



INTERNAL ORGANIZATIONAL VARIABLES AND FINANCIAL DECISION-MAKING OUTCOMES: A CONTINGENCY FRAMEWORK FOR STARTUP SMES IN CALAMBA CITY

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ABSTRACT

This research studied the relationship between internal organizational variables and financial decision-making outcomes among startup small and medium enterprises (SMEs) in Calamba City using the Contingency Theory of Fiedler. It assessed how these financial monitoring practices that are injected to the internal factors: task structure, leader-member relations, and positions influence decision-making effectiveness of SME owners. A quantitative descriptive-correlational design was utilized involving 217 startup SME owners from the food and beverage (F&B) sector and 30 of which are subjected to direct observation. Data were analyzed using both descriptive and inferential statistics. Results revealed that most startup SMEs still relied on manual to semi-digital financial monitoring systems, reflecting financial awareness with limited capabilities. Internal organizational variables exhibited moderate levels, with leader-member relations emerging as the strongest predictor of financial decision-making outcomes. The findings support the contingency perspective that effective financial decisions are achieved when leadership relations, task clarity, and authority are aligned with organizational conditions. Utilizing the results from these analyses, the study developed a Contingency-Based Financial Decision-Making Framework that serves as a practical guide and standard operating procedures that encourages SME owners to commit to having structured financial routines, enhance communication and trust, and exercise accountable leadership.

Keywords: *financial monitoring, decision-making, contingency theory, start-up SMEs, task structure, leader-member relations, position power*

INTRODUCTION

SMEs play a critical role in economic growth especially in emerging economies like the Philippines. However, startup SMEs usually face high failure rates because of weak financial decision-making and informal financial monitoring systems (Lopez & Hiebl, 2015; Quartey et al., 2017). In the local context, studies have shown that limited financial literacy and weak financial management practices affect the sustainability and decision-making of small businesses (Bancoro, 2023; International Finance Corporation, 2021). Calamba City, a rapidly growing economic hub in Southern Luzon, has experienced a significant increase in startup SMEs, particularly in the F&B sector. Although this growth gives Calambeños employment opportunities, almost a bulk of startups still use informal practices such as handwritten ledgers and basic spreadsheets which result to reactive rather than proactive financial decisions. These conditions underline the need to study not only what financial tools are used, but how the internal factors shape financial decision-making.

This study is anchored on Fiedler's Contingency Theory, which posits that organizational effectiveness depends on the alignment between leadership style and situational variables namely task structure, leader-member relations, and position power (Fiedler, 1967). This theory, in terms of the financial management, suggests that financial outcomes are contingent on how these financial monitoring practices are embedded within internal organizational variables. The application of this theory may be widely visible to leadership studies, it is not commonly used to SME financial decision-making remains limited, especially in local Philippine contexts. This study did not examine the external elements that may also influence SME decision-making. Factors like market competition, customer behavior, economic policies, access to external financing, supply chain disruptions, and technological adoption were deliberately excluded from the analysis. The omission of external variables narrowed the scope to organizational dynamics within SMEs. This research aimed to study the correlation between internal organizational variables and financial decision-making outcomes among startup SMEs in Calamba City and to develop a contingency-based framework to improve SMEs' financial decision effectiveness.

Research Questions

This study examined the impact of internal organizational variables on the financial decision-making outcomes of start-up SME owners in Calamba City within a contingency framework.

Furthermore, this study sought to answer the following research questions:

1. What are the current financial monitoring practices of start-up SMEs in Calamba City in terms of:
 - 1.1 Financial planning and budgeting,
 - 1.2 Working capital management,
 - 1.3 Financing and capital structure,

- 1.4 Financial reporting and control?
2. What is the level of agreement of start-up SME owners regarding the internal organizational variables:
 - 2.1 Task structure,
 - 2.2 Leader–member relations,
 - 2.3 Position power?
3. What is the level of agreement of start-up SME owners regarding financial decision-making outcomes?
4. What is the degree of relationship between internal organizational variables and financial decision-making outcomes among start-up SMEs in Calamba City?
5. What contingency-based model can be developed as a basis for improving the financial decision-making outcomes of start-up SMEs in Calamba City?

METHODOLOGY

This study employed a quantitative, descriptive-correlational design to analyze the relationship of internal organizational variables and the financial decision-making outcomes of start-up SMEs in Calamba City. This design was appropriate for this study because it aimed to describe the current practices of start-up SMEs in Calamba City and test the relationships between internal organizational variables and financial decision-making outcomes.

Sampling Method and Population

The respondents consisted of startup SME owners in the F&B industry in Calamba City who had been operating for less than five years. A total of 217 SMEs participated in the survey component, 30 of these SMEs were included in the observational component using stratified random sampling.

The table below shows the breakdown of the sample allocation per nature of business. It shows the samples for both research question 1 and research questions 2 and 3.

Table 1. Breakdown of Sample Allocation per Business Nature

Nature of Business	Population	Sample Size - RQ1	Sample Size - RQ2&3
Bar & Restaurant	17	1	8
Concessionaires	36	2	16
<i>Carinderia</i>	6	1	3
Catering Services	9	1	4
Fast Food/Cafes	414	25	186
Total	482	30	217

Data Collection Instruments

This study used two data collection instruments, specifically a structured survey questionnaire for the quantitative data and an observation checklist for the current financial monitoring practices of the qualified SMEs.

The observation checklist was developed to observe the current financial monitoring practices of the start-up F&B SMEs in Calamba City. This instrument looked into the presence, absence, and extent of visible financial monitoring tools and procedures used by the businesses. The checklist was constructed based on the indicators of SME financial behavior and monitoring practices adapted from Lopez and Hiebl (2015) and Fatoki (2014) and was adjusted to fit the realities of small enterprises in the Philippine context. The observation checklist included items under four aspects: Financial Planning and Budgeting, Working Capital Management, Financing and Capital Structure, Financial Reporting and Control. These aspects were translated into a more public-friendly term for easier understanding. Responses were recorded as “Yes” or “No” with specific notes for each item.

The second instrument, survey questionnaire, was designed to measure the three organizational variables: task structure, leader-member relations, and position power with embedded indicators of financial monitoring practices and the financial decision-making outcomes. All items were rated on a five-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree).

The questionnaire was adapted from previous studies on SMEs, organizational variables, and financial decision-making, specifically:

- **Task Structure and Financial Routines:** Items related to task structure were derived from Lopez and Hiebl (2015) and Fatoki (2014), focusing on the clear assignments and systematic monitoring of financial tasks of SMEs.
- **Leader-Member Relations in Financial Management:** Items related to leader-member relations were drawn from Agyapong and Attram (2019). These focused on trust, communication, and collaboration in handling financial resources.
- **Position Power in Enforcing Financial Rules:** Items in line with position power were adapted from Ojokuku and Sajuyigbe (2014), highlighting authority to enforce financial policies and ensure compliance.
- **Financial Decision-Making Outcomes:** Items about the decision-making outcomes came from Fatoki (2014). These were also extended to decision outcome indicators like accuracy, timeliness, risk management, contribution to business growth.

To ensure that the items in the survey were rational, they were reviewed by a professional statistician to check its structure and by a professional content validator, a member of the academe in Colegio de San Juan de Letran - Calamba who holds a Six Sigma Black Belt and a Doctorate degree in Human Resource Management.

Data Gathering

Phase 1: Identification and Recruitment of Participants

A list of startup SMEs in Calamba City that have been operating for not more than five years was asked from the City's Business Permits and Licensing Office. The researcher asked permission from the local authorities with the endorsement of her thesis adviser to access potential participants.

Phase 2: Observation of Financial Monitoring Practices

To gain answers for Research Question 1, this study incorporated an observation checklist of the financial records and systems used by the startup SME owners. This instrument was used to record the current financial monitoring practices of the businesses. The researcher asked for the SME owners' consent to review their financial monitoring materials used in their daily business operations. These materials included the following: handwritten ledgers or logbooks to record sales and expenses, Microsoft Excel or Google Sheets for budgeting, physical and digital receipts and invoices, screenshots of payment transactions from banks and digital payment modes.

Phase 3: Administration of Survey Questionnaire

Immediately following the observation of the financial monitoring practices, the administration of survey questionnaires took place to answer Research Questions 2 and 3. The survey used a systematized Likert-scale questionnaire to measure the level of agreement to the organizational variables with financial monitoring practices indicators and the decision-making outcomes. The survey was administered through Google Forms and sent online to the startup SME owners via their social media accounts, mainly their Facebook pages. A short explanation of the study's purpose and informed consent were included at the beginning of the form. Data collection was done over almost a one-month period.

Data Analysis

Data were analyzed using percentage, mean, Pearson Product-Moment Correlation, and Linear Regression Analysis. To ensure systematic analysis aligned with the research objectives, specific statistical methods were assigned to each research question based on the type of data collected and the instruments used. Descriptive statistics were applied to determine the level of agreement and current practices, while inferential statistical techniques were used to examine relationships among variables. The results of both the descriptive and inferential analyses were combined to create a contingency-based framework. This model showed how the three internal organizational variables interact with and influence financial decision-making outcomes in the context of start-up SMEs in Calamba City. The framework was intended to serve as a practical guideline that SME owners can use to strengthen internal organizational conditions, as

well as a theoretical contribution by extending Fiedler's Contingency Theory into the domain of financial decision-making.

The detailed data analysis plan is summarized in Table 2.

Table 2. Data Analysis Plan

Research Question	Type of Data	Instruments Used	Analysis Method
RQ1. What are the current financial monitoring practices of start-up SMEs in Calamba City in terms of: a. Financial Planning and Budgeting b. Working Capital Management c. Financing and Capital Structure d. Financial Reporting and Control	Quantitative	Observation Checklist	Percentage
RQ2. What is the level of agreement of start-up SME owners regarding the internal organizational variables: a. Task Structure b. Leader-Member Relations c. Position Power	Quantitative	Survey Questionnaire	Percentage Mean
RQ3. What is the level of agreement of start-up SME owners regarding financial decision-making outcomes?	Quantitative	Survey Questionnaire	Percentage Mean
RQ4. What is the relationship between internal organizational variables and financial decision-making outcomes among start-up SMEs in Calamba City?	Quantitative	Combination of RQ2 and RQ3.	Pearson Correlation Multiple Regression Analysis
RQ5. What contingency-based model can be developed as a basis for improving the financial decision-making outcomes	Quantitative	Synthesis of results for all RQs.	Triangulation and Integration of Quantitative Results

of start-up SMEs in Calamba City?

RESULTS

Table 3 present the results of the observation conducted regarding the financial planning and budgeting practices of the respondents. Most start-up SMEs had basic financial awareness by maintaining simple cash flow plans and adjusting spending as needed. However, budgeting appeared irregular, and long-term planning was set aside. This suggested that while owners recognized the importance of managing money, their practices were informal and focused on short-term survival rather than on strategic planning.

Table 3. Summary of Observations on Financial Practices on Planning and Budgeting of Money among Startup SME Owners in Calamba City, 2025

Practice (n = 30)	Yes	No
Business prepares written/Excel cash flow plans.	73.30%	26.70%
Business sets daily, weekly, or monthly budgets.	46.70%	53.30%
Owner/manager adjusts spending when income is not enough.	93.30%	6.70%
Business plans include short and long-term goals.	76.70%	23.30%

The table below demonstrates the observed practices of start-up SME owners in managing their daily cash and inventories. It highlights how businesses use their transaction listings, use their digital tools, and how often they document and log their assets. The table provides insight into the balance between traditional bookkeeping habits and emerging digital practices.

Table 4. Summary of Observations on Managing Daily Cash and Inventories among Startup SME Owners in Calamba City, 2025

Practice (n = 30)	Yes	No
Handwritten ledger for sales and expenses is used.	66.70%	33.30%
Excel or Google Sheets are used for tracking sales and expenses.	40%	60%
Screenshots of online payment transfers are kept.	76.70%	23.30%
Bank slips are stored as records.	43.30%	56.70%
Inventories are checked regularly.	0%	100%
Inventories are recorded regularly.	70%	30%

Table 5 shows the observed sources of business funds among start-up SME owners in Calamba City. It reveals the patterns on how are they able to start and sustain their operations with limited options and capacities.

Table 5. Summary of Observations on Sources of Business Funds among Startup SME Owners in Calamba City, 2025

Practice (n = 30)	Yes	No
Business started with owner's personal savings.	63.30%	36.70%
Business borrowed money from family/friends.	60%	40%
Business used bank loans.	10%	90%
Business used microfinance.	3.30%	96.70%
Business availed government programs (DTI, Go Negosyo, etc.).	33.30%	66.70%
Business used informal lending (ex: "5-6").	0%	100%

Table 6 provides the observed recordkeeping and financial checking practices of start-up SME owners in Calamba City. It shows how frequently business records are updated, organized, and verified, as well as how deep the formality of their accounting and professional assistance is. The table provides an overview of how SMEs maintain financial accuracy and control in their daily operations.

Table 6. Summary of Observations on Recordkeeping and Financial Checking Practices among Startup SME Owners in Calamba City, 2025

Practice (n = 30)	Yes	No
Sales/expenses are updated consistently.	73.30%	26.70%
Records are updated regularly.	100%	0%
Records are updated only for tax filing/audit.	26.70%	73.30%
Records are organized.	83.30%	16.70%
Business prepares financial statements.	16.70%	83.30%
Accountant is hired or consulted for proper tax filing.	10%	90%
Owner/staff double-check expenses and receipts.	46.70%	53.30%

Table 7 displays the summary of the overall mean responses for the three internal organizational factors: task structure, leader-member relations, and position power. It presents how respondents rated each dimension across the five response categories, allowing a clearer comparison of which internal factors were perceived as strong, moderate, or weak within the sampled SMEs. The final row provides the aggregated pattern across all indicators, showing the general level of internal organizational conditions present in the businesses.

Table 7. Summary of Respondents' Ratings on Internal Organizational Factors, 2025

Summary (n = 217)	1	2	3	4	5
Task Structure	8.54%	38.98%	11.48%	21.68%	19.34%
Leader-Member Relations	0.48%	4.08%	20.35%	55.23%	36.35%
Position Power	0.93%	1.05%	3.58%	18.85%	75.58%

Overall Internal Factors	3.72%	16.57%	11.78%	31.13%	41.88%
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Legend: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

Table 8 presents the level of agreement of start-up SME owners in Calamba City regarding their financial decision-making outcomes. It underscores how business owners assess the timeliness, confidence, and effectiveness of their financial decisions.

Table 8. Level of Agreement on Financial Decision-Making Outcomes among Start-up SME Owners in Calamba City, 2025

Indicators (n = 217)	1	2	3	4	5
I make financial decisions within the same day when financial problems arise.	0.5%	2.8%	5.6%	27.3%	63.9%
My decisions about money are based on our financial records.	0%	0.5%	2.3%	26.9%	70.4%
I feel confident when deciding how to spend or save business money.	2.3%	41.7%	3.2%	22.2%	30.6%
I make changes in how I use money when I see it's not working.	0%	0.5%	2.3%	65.7%	31.5%
My financial decisions help reduce risks in the business.	0%	1.4%	3.7%	64.4%	30.6%
Financial decisions that I make contribute to the growth and improvement of the business.	0%	0%	3.2%	63.0%	33.8%
I review financial reports before making important business decisions.	0%	0.5%	8.3%	66.2%	25%
I can anticipate potential financial problems.	0%	0.5%	17.6%	58.3%	23.6%
I adjust decisions accordingly based on the financial problems faced.	0%	0.5%	2.8%	66.2%	30.6%
My financial decisions result in stable cash flow for the business.	0%	0%	9.7%	68.5%	21.8%
I can allocate resources effectively to balance daily needs and long-term goals.	0%	0.5%	14.4%	65.3%	19.9%
Financial Decision-Making Outcomes	0.25%	4.45%	6.65%	54.0%	34.7%

The table below shows how each task structure indicator relates to the overall financial decision outcomes among start-up SMEs.

Table 9. Task Structure and Financial Decision Outcomes Correlation

Task Structure	r	p-value
Our business has a clear system for tracking expenses.	0.53	<.001
I regularly check our organized sales records.	0.52	<.001
There is a process that I follow when reviewing profit and loss.	0.44	<.001
The way we track financial data is consistent.	0.43	<.001
I set regular schedules to check our financial records.	0.53	<.001

The table below shows how owner-staff trust and communication relate to financial decision outcomes among start-up SMEs in Calamba City. These indicators were reviewed individually to surface clear patterns in day-to-day team reporting, input-seeking, and financial discussion habits.

Table 10. Leader-Member Relations and Financial Decision Outcomes Correlation

Leader-Member Relations	r	p-value
My staff are comfortable telling me when something is wrong in our finances.	0.20	0.003
I trust my team to report accurate financial information.	0.36	<.001
I often ask for my staff's help or input in financial matters.	0.46	<.001
There is open communication between me and my staff about financial issues.	0.38	<.001

Table 11 examines the position power variable in the business to show if authority connects to financial decision-making results. These items were intentionally observed in simple terms so that leadership power can be measured in real small-business settings.

Table 11. Position Power and Financial Decision Outcomes Correlation

Position Power	r	p-value
I have full control over the financial decisions of the business.	0.18	0.009
I can delegate financial tasks to my team when needed.	0.25	<.001
I have the authority to change how we manage finances.	0.18	0.009
I am the final decision-maker on matters related to money.	0.15	0.029

Table 12 displays the regression coefficients for leader-member relations indicators to predict the financial decision-making outcomes among startup SMEs. This research studied the strength and direction of each coefficient so that it can highlight which financial practices influence financial decision-making the most.

Table 12. Regression Coefficients for Leader–Member Relations Indicators Predicting Financial Decision-Making Outcomes

Indicators	Estimate (β)	p-value
My staff are comfortable telling me when something is wrong in our finances.	-0.14	0.003
I trust my team to report accurate financial information.	0.28	<.001
I often ask for my staff’s help or input in financial matters.	0.20	<.001
There is open communication between me and my staff about financial issues.	0.26	<.001

The table below demonstrates how each financial monitoring practice predicts the quality of the financial decisions of the owners. The regression analysis identified which task-related behaviors contribute the most to these financial decisions. All indicators were found to be statistically significant, showing that even small improvements in the business’ procedures can help strengthen decision-making performance.

Table 13. Regression Coefficients for Task Structure Indicators Predicting Financial Decision-Making Outcomes

Indicators	Estimate (β)	p-value
Our business has a clear system for tracking expenses.	0.18	<.001
I regularly check our organized sales records.	0.17	<.001
There is a process that I follow when reviewing profit and loss.	0.17	<.001
The way we track financial data is consistent.	0.16	<.001
I set regular schedules to check our financial records.	0.15	<.001

Table 14 shows the regression results for the position power indicators and their influence on financial decision-making outcomes among startup SMEs in Calamba City. These indicators mirrored the owner’s authority, decision control, and ability to delegate or adjust financial processes. The estimates showed how each element of authority contributed to the quality of financial decisions.

Table 14. Regression Coefficients for Position Power Indicators Predicting Financial Decision-Making Outcomes

Indicators	Estimate (β)	p-value
I have full control over the financial decisions of the business.	0.17	0.009
I can delegate financial tasks to my team when needed.	-0.11	<.001
I have the authority to change how we manage finances.	0.15	0.009
I am the final decision-maker on matters related to money.	0.09	0.029

DISCUSSION

RQ1. Current financial monitoring practices of start-up SMEs in Calamba City

The observation results from the four aspects revealed a progressive but incomplete financial monitoring cycle among Calamba City startup SMEs. Owners recorded and verified financial activities but there is no formal tools and procedures that can validate these activities. This pattern supports findings that small businesses often rely on informal and evolving financial management practices as adaptive mechanisms in resource-constrained environments (Lopez & Hiebl, 2015; Abanis et al., 2013). The major implication was that these startup SMEs had already moved from the undocumented financial practices, however, they still had not developed to systematic and data-driven monitoring. This stage has its weaknesses: financial records could be inaccurate which may result to losses being unnoticed, hence, business decisions may continue to rely on intuition rather than structured evaluation.

RQ2. The level of agreement of start-up SME owners regarding the internal organizational variables

The table of summary indicates the overall pattern of how startup SME owners rated their internal variables. The clearest trend that emerged in task structure was a high percentage in the “disagree” range, indicating that many SMEs do not perceive their financial routines as systematic or highly organized. This supports existing findings that small businesses commonly rely on informal financial practices rather than standardized systems (Lopez & Hiebl, 2015; Abanis et al., 2013).

In contrast, leader–member relations showed the highest concentration in the “agree” category, suggesting that interpersonal relationships in SMEs are generally strong, characterized by effective communication and trust between owners and staff. Previous studies indicate that strong working relationships facilitate collaboration and improve financial information sharing even in the presence of informal systems (Agyapong & Attram, 2019).

Position power emerged as the strongest variable, with the highest percentage under the “strongly agree” range. This indicates that owners maintain clear authority over financial decisions, processes, and changes, a common characteristic of small and owner-managed businesses (Lopez & Hiebl, 2015; Abanis et al., 2013). The dominance of this category suggests that formal authority is the most established internal factor compared to structure and relational elements.

Overall, despite weak task structure, SMEs perceive themselves as strong in terms of authority and interpersonal relations. Based on Fiedler’s Contingency Theory (1967), this combination reflects a moderately favorable leadership situation, where effectiveness depends more on leader control than on formal systems. Strong relationships compensate for weak structures, while high position power ensures compliance and

decision-making. Thus, the internal organizational structure of SMEs in Calamba City reflects a hands-on, relationship-driven, and leader-centered leadership model.

RQ3. The level of agreement of start-up SME owners regarding financial decision-making outcomes

Financial decision-making outcomes were also rated at a moderate level, indicating that while SME owners were confident in making decisions, these were often intuitive rather than systematically data-driven. Based on table 8, the researcher concluded that these startup SMEs are practical and operationally aware, but their systems and decision-making still needs development. They still need to have decision assurance to evaluate long-term impacts and goals. This aligns with existing literature which suggests that SMEs often rely on immediate financial indicators such as sales, expenses, and available records when making decisions, but may lack standardized systems and formal financial role structures as they grow (Abanis et al., 2013; Lopez & Hiebl, 2015; Agyapong & Attram, 2019). SME owners' ability to act based on records is a positive signal of monitoring initiative, but confidence instability shows that the businesses may have to strengthen their systems and financial knowledge to have a better decision quality.

RQ4. Degree of relationship between internal organizational variables and financial decision-making outcomes among start-up SMEs in Calamba City

The first part of the analysis of RQ4 presents the correlation results between each internal organizational variable and financial decision-making outcomes in the start-up SMEs in Calamba City. This step was included to measure how strongly these business conditions are associated with the quality of financial decisions made. The analysis focused on individual internal factors instead of overall averages, to show clear and meaningful relationship patterns.

The implication concluded by the researcher was that position power supports good decision outcomes slightly, but its impact becomes clearer and stronger when paired with delegating tasks and having visible records. This shows that SME financial decisions improve more from delegated actions than from authority statements alone, a pattern supported in emerging-market SME research (Abanis et al., 2013; IFC, 2021).

The second part presents the regression results testing of each internal organizational indicator against overall financial decision outcomes. Each regression model was run separately to pinpoint specific influence patterns in start-up SMEs in Calamba City, then the two highest regressions per variable were determined. This step was included to show which internal behaviors hold the most weight when financial decisions are made.

The variable with the overall strongest indicators was leader-member relations. Leader-member relations showed the strongest influence pattern through trust and open communication. This indicated that SMEs have better financial decision outcomes when

internal collaborations address financial concerns quickly and truthfully. The data gathered from field observations and the survey signified that SMEs whose owners trust their staff to report accurate financial information show more decisive financial judgment, less uncertainty, faster responses, and more confidence in decisions even though they do not rely on professional help like accountants and auditors. This also proved that in many SMEs, trust is the foundation upon which communication becomes meaningful.

Results of this analysis supported the studies that emphasized that startup SMEs' decision-making quality improves more when the authority of the owners depends on the working capital impact and internal behavioral cues instead of the formal capital tools or external accountants, especially in the local Philippine context where entrepreneurs rely more on mental ownership of decisions than the formal control systems (Placido, et al., 2024; Dahmen & Rodriguez, 2014; Racaza, 2022; Berisha & Pula, 2015; IFC, 2021). The wider interpretation is that startup business owners recognize their authority, but decision influences mature most when this power is activated through financial systematic routines and employee and owner collaboration.

RQ5. Development of the Contingency-Based Financial Decision-Making Model

This section provides the proposed Contingency-based Financial Decision-Making Framework that was developed based on the results of the first four research questions. The framework integrates the key findings on financial monitoring practices, internal organizational factors, financial decision-making outcomes, and the relationship of these two among startup SME owners in Calamba City. Given these results, a framework that can be used by other startup SMEs as a standard guide for them to improve their financial decision-making is needed. The proposed framework translates the research's findings into practical actions that new entrepreneurs can follow to strengthen their financial systems.

Contingency-Based Financial Decision-Making Framework for Start-up SMEs in Calamba City

Primary Predictor: Leader-Member Relations

Goal: Build a culture of transparency and collaboration in financial matters.

Key Steps:

1. Establish a trust-based reporting system

- a. Assign one staff member to handle daily financial reporting including cash, GCash, and other receipts.

Examples:

- i. Sales from cash customers
- ii. Customers who paid via GCash
- iii. Supplier receipts
- iv. Delivery receipts

- b. Require proof for all transactions like screenshots and photos.
Examples:
 - i. GCash transfer screenshot
 - ii. Confirmation email of payments
 - iii. Online transaction screenshot
- c. Maintain a Daily Verification Log where the owner or manager signs off on staff reports (a and b) every end of the day.
- d. Recognize honest yet accurate financial reporting of staff to strengthen trust.

2. Commit to open financial communication

- a. Schedule regular team check-ins to discuss sales, expenses, and improvement areas within the business.
- b. Ask simple, structured questions.
- c. Encourage staff feedback on waste reduction or cost-saving ideas.
- d. Keep a Financial Concerns Notebook where issues are logged and dated.

The table below shows an example of the financial concern log that can be done by the staff.

Table 14. Example of Financial Concern Log

Date	Issue	Noticed by	Action	Status
05 Dec 2025	GCash Payment not reflected	Cashier	Screenshot provided; verified	Resolved

Secondary Predictor: Task Structure

Goal: Build a structured system for managing financial information that can be used multiple times in the whole business operation.

Key Steps:

1. Create a clear expense tracking system

- a. Establish a formal inventory control routine through simple stock ledgers on Excel or simple digital tracking tools like *Loyverse*.
- b. Develop a written cash flow plan using a simple Excel or Google Sheets template to project weekly income and expenses.
- c. Set a financial review schedule.
- d. Create a standard budget format with allocations for inventory, utilities, wages, and marketing to provide structure for cost allocations.
- e. Establish backup and documentation routines for receipts, invoices, and digital payment proofs like bank transfers and payment screenshots to ensure traceability and evidence.

2. Regularly check and organize sales records

- a. Record sales daily and total them at end of business hours.
- b. Compare weekly sales to recognize patterns.
- c. Use these patterns to decide purchase requisitions, production volume, and expense adjustments.
- d. Keep a Weekly Sales Summary Sheet.

Tertiary Predictor: Position Power

Goal: Use owner authority responsibly to maintain control over finances while reinforcing discipline and accountability.

Key Steps:

1. Maintain control over major financial decisions.

- a. Require complete documentation before releasing funds.
- b. Review daily financial reports before allowing restocking.
- c. Owner approves all purchases above a set threshold.

The table below shows the suggested approval levels for financial actions that can be used by startup SME owners in Calamba City.

Table 15. Suggested Approval Levels for Financial Actions Among Start-Up SME Owners in Calamba City

Level	Type of Financial Action	Examples	Approver
L1 - Routinary Transactions	Small operational payments	Small supplies, ingredient purchases less than ₱2,000	Staff in Charge
L2 - Moderate Transactions	Non-routinary but moderate expenses	Inventory restocks, equipment repairs (₱2,001 to ₱5,000)	Manager
L3 - Major Decisions	Large purchases, investments	Purchase of equipment, hiring of staff (more than ₱10,000)	Owner
L4 - Strategic Decisions	Long-term financial changes	Expansion, revision of pricing models	Owner External Adviser

2. Use authority to adjust and improve financial systems.

- a. Modify purchasing schedules.
- b. Revise process when staff make repeated errors like new forms, clearer rules, or another training.
- c. Enforce separation of business and personal funds.
- d. Implement new tools if needed.

Financial Decision-Making Outcomes: Apply Data-Driven and Adaptive Choices

Goal: Use information from monitoring and structure to make informed, flexible decisions.

Key Steps:

1. **Base all financial decisions on records, not assumptions or memory.**
2. **Adjust spending immediately when income drops below targets.**
3. **Review previous decisions to learn from mistakes and successes.**
4. **Use data to identify risks early.**
5. **Celebrate small financial wins to reinforce positive habits among staff.**

Table 16. Contingency Response Guide

Description	Trust	Structure	Authority	What to do	Outcome
Best condition for decision-making.	High	High	High	<ul style="list-style-type: none"> • Invest in improvements or business expansions • Expand menu and offerings. • Plan for growth. 	Strong, confident decisions that can be used for long term goals.
Information is honest but incomplete.	High	Low	High	<ul style="list-style-type: none"> • Fix recording systems. • Freeze major expenses or improvements. • Base decisions only after updates. 	Prevents errors from incomplete data.
Records are available but data from the staff are not reliable.	Low	High	High	<ul style="list-style-type: none"> • Strengthen Trust SOP. • Reshuffle tasks among staff. • Require proofs from daily sales or expenses. 	Protects the business from wrong reporting.
Owner does not enforce discipline.	High	High	Low	<ul style="list-style-type: none"> • Follow Control SOP. • Reinstate approval matrix. • Increase owner involvement in cash flow review. 	Restores financial control.

Worst case condition.	Low	Low	Low	<ul style="list-style-type: none"> • Fix sales and expenses recording and reporting. • Require proof of transactions. • Delay all non-essential expenses. • Take full control for a week or two. 	Stops financial decline and resets the system.
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Table 16 presented above shows the five possible financial decision-making scenarios that start-up SME owners may encounter based on the combination of three internal conditions: Trust, Structure, and Authority. These situations came from the strongest indicators identified in the study. Each scenario shows what happens when one or more of these conditions are high or low and provides simple, actionable steps that owners can follow.

The final decision pathway illustrates the structured process through which SME owners can evaluate internal conditions before making financial decisions.

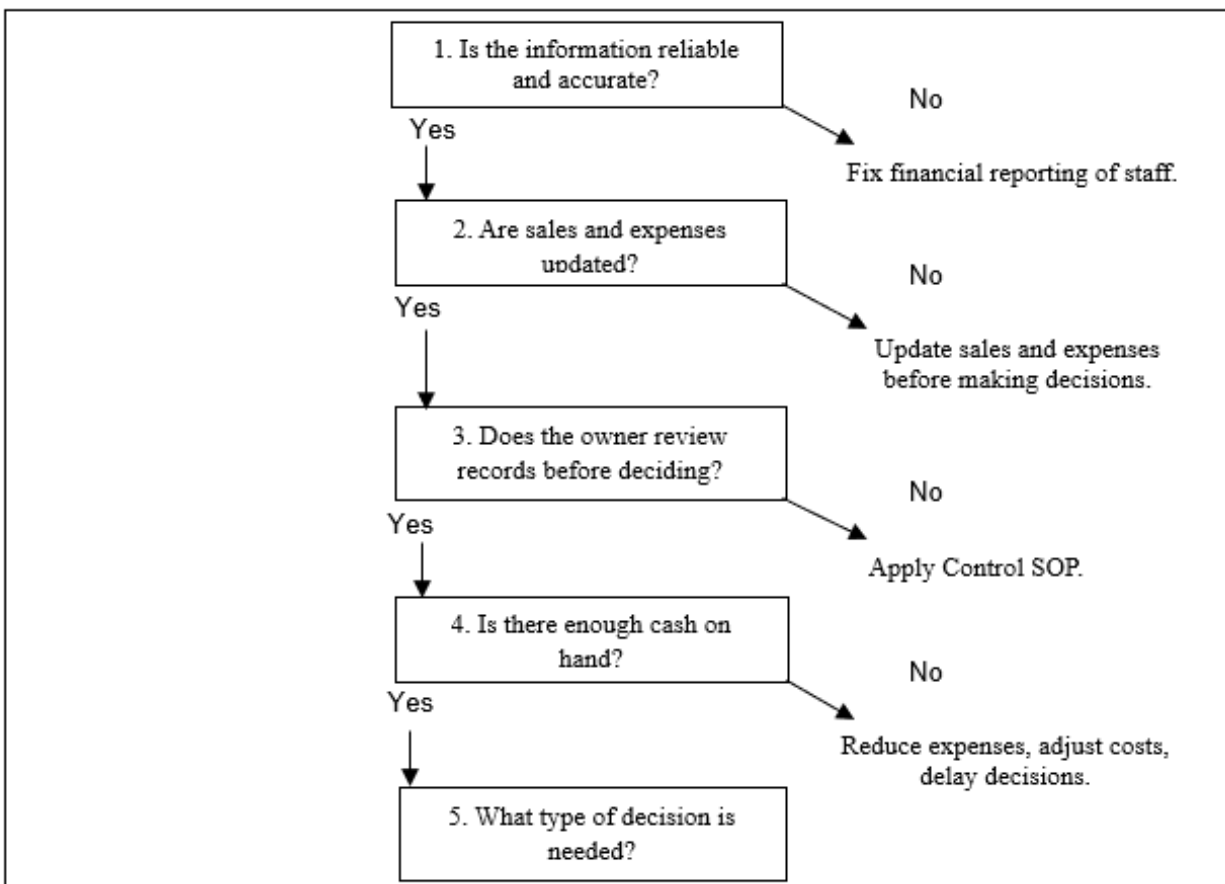


Figure 2. Final Decision Pathway

The table below shows the continuation of the Final Decision Pathway figure which are the types of decision that may be done.

Table 16. Decision Types and Corresponding Required Actions

Decision Type	Action Required
Routine	Follow L1 approvals
Moderate	Follow L2 approvals
Major	Owner must review full records before approving
Strategic	Consult adviser or strategic experts

Conclusions

This study concludes that financial monitoring practices among startup SMEs in Calamba City remain evolving, largely characterized by manual and semi-digital systems such as handwritten ledgers and simple spreadsheets. While these practices provide basic financial visibility and support short-term operational decisions, they lack structured systems that are needed for long-term planning. In terms of internal organizational variables, leader-member relations emerged as the strongest dimension, indicating high levels of trust and collaboration in financial reporting. Financial decision-making outcomes were generally positive in terms of responsiveness and adaptability, as owners demonstrated their ability to adjust spending based on revenues and expenses. However, some may lack confidence levels and limited long-term financial planning. The study further establishes that task structure, leader-member relations, and position power significantly relate to financial decision-making outcomes, confirming that stronger internal organizational conditions create more effective decision environments. Synthesizing these findings, the study developed a contingency-based financial decision-making framework that positions leader-member relations as the primary driver, task structure as the operational backbone, and position power as the reinforcing control mechanism, offering startup SMEs a practical and adaptable guide for improving financial decisions through aligned organizational conditions.

Recommendations

Based on the results and conclusions of the study, several recommendations were proposed to enhance business practice, governance, and future research on financial decision-making among start-up SMEs in Calamba City.

Business Practice and Governance

Startup owners are encouraged to adopt the proposed contingency-based financial decision-making framework as a standard operating procedure (SOP). By implementing structured financial processes and leadership alignment into daily operations, SME owners can strengthen their capacity for strategic and data-driven

financial management. LGUs and DTI are also encouraged to use the framework into their entrepreneurship training and mentoring programs through the Negosyo Centers. Moreover, other financial institutions are encouraged to provide financial schemes that are kind to startup SMEs. This includes giving incentives for startups that foster financial systems. This approach will help promote financial discipline and sustainability among borrowers.

For Future Researchers

For future researchers, it is recommended that similar studies be conducted in other cities or industries to examine the generalizability of the proposed framework across different business contexts. Researchers may also use qualitative methods such as interview so that they can listen to real life experiences of startup owners not just based on survey. Additionally, future studies may consider digital transformation readiness as an emerging variable that could influence the relationship between internal organizational factors and financial decision-making outcomes.

Compliance with Ethical Standards

This study strictly observed ethical standards in conducting research involving human participants. Participation in this study was completely voluntary. All participants were provided with an informed consent form before the survey and observation proper. It specified the purpose of this research and the time frame of the survey and observation. It also informed them of their right to decline participation or withdraw at any point without any form of penalty or consequence. The personally identifiable information such as names, business names, or contact details of all participants were treated with utmost anonymity by abstaining to collect any of those. Responses were extracted from the google forms without their emails to guarantee the participants that their individual identities were not linked to their responses during analysis or reporting. All quantitative data collected were treated as confidential. Files were stored in a folder that can only be accessed by the researcher. No printed record was used to observed or surveyed data. The results were presented in collective form, and no individual respondent was identified in the study.

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