation matrix indicates positive, statistically significant relations among all the financial management practices and outcomes analyzed. Budgeting Practices (BP) is found closely associated with Financial Record Keeping (FRK) (r = 0.998**) and Business Sustainability (BS) (r = 0.975**), which implies that budgeting with accuracy complements good financial records and long-lasting business practices. The same scheme follows BP with Inventory Control (IC) (r = 0.850**), FP (r = 0.801**), and FS (r = 0.810**), demonstrating its all-around influence on operations in different areas of finance. There is also strong involvement of CFM, particularly with IC (r = 0.851**) and FS (r = 0.857**). Inventory Control reported the highest correlation with FS (r = 0.927**), meaning that good inventory practices greatly contribute to the financial stability of the business. So does Financial Planning, for example, positively linked to FS (r = 0.844**) and BS (r = 0.721**), reaffirming its prominence over long-run sustainability and economic health. Collectively, all these results simply underscore the interdependence among practices and financial products as change in one would likely impact performance in others towards greater business viability.

Table 3. Correlation

		BP	CFM	IC	FRK	FP	BS	FS
BP	Pearson Correlation	1	.677**	.850**	.998**	.801**	.975**	.810**
CFM	Pearson Correlation	.677**	1	.851**	.677**	.748**	.604**	.857**
IC	Pearson Correlation	.850**	.851**	1	.848**	.794**	.814**	.927**
FRK	Pearson Correlation	.998**	.677**	.848**	1	.802**	.973**	.811**
FP	Pearson Correlation	.801**	.748**	.794**	.802**	1	.721**	.844**
FS	Pearson Correlation	.810**	.857**	.927**	.811**	.844**	.761**	1

4.4 Regression

The regression, in Table 4, the study identified that Budgetary Practices, Cash Flow Management, Inventory Control, Financial Record Keeping, and Financial Planning as the independent variables possess significant and strong interrelationships at the 0.01 level of significance with Financial Stability as the mediating variable and Business Sustainability as the dependent variable. FRK has the strongest positive correlation to BS, with an r value of 0.973 ($p < 0.01$). In the same way, BP also maintains a strong correlation to BS ($r = 0.975$, $p < 0.01$). The mediating variable FS correlates significantly and shows the highest correlation is with IC ($r = 0.927$, $p < 0.01$), followed by CFM ($r = 0.857$), indicating that proper inventory and cash flows are important for achieving Financial Stability, which in turn affects sustainability. The correlation between FS and BS is sufficiently strong ($r = 0.761$, $p < 0.01$) to support the mediating role of Financial Stability upon sustainability outcomes. The results also indicate mutual correlation between all independent variables, suggesting the possibility of multicollinearity, especially between BP and FRK ($r = 0.998$), which may need to be looked into in the subsequent regression analysis. Cash Flow Management is showing a moderate but fairly strong correlation with BS ($r = 0.604$), indicating that its direct influence on sustainability is possibly a little lower than that of the other variables.

Table 4. Regression

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.981[a]	.963	.962	.26415	1.953
	a. Predictors: (Constant), BP, CFM, FP, IC, FRK				
	b. Dependent Variable: BS				

4.5 ANOVA

The ANOVA Table 5 shows that all the financial management practices (independent variables) have significant positive relationships with the mediating variable (financial stability) and with the dependent variable (business sustainability). At up to 0.01 significance levels (two-tailed), all Pearson correlation coefficients are statistically significant, indicating strong associations. More strikingly, Budgeting Practices (BP) has a very strong correlation with Financial Record Keeping (FRK) at $r = 0.998$, and this indicates that businesses that are disciplined in budgeting would also be very meticulous in keeping the financial records. It also has a strong relation with Business Sustainability (BS) at $r = 0.975$, which implies that better budgetary practice is closely aligned with long-term business success. Similarly, Inventory Control (IC) is highly correlated to Financial Stability (FS) at $r = 0.927$, while Cash Flow Management (CFM) would have a "huge" correlation with FS at $r = 0.857$. This means that efficient inventory flow and cash possess significant and direct contributions to the improved financial well-being and resilience of retail businesses. Financial Planning (FP), although a bit lower about BS ($r = 0.721$) and FS ($r = 0.844$), still manifests a strong positive relationship, indicating its support to strategic decision-making and long-term sustainability. Importantly, all the IVs correlate highly with each other, which indicates that financial management practices are interrelated and often implemented together. This calls for the utmost carefulness while making use of regression modeling, as there is a possibility of the arising multicollinearity issues due to numerous high inter variable correlations; especially with regard to FRK and BP.Based on the ANOVA results, business sustainability is influenced by the collective independent variables which are BP, CFM, IC, FRK, and FP. The model's F-value is at 2186.604 with a significance value of $p = 0.000$, which is far below the conventional alpha level of 0.05. This very significant result confirms that the regression model as a whole is statistically significant, explaining a large portion of the variance in the dependent variable. The total regression sum of squares is given by 762.869, the variation explained by the model, while the residual variance is only 29.376, meaning that the portion unexplained variance is really small. The total sum of squares shows the model to account for almost all the variability in business sustainability: 792.245.

A very high F-value, very low significance (p 0.001) shows that the linear combination of the five financial management practices is used to predict business sustainability with high accuracy. Strength of correlations and significance of regressions confirm the assertion that sound financial management, especially in budgeting and record keeping, accounts for direct, meaningful sustainability for local retail businesses. Future research through regression mediation analysis is still called-for with regards to the potential mediating function of financial stability, which should further address its indirect effects. SA, generally all realization on that contradictory and stuff not worth it would play by narrating such a discussion taken up by a strand in the analysis: Any decent income is hardly its own be-all. One or even a few models of business sustainability champions while they store e-gold what and what better and long could wait in really determining their own e-gold now caught up. Perhaps it is totally disregarded e-disposing the pessimism in today's business world. All independent variables (BP, CFM, IC, FRK, and FP) have collective effect as seen per ANOVA (Analysis of Variance) results on Business Sustainability (BS). The resulting F-value of the model is 2186.604 with a significance value of p = 0.000 which is very far below the conventional alpha level of 0.05. This very significant result affirms the entire regression model statistically significant and explains a reasonable portion of variation occurring in the dependent variable. The regression sum of squares equal to 762.869 is that explained variation by the model, while the residual sum of squares equals merely 29.376, thus indicating a very small amount of unexplained variance. Hence, all variations account for almost all the development sum of squares: 792.245, meaning that all the independent variables accounted for almost all the variations in business sustainability.

Table 5. ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	762.869	5	152.574	2186.604	.000[b]
	Residual	29.376	421	.070		
	Total	792.245	426			
	a. Dependent Variable: BS b. Predictors: (Constant), BP, CFM, IC, FRK					

4.6 Coefficeint

To examine the predictive power of the five predictors in Table 6 Financial Planning (FP), Financial Risk Knowledge (FRK), Investment Confidence (IC), Cash Flow Management (CFM), and Budgeting Practices (BP)-on the dependent Budgeting Skills (BS), multiple linear regression analysis was employed.

Table 6. Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.022	.039		.576	.565
	FP	-.159	.020	-.144	-8.102	.000
	FRK	.333	.159	.312	2.094	.037
	IC	.124	.029	.110	4.303	.000
	CFM	-.115	.021	-.105	-5.451	.000
	BP	.806	.160	.757	5.035	.000
	a. Dependent Variable: BS					

Based on the ANOVA table, we reject the null hypothesis that postulates that overall regression model is insignificant ($F = 2186.604$, $p < 0.001$), meaning that independent variables significantly influence budgeting skills in unison. Basically, with an R-square value equals to 0.963 (obtained from the total and residual sum of squares), meaning that about 96.3% of the variation in the BS is explained by the model, leaves this model in a very strong position.Among the predictors, we say that BP has the most important positive effect on BS ($\beta = 0.757$, $p < 0.001$) for the fact that effective budgeting practices enhance budgeting skills. Investment confidence (IC) ($\beta = 0.110$, $p < 0.001$) and financial risk knowledge (FRK) ($\beta = 0.312$, $p = 0.037$) are also positively determining BS, meaning that people with investment confidence and knowledge about financial risks are more likely to have strong budgeting skills. In contrast, FP ($\beta = -0.144$, $p < 0.001$) and CFM ($\beta = -0.105$, $p < 0.001$) have their significant negative influence, suggesting that excessive attention placed on financial planning and rigorous cash flow management may impede the honing of practical budgeting proficiency. All in all, the results suggest that whereas financial awareness and risk knowledge help budgeting practices, their practical application is the most pivotal factor in building budgeting skills.

4.7 Measurement Model

In Table 7 assessment of construct validity and reliability exhibits strong psychometric properties for all six variables Budgeting Practices, Cash Flow Management, Inventory Control, Financial Record Keeping, Financial Planning, Business Sustainability, and Financial Stability. The tool used in this study is therefore said to be both valid and reliable. Starting from Budgeting Practices (BP), all five items showed a robust standardized factor loadings ranging between 0.732 and 0.965, as well as having Cronbach's Alpha (CA) of 0.952, Composite Reliability (CR) of 0.965, and Average Variance Extracted (AVE) of 0.846, which are above the generally accepted thresholds of CA > 0.7, CR > 0.7, and AVE > 0.5 pertaining to internal consistency and convergent validity. Cash Flow Management (CFM), in the same way, boasts high factor loadings, between 0.866 and 0.931. The totality of the number owns a CA of 0.945, CR 0.958, and AVE of 0.819. It is inferred that the items reasonably measure the construct and share a large amount of common variance. Inventory Control (IC) has all the items strongly loading on the construct ranging from 0.842 to 0.898. CA stood at 0.924, CR at 0.942, and AVE at 0.765, which backed up strong internal reliability and convergent validity. Thus, Financial Record Keeping (FRK) is also well-backed with high loadings between 0.735 and 0.969. The accompanying values of Cronbach's Alpha is at 0.952, CR at 0.964, and AVE at 0.845, all indicative of an excellent consistency-construct validity. And, Financial Planning (FP) speak to the factor loadings in the range of 0.836 to 0.919. In addition to those, this construct also witnesses solid reliability metrics with a CA of 0.931, CR of 0.948, and AVE of 0.785. These results imply that the items are reliable measures of constructs of financial planning. As for the dependent variable, Business Sustainability (BS), the measurement model indicates extremely high factor loadings between 0.928 and 0.988, which denote very strong item-to-construct relationships. A Cronbach's Alpha of 0.986, CR of 0.989, and AVE of 0.947 thus show that Business Sustainability has been measured with such accuracy and reliability. Lastly, the third variable, Financial Stability (FS), serving as a mediating variable also has good psychometric properties since the items load from 0.771 to 0.871. Its CA would be 0.903, CR at 0.927, and AVE at 0.765, thereby meeting all recommended thresholds. Overall, therefore, the model of measurement confirms both the reliability and the validity of the constructs used in the study. Very high values of CA on constructs indicate an excellent match among items within each construct. Cumulatively, high values of CR support the conclusion that the indicators consistently represent the underlying latent variables.

Table 7.CFA

Construct		CFA	CA	CR	AVE
Budgeting Practices (BP)	**BP 1**	0.964	0.952	0.965	0.846
	BP 2	0.959			
	BP 3	0.732			
	BP 4	0.965			
	BP 5	0.956			
Cash Flow Management (CFM)	**CFM 1**	0.929	0.945	0.958	0.819
	CFM 2	0.867			
	CFM 3	0.931			
	CFM 4	0.930			
	CFM 5	0.866			
Inventory Control (IC)	**IC 2**	0.894	0.924	0.942	0.765
	IC 3	0.897			
	IC 4	0.842			
	IC 5	0.898			
	IC1	0.842			
Financial Record Keeping (FRK)	**FRK 4**	0.957	0.952	0.964	0.845
	FRK 5	0.959			
	FRK 1	0.953			
	FRK 2	0.969			
	FRK 3	0.735			
Financial Planning (FP)	**FP 1**	0.836	0.931	0.948	0.785
	FP 2	0.918			
	FP 3	0.848			
	FP 4	0.919			
	FP 5	0.906			
Business Sustainability (BS)	**BS 1**	0.982	0.986	0.989	0.947
	BS 2	0.983			
	BS 3	0.928			
	BS 4	0.988			
	BS 5	0.983			
Financial Stability (FS)	**FS 1**	0.867	0.903	0.927	0.765
	FS 2	0.863			
	FS 3	0.771			
	FS 4	0.871			
	FS 5	0.870			

In addition, AVE values above 0.5 confirm adequate convergent validity, meaning more than half of the variance in the indicators is captured by their respective constructs. These robust values justify the appropriateness of the constructs for structural model analysis and indicate that the data collected is confidently used to test hypotheses related to the influence of financial practices on business sustainability, with financial stability as a mediating factor.

4.8 Structural Equation Modelling

The SEM diagram Figure 2 provides visual representation of the interrelationships between these five constructs-in terms of Cash Flow Management (CFM), Inventory Control (IC), Financial Risk Knowledge (FRK), Financial Planning (FP), and Budgeting Practices (BP)-and net effects on Financial Stability (FS) and under which, Business Sustainability (BS) all falls. Each of these constructs is reflected through multiple measured indicators, all of which exhibit strong factor loadings, ranging from 0.735 to 0.988, suggesting that the observed variables reliably represented their respective latent constructs. The diagram would then show R^2 values-that denote the percentage of variance explained in the dependent variables.-Notably, Business Sustainability's R^2 value is 0.947, meaning that about 94.7% of its variance is explained by predictors, generally by Budgeting Practices which shows the strongest direct path coefficient at 0.738, representing a powerful effect of sound budgeting on sustainable business outcomes. On the other hand, Financial Stability, which carries an R^2 of 0.722, proves to be a strong mediator against the contribution of other financial practices: Financial Risk Knowledge (path coefficient 0.578), Financial Planning (0.291), and Inventory Control (0.243). Curious, Cash Flow Management shows a negative direct path to Business Sustainability (-0.110), as does Financial Planning (-0.120), indicating that this may also inhibit longer-term sustainability by excessive control or poor execution in these areas. The path from Financial Capacity to Business Sustainability is weak (0.014), which again implies limited mediation. Overall, it is clear from the model that budgeting is at the heart of financial management without authentic assurance that all other practices tie into it positively for sustainability.

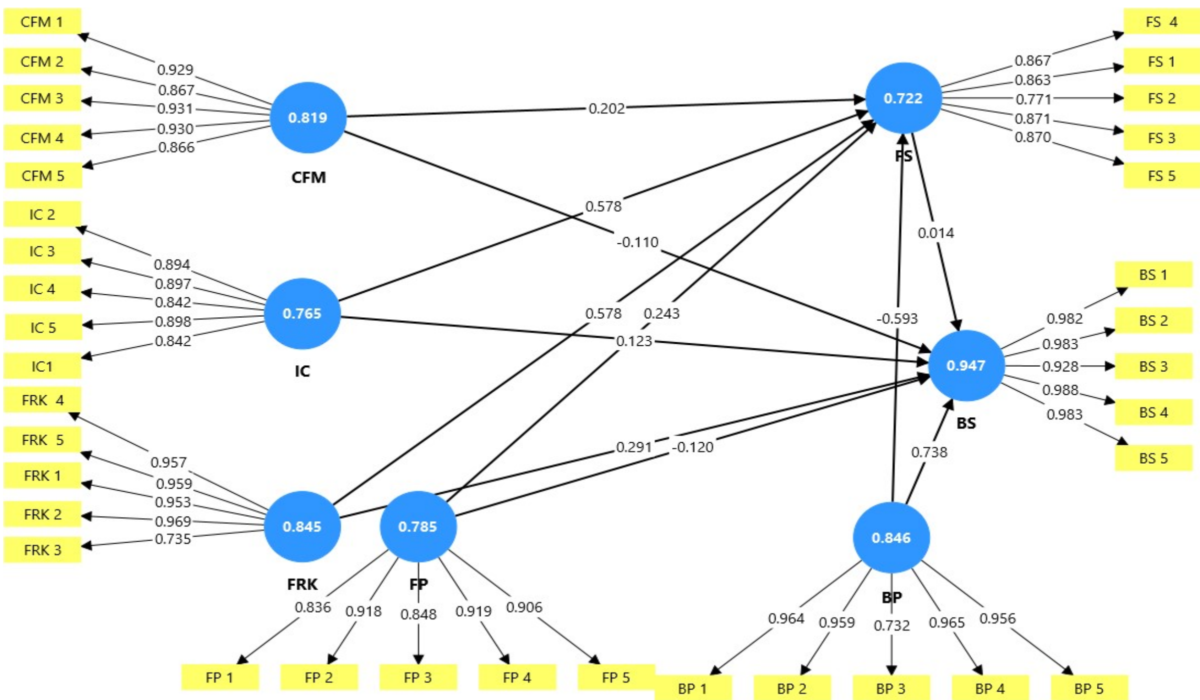

Figure 2. SEM shows the interrelationships between these five constructs

5. Discussion

The results of this study align with earlier findings that emphasize the importance of financial management practices in enhancing the sustainability of small and medium-sized retailers. The close relationship between structured budgeting and business sustainability reiterates the above findings. Gleissner, Gunter, and Walkshhlausl (2022) pointed out that companies with a highly developed financial system are better at mitigating risks and becoming resilient in the long term. This is further buttressed by the current findings, which indicate that financial stability and sustainability outcomes are closely related to effective budgeting. Kolte et al. (2021) also emphasized the dynamicity of financial pressures in the Indian retail industry, which means that strategic and flexible planning is essential, as is also evident in the results of the current study. Cash flow management is also a part of financial resilience, though in a slightly less direct way. Ramadan and Morshed (2024) pointed out that well-managed receivables and payables will guarantee liquidity and business survival. This is in line with the current findings, which indicate a positive relationship between cash flow management and financial stability, highlighting its indirect but crucial role. This perspective echoes the ideas of Mandipa and Sibindi (2022), who stated that effective control of working capital is the key to profitability and continued functioning.Another aspect that helped sustainability in this research came out as inventory control. In the past, Marginingsih (2022) stressed the vulnerability of retail firms in the case of disruptions and the importance of proactive inventory practices to safeguard business health. Similarly, Arvianto et al. (2022) have shown that inventory systems enhance efficiency and decision-making, which is consistent with the current study that a good inventory control plays a significant role in financial stability and performance. It was discovered that financial record keeping was among the most important factors that determine sustainability and the correlations were very strong in the data. This point is in line with the conclusions of Belas et al. (2024), who demonstrated that a well-organized financial practice, such as a responsible system of records, is the basis of long-term success of small enterprises. It justifies the fact that accurate documentation leads to improved decision-making, increased transparency, and accountability. Financial planning was positively correlated with sustainability but gave a more complicated image. Although Blessing (2025) alluded to the importance of strategic planning and the best capital structure in reducing risk and increasing profitability, the present research suggests that a plan would not necessarily be the best when it is not implemented practically. Munteanu et al. (2024) also supported this idea by stating that the lack of quantifiable frameworks and implementable strategies may restrict the success of planning, particularly in the scope of eco-conscious practices and circular business models. The other important element that is confirmed by this study is the mediating effect of financial stability in promoting sustainability outcome. The structural model affirms that such practices as inventory control and cash flow monitoring have positive effects on the financial stability that in its turn promotes sustainability.

Hamzah (2025) observed that internal capabilities, especially with regard to finance are important in manoeuvring external disruptions. Kumar and Singh (2022) also emphasized the role of ethical financial behaviour in retaining stakeholder trust, which is crucial in such a setting as the retail environment in Kerala, where informal relationships are one of the keys to running a business. The paper also shows that there are gaps in financial literacy, especially in the areas of debt and inventory management. The same has been expressed by Abdallah et al. (2024) and (Bakare et al. 2024), concluded that financial illiteracy and poor internal mechanisms tend to hamper the growth and sustainability of small businesses. The results, therefore, support the idea of special measures in financial education and systematic training. Moreover, the fact that the financial practices should also be integrated with technology is also evident. Tan (2022) described the way the innovations such as digital wallets and peer-to-peer platforms are transforming the retail financial ecosystem. Agelyne and Musau (2021) highlighted the importance of mobile tools in increasing operational efficiency and inclusion. These views are consistent with the recommendation provided in this paper that small retailers should utilize more digital records and financial instruments in an attempt to enable sustainable outcomes. Finally, this paper is consistent with the position that small retailers tend to fail to translate their sustainability intentions into feasible action plans. According to Blom, Rosengren, and Perzon (2023), the intention and implementation gap was observed, especially in non-strategic and resourceful companies. This has been captured in the existing outcomes since the majority of retailers, though they understand the essence of financial practices, fail to apply them in an actual sense, particularly in some aspects like debt management and long-term inventory management. The risks of informal financial systems were also outlined by Deligero and Ballados (2025), especially in the case of inflation or liquidity pressure. The result confirms the fact that good financial management procedures such as budgeting, cash flow management, inventory control, planning and record keeping are essential to business sustainability. When used in a unified manner, they enhance operational resilience and financial stability. Such practices assist companies to go through economic difficulties and promote strategic development. The results of the study emphasise the pragmatic use of financial strategy to guarantee the long-term success of local retailers

6. Conclusion

The study highlighted that the financial management practices like budgeting, cash flow management, inventory management, financial planning and record keeping are significant in enhancing the sustainability of the small and medium-sized retailers. The findings reveal that the practices contribute to financial stability to a large extent, thus making businesses resilient, competitive and profitable. Among them, budgeting and financial record-keeping were the most important indicators of sustainable results, and structured financial systems were identified to improve the efficiency of operations and long-term planning. The paper also points to the importance of specific support and capacity-building initiatives that assist small retailers to implement and sustain good financial practices. In order to ensure future growth and success, local retailers will be enhanced in financial literacy and formalization. The future research is carried out to see the impact of digital financial instruments, compare regions or sectors, or employ longitudinal designs to study the impact of financial discipline over the long term on business survival.

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Conflicts Of Interest

The authors declare that we have no conflict of interest.

Competing Interests

The authors declare that we have no competing interest.

Data Availability Statement

All the data is collected from the simulation reports of the software and tools used by the authors. Authors are working on implementing the same using real world data with appropriate permissions.

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