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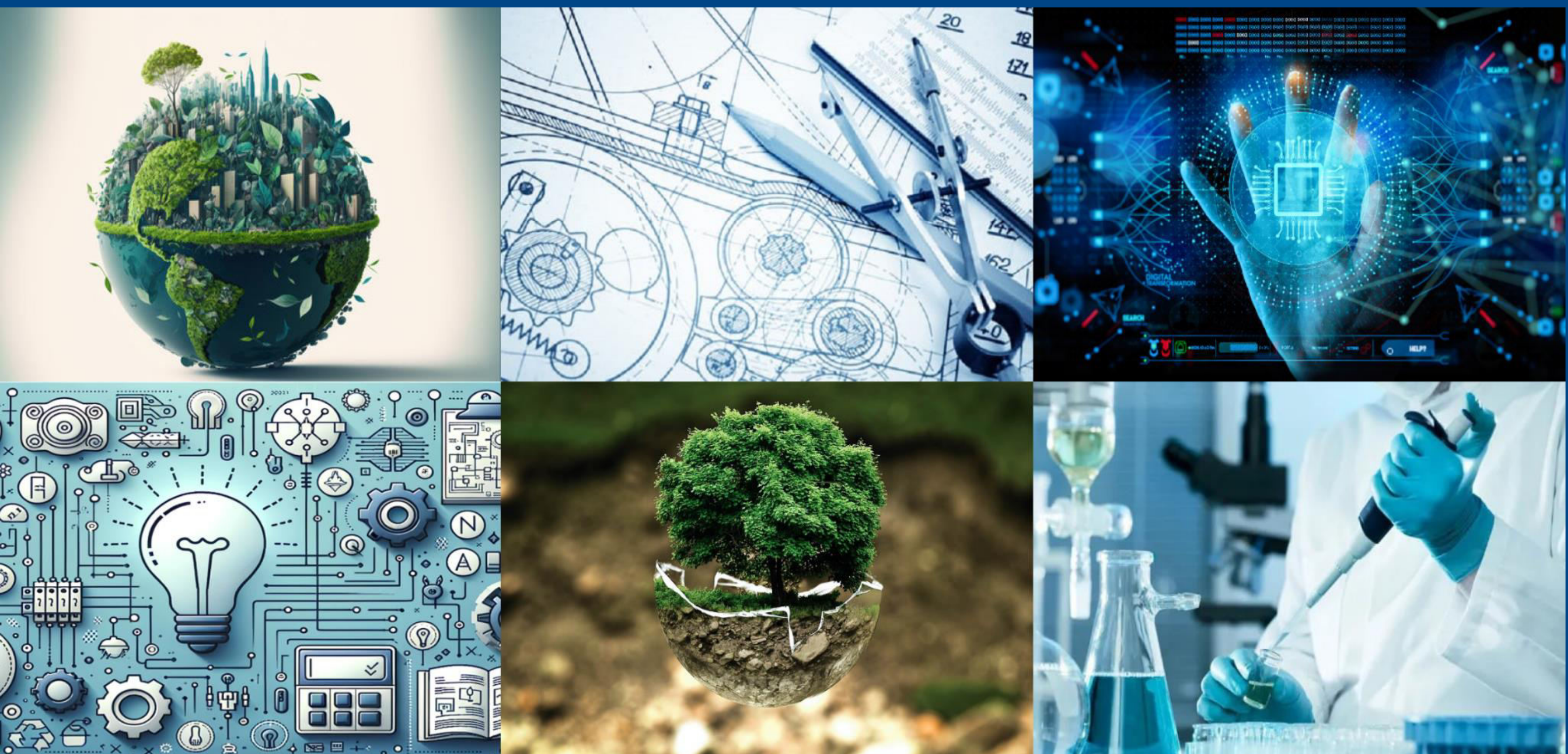

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# The Role of Financial Management in the Performance of Household Interior Design Businesses

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**ABSTRACT:** Financial management underpins the day-to-day survival and long-term competitiveness of household interior design businesses, an industry that is capital-intensive, project-based, and heavily reliant on accurate cost estimation, budgeting, and cash-flow control. This study examines how financial management practices influence the performance of household interior design firms, with particular attention to budgeting, cost estimation, accounting practices, and financial planning. A descriptive research design was adopted, and primary data were collected through a structured questionnaire administered to 53 respondents drawn from business owners, interior designers, finance personnel, project executives, and customers connected to the residential interior design sector. Data were analysed using percentage analysis, and the association between key financial attitudes was tested using a chi-square test of independence and Spearman's rank correlation. The findings indicate that respondents broadly regard accounting, budgeting, and cost estimation as important to business success, that cash-flow mismanagement and inaccurate cost estimation are perceived as the leading financial risks, and that respondents' attitudes toward accounting, budgeting, and technology adoption are internally consistent and positively correlated. The study concludes with practical suggestions for improving financial literacy, digital adoption, and standardised financial procedures within the industry.

**KEYWORDS**: Financial Management; Household Interior Design; Budgeting; Cost Estimation; Cash Flow Management; Financial Literacy; Small and Medium Enterprises (SMEs); Accounting Practices.

## I. INTRODUCTION

Financial management refers to the planning, organisation, direction, and control of an organisation's finances, encompassing budgeting, investment of assets, expense management, financial reporting, and cash-flow oversight. These functions are essential to every business, and they take on particular significance in the household interior design industry, where firms must simultaneously finance materials, labour, machinery, transport, and project execution before full payment is received from clients.

The interior design industry has expanded considerably in recent years, driven by urbanisation, rising personal incomes, and shifting lifestyle preferences. Household interior design projects typically involve the design and furnishing of modular kitchens and living spaces, false ceilings, lighting, flooring, wardrobes, and other bespoke finishes, each requiring substantial upfront expenditure on materials and skilled labour. Because every project is customised to an individual client's tastes and budget, firms face continual pressure to estimate costs accurately, price competitively, and manage cash flow without compromising quality or timelines.

A firm with weak financial management is exposed to cost overruns, delayed projects, strained cash flow, and dissatisfied clients. Conversely, sound financial management enables firms to complete projects on schedule, protect margins, and build a reputation for reliability. Against this backdrop, the present study investigates how financial management practices — particularly budgeting, cost estimation, accounting, and financial planning — shape the performance and financial resilience of household interior design businesses, and what practices firms in this sector should adopt to strengthen their financial position.

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## II. REVIEW OF LITERATURE

Financial management in small, project-based enterprises such as household interior design firms draws on a broader body of research into SME financial practices and household financial literacy. The following studies inform the theoretical basis of the present research.

- Wolmarans and Meintjes (2015) examined the financial-management practices of successful South African SME owner-managers and found that working-capital and cash-flow management were more critical to day-to-day survival than balance-sheet analysis or longterm strategic planning.
- Nkwinika and Akinola (2023) identified inadequate record-keeping, budgeting, and cash-flow management as major contributors to SME failure.
- Molosiwa and Holland (2025), in a systematic review, found that financial literacy improves budgeting, debt management, and decision-making among SME owners.
- Otoo (2024), applying a Resource-Based View, found that cash and working-capital management were the most influential determinants of SME performance.
- Shi and Lim (2023) conducted a bibliometric analysis of over 1,100 works on household financial literacy, mapping key themes in household financial decision-making research.
- Mushtaq et al. (2024) examined the mediating role of information and communication technology (ICT) in financial literacy, showing that ICT access improves saving and budgeting behaviour among households.
- Wang, Cao, and Huang (2022) found that financial literacy shapes households' spending patterns, investment behaviour, and vulnerability to relative poverty.
- Abu Afifeh and İyikal Çelebi (2025) found that adoption of digital accounting tools among small businesses is driven mainly by perceived usefulness, with younger users showing higher confidence.
- Ratmono, Frendy, and Zuhrohtun (2023) found that digitalisation of management accounting improves the timeliness and accuracy of information available for SME decision-making while reducing costs.
- Assaf et al. (2022) reviewed cash-flow modelling in construction projects and highlighted delayed client payments, cost overruns, and time overruns as recurring cash-flow risks in project-based contracting businesses.

Collectively, this literature establishes that cash-flow management, budgeting discipline, and financial literacy are consistently linked to the survival and performance of small, project-based enterprises, and that digital tools increasingly mediate how such firms manage their finances.

## III. RESEARCH GAP

Existing literature on financial management is concentrated on SMEs in general or on construction project cash-flow modelling, with comparatively little empirical attention paid specifically to the household interior design sector — an industry that combines the project-based cash-flow characteristics of construction with the highly customised, client-driven pricing structures of a creative service business. Prior studies on household financial literacy focus on consumer decision-making rather than on the financial practices of firms that serve those consumers. There is therefore limited empirical evidence on how interior design practitioners themselves perceive budgeting, cost estimation, accounting complexity, and financial risk, and on whether these perceptions are internally consistent. This study addresses that gap by empirically examining financial-management attitudes and practices within the household interior design industry specifically, using primary survey data and statistical association testing.

## IV. OBJECTIVES OF THE STUDY

- To study the influence of financial management on household interior design business performance.
- To examine budgeting principles and practices in home furnishing and interior design projects.
- To assess the perceived importance of cost estimation and its relationship to project pricing.
- To identify the financial risks and challenges most commonly faced by interior design businesses.
- To suggest cost-effective and financially sustainable practices for interior design and furnishing firms.

**Hypotheses**

Based on the objectives above, the following hypotheses were formulated and tested using the primary data collected:

H1: There is no statistically significant association between the perceived importance of accounting and the type of financial risk respondents consider most significant.

H2: There is no statistically significant relationship between the perceived importance of accounting and respondents' focus on financial planning.

H3: There is no statistically significant relationship between the perceived importance of accounting and respondents' attitude toward technology adoption in financial management.

These null hypotheses were tested using a chi-square test of independence (H1) and Spearman's rank correlation (H2, H3); the results are presented in Section 9.2.

## V. METHODOLOGY

### 5.1 Research Design

The study adopted a descriptive research design, appropriate for capturing the characteristics, practices, and attitudes of respondents toward financial management in the household interior design industry without establishing causal relationships.

### 5.2 Sample Size and Sampling Technique

Primary data were collected from 53 respondents using a convenience sampling technique. Respondents included business owners, interior designers, finance and accounting personnel, projectimplementation executives, and customers of interior design services. Convenience sampling was selected for its cost-effectiveness and practicality in reaching respondents connected to the industry, though it carries known limitations in representativeness and generalisability.

### 5.3 Data Collection

Primary data were gathered through a structured online questionnaire comprising 20 questions covering accounting importance, budgeting, cost estimation, cash-flow management, technology adoption, and perceived financial risk, using multiple-choice and Likert-scale formats. Secondary data were drawn from academic journals, books on financial management, government and RBI publications, MSME ministry reports, and prior research studies, and were used to build the theoretical framework.

### 5.4 Statistical Tools

Data were analysed using percentage analysis, presented through tables, pie charts, and bar charts. Two inferential tests were additionally applied: a chi-square test of independence to examine the association between accounting-importance perceptions and perceived financial risk, and Spearman's rank correlation to test the internal consistency of financial-management attitudes across six variables.

### 5.5 Limitations

The study is based on a small, convenience-drawn sample of 53 respondents skewed toward the 18– 24 age group, and reflects subjective attitudes rather than an audit of firms' actual financial statements. External factors such as policy changes, inflation, and market conditions during the survey period may also have influenced responses. The study is confined to financial aspects of firm performance and does not extend to marketing, operations, or human resource dimensions.

## VI. ANALYSIS

### 6.1 Descriptive Findings

Of the 53 respondents, 86.8% were aged 18–24, 9.4% were under 18, and 3.8% were aged 25–30; 58.5% were male and 41.5% were female. Table 1 summarises responses across the twenty questionnaire items.

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| Question | Survey Item | Key Result |
|---|---|---|
| Q3 | Importance of accounting for business success | 83% rate it "very" or "somewhat" important (22/22 of 53) |
| Q4 | Effectiveness of current accounting practices | 43.4% "somewhat effective"; 30.2% "very effective" |
| Q5 | Most challenging aspect of accounting | 43.4% cite tracking material/labour costs |
| Q6 | Recommended frequency of updating records | 40% favour monthly updates; 23% weekly |
| Q7 | Need for specialised accountants | 37.7% "yes, definitely"; 35.8% "depends on size" |
| Q8 | Most significant financial challenge | 39.6% cite budget over-/underestimation; 28.3% client payment delays |
| Q9 | Perceived complexity of accounting | 51% find it "somewhat" or "very" complicated |
| Q10 | Role of technology in accounting | 55% see technology as essential or helpful |
| Q11 | Satisfaction with industry financial transparency | 54.7% "very" or "somewhat" satisfied; 32.1% neutral |
| Q12 | Preferred expense-tracking method | 35.8% prefer spreadsheet software |
| Q13 | Usefulness of financial statements | 66% find them useful |
| Q14 | Importance of cost estimation | 66% rate it "very important" or "important" |
| Q15 | Difficulty in pricing services | 39.6% face difficulty "sometimes"; 22.6% "often" |
| Q16 | Understanding of financial concepts among designers | 37.7% rate it "moderate"; 34% rate it "low/very low" |
| Q17 | Need to focus more on financial planning | 26% "definitely"; 41.5% "somewhat" |

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| | | |
|---|---|---|
| Q18 | Underestimating importance of financial records | 34% say designers "often overlook it" |
| Q19 | Biggest risk in accounting | 35.8% cite cash-flow mismanagement; 24.5% tax non-compliance |
| Q20 | Importance of tracking project budget | 39.6% "extremely important"; 34% "somewhat important" |

Across items, the pattern is consistent: cost tracking, budgeting, and cash-flow management are viewed as both the most important and the most difficult aspects of financial management, while technology and formal accounting support are seen as helpful but not universally essential.

**6.2 Statistical Analysis**

Chi-Square Test — Accounting Importance vs. Perceived Biggest Risk

| **Accounting Importance** | **Tax Non-Compliance** | **Inaccurate Cost Estimation** | **Cash Flow Mismanagement** | **Poor Expense Tracking** |
|---|---|---|---|---|
| Not very / Not important | 4 | 0 | 2 | 3 |
| Somewhat important | 4 | 3 | 12 | 3 |
| Very important | 5 | 9 | 5 | 3 |

*Results: $\chi^2 = 13.29$, $df = 6$, $p = 0.039$ (significant at 5% level); Cramer's $V = 0.354$.*

The test indicates a statistically significant association between how important respondents consider accounting and which risk they identify as most pressing (rejecting H1). Respondents who rated accounting as very important were more likely to cite cash-flow mismanagement and inaccurate cost estimation as the leading risks than respondents who saw little importance in accounting. No clear association was found between accounting-importance perception and tax non-compliance risk. Given the modest sample size relative to the number of categories, this result should be treated as exploratory. Spearman's Rank Correlation — Financial Management Attitudes

| **Variable Pair** | **Spearman ρ** | **p-value** | **Significance** |
|---|---|---|---|
| Accounting Importance ↔ Financial Planning Focus | 0.436 | 0.0011 | ** |
| Accounting Importance ↔ Tech Role Positivity | 0.399 | 0.0031 | ** |
| Financial Planning Focus ↔ Perceived Complexity | 0.408 | 0.0025 | ** |

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| | | | |
|---|---|---|---|
| Cost Estimation Importance ↔ Tech Role Positivity | 0.382 | 0.0048 | ** |
| Accounting Importance ↔ Budget Tracking Importance | 0.281 | 0.0417 | * |
| Budget Tracking ↔ Tech Role Positivity | 0.281 | 0.0416 | * |

All reported pairs are statistically significant at $p < 0.05$, leading to rejection of H2 and H3. Respondents who regard accounting as important also tend to prioritise financial planning, value budget tracking, and hold positive views of technology's role in financial management. This internal consistency suggests that financial attitudes in the sample cluster together rather than varying independently, supporting the view that improving one dimension of financial literacy (e.g., accounting awareness) is likely to be associated with stronger attitudes across budgeting, planning, and technology adoption as well.

## VII. FINDINGS

- The majority of respondents (86.8%) were aged 18–24, indicating strong engagement with financial-management topics among younger entrants to the industry.
- Respondents were fairly evenly split by gender (58.5% male, 41.5% female), giving a broadly balanced perspective.
- Accounting is widely regarded as important to business success, though a meaningful minority (17%) view current accounting practices as "not very effective."
- Tracking the cost of materials and labour, and budgeting/financial planning, are the most commonly cited challenges in financial management.
- Spreadsheet software (35.8%) is the most preferred method for tracking expenses, ahead of manual bookkeeping, dedicated accounting software, and outsourcing.
- A majority (37.7%) believe specialised accountants are needed, though cost is a likely barrier for smaller firms.
- Budget over- or under-estimation (39.6%) and delayed client payments (28.3%) are viewed as the most significant financial challenges.
- Cash-flow mismanagement (35.8%) and tax non-compliance (24.5%) are perceived as the biggest accounting-related risks.
- Technology is generally viewed as beneficial for financial management, though not universally regarded as essential.
- Statistical testing confirms that financial-management attitudes are internally consistent: greater emphasis on accounting importance correlates with greater emphasis on financial planning, budget tracking, and positive views of technology.

## VIII. SUGGESTIONS

- Enhance financial literacy: interior designers and business owners should build core financialmanagement knowledge to support budgeting, pricing, and expense tracking.
- Adopt digital accounting tools: firms should move from manual bookkeeping toward spreadsheet or dedicated accounting software to reduce cost-tracking errors.
- Update financial records regularly: monthly (or more frequent) updates should be standard practice to maintain accurate cash-flow visibility.
- Engage professional accounting support where feasible: even part-time or outsourced expertise can materially reduce budgeting and compliance risk.
- Formalise client payment terms: structured payment schedules and milestone-based billing can reduce cash-flow disruption from delayed payments.
- Standardise core financial procedures across the industry while preserving flexibility for small, creativity-driven firms.

- Invest in cost-estimation training: workshops on accurate material and labour cost estimation would directly address the most commonly cited challenge.
- Strengthen tax-compliance awareness through targeted guidance for small interior design businesses.
- Use financial statements actively in decision-making, not merely for compliance or year-end reporting.
- Leverage technology deliberately, prioritising tools that address the specific pain points of cost tracking and cash-flow forecasting rather than adopting technology for its own sake.

## IX. CONCLUSION

Financial management is central to the performance and sustainability of household interior design businesses, an industry characterised by high working-capital requirements, customised project pricing, and exposure to cost and cash-flow volatility. This study finds that industry participants broadly recognise the importance of accounting, budgeting, and cost estimation, yet a substantial share report gaps in effective execution — particularly around cost tracking, budgeting discipline, and access to specialised financial expertise. Statistical analysis confirms a significant association between how respondents view accounting and the financial risks they prioritise, and demonstrates that financial attitudes across accounting, budgeting, planning, and technology adoption are internally consistent rather than fragmented. This suggests that interventions strengthening one dimension of financial literacy are likely to reinforce positive attitudes across the wider financial-management practice of a firm. Standardising core financial procedures, while preserving room for the flexibility that a designdriven business requires, offers a practical path toward stronger financial resilience and improved client outcomes across the sector.

## X. FUTURE SCOPE OF THE STUDY

Future research could extend this study in several directions. A larger, stratified sample spanning a wider age range and multiple geographic regions would improve the generalisability of findings beyond the youth-skewed sample used here. Future studies could incorporate objective financial data — such as audited financial statements, project-level cost variances, or actual cash-flow records — rather than relying solely on self-reported attitudes, to validate the perceptual findings reported in this study. Comparative research across residential and commercial interior design segments, or across firms of different sizes, would help clarify whether financial-management challenges and risk perceptions differ systematically by business scale. Finally, longitudinal research tracking firms before and after the adoption of digital accounting tools or standardised financial procedures would provide stronger evidence on the causal impact of financial-management interventions on business performance.

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