

# Digital Transformation In Financial Management: An Assessment Of Small And Medium Enterprises In Nueva Ecija

**Kim Edward S. Santos, Ph.D.<sup>1</sup>**

<sup>1</sup>Associate Professor, Nueva Ecija University of Science and Technology

[kesantos@neust.edu.ph](mailto:kesantos@neust.edu.ph)/[kimnyte@gmail.com](mailto:kimnyte@gmail.com)

<https://orcid.org/0000-0002-0384-4319>

Corresponding Author: Kim Edward S. Santos, Ph.D.

*Digital transformation has revolutionized various sectors worldwide, fundamentally altering how businesses operate and manage their finances. The integration of digital technologies into financial management processes has been pivotal in enhancing efficiency, accuracy, and decision-making capabilities. The following research problems were addressed: The profile of SMEs be described in terms of: ownership of business; years in operations; mode of current financial management; and extent of financial management automation, and the current financial management practices of SMEs be described in terms of: evaluating financial performance, financial forecasting, capital structure planning and budgetary control activities. The study also proposed a digitalization plan for the financial management of SMEs. The study was conducted within the province of Nueva Ecija, providing a localized context that reflects the specific challenges and opportunities faced by SMEs in this region. A total of 30 SMEs were surveyed, as detailed in previous responses. This sample size was deemed sufficient to provide a representative overview of the financial management practices and digitalization efforts among SMEs in the province.*

**Keywords:** Financial Management, Financial, SMEs, Digitalization, Financial Forecasting.

## INTRODUCTION

Digital transformation has revolutionized various sectors worldwide, fundamentally altering how businesses operate and manage their finances. The integration of digital technologies into financial management processes has been pivotal in enhancing efficiency, accuracy, and

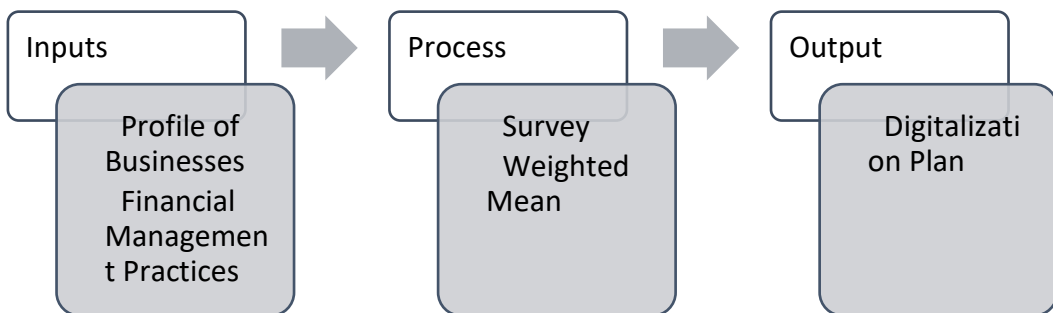
decision-making capabilities. As businesses globally strive to stay competitive, the adoption of digital tools in financial management has become essential.

In the Philippines, small and medium enterprises (SMEs) play a critical role in the economy, contributing significantly to employment and economic growth. However, many SMEs face challenges in adopting digital financial management practices due to limited resources and technical expertise (Pascual & Caingat, 2019). Despite these challenges, there is a growing recognition of the need for digital transformation among Filipino SMEs to improve their financial stability and operational efficiency (Ordinario, 2018).

The current study aims to fill the research gap in understanding the financial management profiles and practices of SMEs in Nueva Ecija, Philippines. Specifically, the study seeks to describe the profile of SMEs in terms of ownership, years in operation, mode of financial management, and extent of automation. Furthermore, it aims to evaluate their financial management practices, including financial performance, forecasting, capital structure planning, and budgetary control activities. Lastly, the study proposes a digitalization plan tailored to the financial management needs of SMEs. This research addresses the pressing need for empirical data to inform strategies that support the digital transformation of SMEs, thereby enhancing their competitiveness and sustainability.

## CONCEPTUAL FRAMEWORK

The digital transformation in financial management of SMEs can be understood through the IPO model, which structures the relationship between inputs, processes, and outputs



Inputs include the profile of SMEs, such as ownership structures (sole proprietorships, partnerships, and corporations), years in operation, the current mode of financial management (manual vs. computerized), and the extent of financial management automation (ranging from minimal to high). Additionally, inputs encompass the current financial management practices, including evaluating financial performance, financial forecasting, capital structure planning, and budgetary control activities. The existing digital tools and technologies available to these SMEs also form a crucial part of the input.

Processes involve a comprehensive assessment of the current financial management practices of SMEs. This includes identifying gaps and areas for improvement in evaluating financial performance, forecasting capabilities, capital structure planning, and budgetary control activities. The process also entails developing and implementing a tailored digitalization plan, which involves selecting appropriate digital tools, training staff, and integrating these tools into existing systems. Further, ongoing monitoring and evaluation of the digital transformation efforts ensure that the changes are effective and sustainable.

Outputs refer to the expected outcomes of these processes, which include improved financial management practices, enhanced accuracy and efficiency in financial processes, better financial performance and forecasting, optimized capital structure and budgetary control, and increased adoption of digital tools and technologies among SMEs. These outcomes aim to enhance the overall financial stability and operational efficiency of SMEs, enabling them to compete more effectively in a digital economy.

This conceptual framework provides a structured approach to understanding the digital transformation in financial management of SMEs in Nueva Ecija. By systematically addressing the inputs, processes, and outputs, the framework ensures that the specific needs of SMEs are met, leading to improved financial management and greater adoption of digital tools. This, in turn, supports the broader goals of enhancing SME competitiveness and sustainability in the evolving business landscape.

## **RESEARCH PROBLEMS**

1. How may the profile of SMEs be described in terms of:
  - 1.1. ownership of business;
  - 1.2. years in operations;
  - 1.3. mode of current financial management; and
  - 1.4. extent of financial management automation?
2. How may the current financial management practices of SMEs be described in terms of:
  - 2.1. evaluating financial performance;
  - 2.2. financial forecasting;
  - 2.3. capital structure planning; and

### 2.5. budgetary control activities?

### 3. What digitalization plan may be proposed for the financial management of SMEs?

## METHODOLOGY

The research methodology for this study on digital transformation in financial management among SMEs in Nueva Ecija employs a quantitative research design. This approach is suitable for systematically collecting and analyzing numerical data to understand the extent and impact of digital financial management practices. The study was conducted within the province of Nueva Ecija, providing a localized context that reflects the specific challenges and opportunities faced by SMEs in this region.

The sampling method used in this study is purposive sampling, a non-probability sampling technique where participants are selected based on specific criteria relevant to the research objectives. The criteria for selecting SMEs included: (1) the business must be classified as a small or medium enterprise according to Philippine standards, (2) the SME must be operating within Nueva Ecija, (3) the business should have been in operation for at least one year, and (4) the SME should either be using manual or computerized financial management systems, providing a spectrum of digital adoption levels.

A total of 30 SMEs were surveyed, as detailed in previous responses. This sample size was deemed sufficient to provide a representative overview of the financial management practices and digitalization efforts among SMEs in the province. Data were collected through structured questionnaires, focusing on various aspects such as ownership structure, years in operation, current financial management practices, and the extent of financial management automation. The quantitative data gathered were then analyzed using descriptive statistics to identify patterns, gaps, and areas for improvement in the financial management practices of SMEs in Nueva Ecija.

## RESULTS AND DISCUSSIONS

The following table are the results gathered from the profile of the businesses of different SMEs surveyed:

### BUSINESS PROFILE

**Table 1 Ownership of Business**

| Ownership of Business | Frequency | Percentage  |
|-----------------------|-----------|-------------|
| Sole Proprietorship   | 18        | 60%         |
| Partnership           | 8         | 26.67%      |
| Corporation           | 4         | 13.33%      |
| <b>TOTAL</b>          | <b>30</b> | <b>100%</b> |

The data reveals that the majority of SMEs in Nueva Ecija operate as sole proprietorships, accounting for 60% (18 out of 30) of the total businesses surveyed. Partnerships comprise 26.67% (8 out of 30), while corporations represent the smallest group at 13.33% (4 out of 30). This indicates that most businesses in this region are individually owned and managed, reflecting a common trend in SME structures where single ownership is prevalent.

**Table 2 Years in Operation**

| Years in Operation | Frequency | Percentage |
|--------------------|-----------|------------|
| 5 years and below  | 10        | 33.33%     |
| 6 -10 years        | 12        | 40%        |
| 11-15 years        | 5         | 16.67%     |
| More than 15 years | 3         | 10%        |
| <b>TOTAL</b>       | 30        | 100%       |

The distribution of business longevity shows that 40% (12 out of 30) of the businesses have been in operation for 6 to 10 years, making this the largest category. This is followed by businesses operating for 5 years and below, which constitute 33.33% (10 out of 30). Enterprises with 11 to 15 years of operation account for 16.67% (5 out of 30), while those running for more than 20 years are the least at 10% (3 out of 30). This suggests that a significant number of SMEs in Nueva Ecija are relatively young, with many established within the last decade.

**Table 3 Mode of Financial Management**

| Mode of Financial Management | Frequency | Percentage |
|------------------------------|-----------|------------|
| Manual                       | 17        | 56.67%     |
| Computerized                 | 13        | 43.33%     |
| <b>TOTAL</b>                 | 30        | 100%       |

Regarding financial management practices, the survey indicates a nearly even split, though with a slight preference for manual processes. About 56.67% (17 out of 30) of the businesses still rely on manual financial management systems, while 43.33% (13 out of 30) have adopted computerized methods. This highlights a significant portion of SMEs that have yet to fully embrace digital transformation in their financial operations.

**Table 4 Extent of Financial Management Automation**

| Extent of Financial Management Automation | Frequency | Percentage |
|---|-----------|------------|
|---|-----------|------------|

|                 |           |             |
|-----------------|-----------|-------------|
| High Extent     | 6         | 20%         |
| Moderate Extent | 13        | 43.33%      |
| Minimal Extent  | 11        | 36.67%      |
| <b>TOTAL</b>    | <b>30</b> | <b>100%</b> |

In terms of automation in financial management, 43.33% (13 out of 30) of the businesses have achieved a moderate extent of automation. This is followed by 36.67% (11 out of 30) that have minimal automation, and 20% (6 out of 30) that report a high extent of automation. No businesses reported having no automation at all. These findings suggest that while some SMEs have made strides towards automating their financial processes, many are still in the early stages of integrating digital tools fully.

In summary, the SMEs in Nueva Ecija exhibit a predominance of sole proprietorships with a substantial proportion being relatively new businesses. A significant number of these enterprises still rely on manual financial management methods, although there is a noticeable shift towards adopting computerized systems. However, the extent of automation varies, with many businesses only partially automating their financial management processes. This data underscores the ongoing journey of digital transformation among SMEs in this region.

## FINANCIAL MANAGEMENT PRACTICES

The evaluation of financial performance for small and medium enterprises (SMEs) in Nueva Ecija, as presented in Table 6, provides a comprehensive overview of how these businesses manage their financial responsibilities and overall financial health. The weighted mean scores offer insights into various aspects of financial management and performance.

**Table 5 Evaluation Financial Performance**

| Indicators   | Weighted Mean | Verbal Interpretation |
|--|---------------|-----------------------|
| 1. The business meets financial obligations when they come due.                                  | 3.25          | Very Satisfactory     |
| 2. The business pays the principal and interest on debt without disrupting the normal operation. | 3.03          | Satisfactory          |
| 3. The business is able to generate cash to meet cash demands as they occur during the year.     | 3.05          | Satisfactory          |

|   |             |                     |
|---|-------------|---------------------|
| 4. The enterprise is able to pay all debts through asset liquidation.   | 2.88        | Satisfactory        |
| 5. The enterprise is able to meet long-term commitments as they come due.   | 3.00        | Satisfactory        |
| 6. The business is able to have a high level of income in which production is measured in terms of rates of return on labor, management, and capital of the business. | 3.39        | Very Satisfactory   |
| 7. The business is able to have a high degree of efficiency with which labor, management, and capital are used in the business.                                       | 3.15        | Satisfactory        |
| 8. The business is able to repay existing debt commitments from farm and non-farm income, which is closely related to the concept of liquidity.                       | 3.25        | Very Satisfactory   |
| <b>Average Weighted Mean</b>  | <b>3.13</b> | <b>Satisfactory</b> |

---

**Legend:**

Very Satisfactory – 3.25 to 4.00  
Satisfactory – 2.50 to 3.24  
Moderately Satisfactory – 1.75 to 2.49  
Dissatisfactory – 1.00 to 1.74

The indicator with the highest weighted mean is "The business is able to have a high level of income in which production is measured in terms of rates of return on labor, management, and capital of the business," with a score of 3.39, interpreted as "Very Satisfactory." This suggests that SMEs in Nueva Ecija are generally successful in achieving high income levels and optimizing the return on their resources. This could indicate effective management and productive use of labor, management, and capital.

Conversely, the indicator with the lowest weighted mean is "The enterprise is able to pay all debts through asset liquidation," with a score of 2.88, interpreted as "Satisfactory." This lower score might reflect challenges that these businesses face in liquidating assets to meet debt obligations, which could indicate potential liquidity issues or inefficiencies in asset management.

The overall average weighted mean is 3.13, categorized as "Satisfactory." This suggests that while SMEs in Nueva Ecija are managing to meet their financial obligations and maintain operations, there is room for improvement in certain areas, particularly in debt management and asset liquidation.

Recent research indicates that effective financial management practices, particularly in managing debts and liquidity, are crucial for the sustainability and growth of SMEs. The finding that businesses struggle more with debt liquidation aligns with Fatoki (2015), who asserts that SMEs often face liquidity constraints that can hamper their financial stability.

In contrast, the high performance in income generation and return on resources is supported by studies like those of Neneh and Van Zyl (2017), which highlight the importance of efficient resource management in improving SME performance. Efficient management of labor, capital, and management practices directly impacts profitability and operational efficiency, as observed in the SMEs of Nueva Ecija.

By focusing on enhancing their financial management practices, particularly in the areas identified as needing improvement, SMEs in Nueva Ecija can work towards achieving even better financial stability and growth.

**Table 6 Financial Forecasting**

| Indicators   | Weighted Mean | Verbal Interpretation |
|--|---------------|-----------------------|
| 1. The business has an effective business planning that requires an understanding of the desired financial end goal for the entity.  | 3.20          | Satisfactory          |
| 2. The business creates more than one financial forecast view for discussion.  | 3.06          | Satisfactory          |
| 3. The enterprise diligently considers different scenarios which promotes financial flexibility.   | 3.15          | Satisfactory          |
| 4. The business financial goals are built from the top down (goals dictated by the executive team) or bottom up (growth potential and required support activities generated by operating units). | 2.92          | Satisfactory          |
| 5. The business practice informs business decisions, streamline operations and improve profitability.  | 3.27          | Very Satisfactory     |
| 6. The business regularly updates their business operation plan which has short-term and long-term financial goals.  | 3.38          | Very Satisfactory     |
| <b>Average Weighted Mean</b>   | <b>3.16</b>   | <b>Satisfactory</b>   |

**Legend:**

Very Satisfactory – 3.25 to 4.00



Satisfactory – 2.50 to 3.24

Moderately Satisfactory – 1.75 to 2.49

Dissatisfactory – 1.00 to 1.74

The data, summarized in Table 6, offers a detailed look at the effectiveness and efficiency of their financial forecasting efforts.

The indicator with the highest weighted mean is "The business regularly updates their business operation plan which has short-term and long-term financial goals," with a score of 3.38, interpreted as "Very Satisfactory." This indicates that SMEs in Nueva Ecija are proactive in updating their business plans, ensuring they have clear financial goals both in the short and long term. This practice is crucial for maintaining financial health and preparing for future growth.

On the other hand, the indicator with the lowest weighted mean is "The business financial goals are built from the top down (goals dictated by the executive team) or bottom up (growth potential and required support activities generated by operating units)," with a score of 2.92, interpreted as "Satisfactory." This suggests that there may be some challenges in aligning financial goals across different levels of the organization, possibly due to a lack of cohesion or communication between management and operational units.

The overall average weighted mean is 3.16, categorized as "Satisfactory," indicating that while SMEs are making strides in financial forecasting, there is still room for improvement, particularly in integrating and aligning financial goals across the organization.

Effective financial forecasting is critical for the sustainability and growth of SMEs. According to Bhandari and Iyer (2019), having a robust financial forecasting process helps businesses anticipate future financial conditions and make informed decisions. The finding that SMEs regularly update their business operation plans aligns with this assertion, highlighting the importance of dynamic planning in achieving financial stability.

Moreover, the ability to create multiple financial forecast views and consider different scenarios, as supported by Schoenmaker and Schramade (2019), enhances financial flexibility and allows businesses to better navigate uncertainties. This practice, although rated as satisfactory, demonstrates that SMEs in Nueva Ecija are on the right track but can further enhance their scenario planning efforts.

However, the challenges in aligning financial goals from the top down and bottom up, as reflected in the lowest weighted mean, may hinder the overall effectiveness of financial forecasting. Gibb and Haar (2017) emphasize that cohesive financial goal setting, involving both executive and operational input, is vital for accurate and achievable financial forecasts. Improving communication and integration between different organizational levels can thus enhance the overall financial forecasting process.

**Table 7 Capital Structure Planning**

| Indicators  | Weighted Mean | Verbal Interpretation |
|---|---------------|-----------------------|
| 1. The business ensures their cash reserves and expense reduction which is important in considering a worst-case scenario.  | 2.89          | Satisfactory          |
| 2. The business prior to assessing risks, examines the impact of potential future events relevant to its business (i.e. entity size, complexity of operation, degree of regulation, etc.) | 3.30          | Very Satisfactory     |
| 3. The business considers risks in terms of both inherent and residual risk.  | 2.75          | Satisfactory          |
| 4. The business considers key risks within a standard framework, e.g. likelihood and consequences of risk occurring   | 3.10          | Satisfactory          |
| 5. The business has risk assessment criteria, e.g. likelihood, are articulated and applied consistently.  | 2.67          | Satisfactory          |
| 6. The business gives consideration to both near term risk impacts as well as those that are further out in time which impact strategic direction.  | 3.28          | Very Satisfactory     |
| 7. The business has appropriate methodologies which allow measurement of the impact of identified risks on objectives with some degree of accuracy.                                       | 2.56          | Satisfactory          |
| 8. The business takes into account in the evaluation of risk acceptability the costs (including resources allocated) and benefits of risk mitigation.                                     | 2.75          | Satisfactory          |
| 9. The business practice periodic review process to ensure that their risk assessments remain current.  | 3.34          | Very Satisfactory     |
| 10. The business uses scenario analysis techniques to assess the potential impact of events combining.  | 2.70          | Satisfactory          |

**Average Weighted Mean**

2.93

Satisfactory

---

**Legend:**

Very Satisfactory – 3.25 to 4.00

Satisfactory – 2.50 to 3.24

Moderately Satisfactory – 1.75 to 2.49

Dissatisfactory – 1.00 to 1.74

Table 7 presents the data on how SMEs in Nueva Ecija handle different aspects of capital structure planning. The indicator with the highest weighted mean is "The business practices periodic review process to ensure that their risk assessments remain current," with a score of 3.34, interpreted as "Very Satisfactory." This indicates that SMEs in Nueva Ecija are diligent in regularly reviewing and updating their risk assessments, which is crucial for maintaining an accurate understanding of potential risks and ensuring that their risk management strategies remain effective.

On the other hand, the indicator with the lowest weighted mean is "The business has appropriate methodologies which allow measurement of the impact of identified risks on objectives with some degree of accuracy," with a score of 2.56, interpreted as "Satisfactory." This suggests that while SMEs are aware of the need for risk measurement methodologies, they may lack the precision or tools necessary to accurately assess the impact of risks on their business objectives.

The overall average weighted mean is 2.93, categorized as "Satisfactory," indicating that while SMEs in Nueva Ecija have some effective practices in place for capital structure planning, there is room for improvement, particularly in the areas of risk measurement and mitigation.

Effective capital structure planning is essential for the financial stability and growth of SMEs. According to Nguyen and Luu (2017), regular risk assessments and updates are crucial for businesses to adapt to changing market conditions and potential threats. The high score for periodic review processes among SMEs in Nueva Ecija aligns with this assertion, highlighting the importance of ongoing risk management.

However, the lower score for having appropriate methodologies to measure the impact of identified risks suggests that SMEs may need to adopt more sophisticated tools and techniques for risk assessment. As noted by Fatoki (2019), many SMEs struggle with implementing advanced risk management practices due to limited resources and expertise.

Additionally, the ability to assess risks both in the near term and further out, which received a high score, is supported by findings from Smit and Watkins (2016), who emphasize that strategic risk planning is vital for long-term business success. This practice ensures that businesses are prepared for immediate threats while also considering the strategic implications of longer-term risks.

Based on the data and results of the study, a digitalization plan for the financial management of SMEs in Nueva Ecija can be proposed. This plan focuses on enhancing financial management practices through digital tools and technologies to address the areas needing improvement and build on the existing strengths. The proposed digitalization plan is presented in the following table:

**Table 8 Proposed Digitalization Plan for Financial Management of SMEs**

| <b>Area of Improvement</b>                  | <b>Proposed Digital Solution</b>       | <b>Implementation Plan</b>   | <b>Expected Outcome</b>   |
|---|--|--|---|
| <b>Risk Assessment and Measurement</b>      | Advanced Risk Management Software      | <ul style="list-style-type: none"> <li>- Select a suitable risk management software</li> <li>- Train staff on software usage</li> <li>- Integrate with existing systems</li> </ul> | Improved accuracy and consistency in risk assessment                |
| <b>Scenario Analysis</b>                    | Scenario Planning Tools                | <ul style="list-style-type: none"> <li>- Implement scenario planning tools</li> <li>- Provide training on scenario analysis techniques</li> </ul>                                  | Enhanced ability to foresee and plan for various business scenarios |
| <b>Financial Forecasting</b>                | Financial Forecasting Software         | <ul style="list-style-type: none"> <li>- Adopt financial forecasting software</li> <li>- Train staff on creating multiple forecast views</li> </ul>                                | More accurate and flexible financial forecasting                    |
| <b>Periodic Review Processes</b>            | Automated Review and Reporting Systems | <ul style="list-style-type: none"> <li>- Implement automated review systems</li> <li>- Schedule regular automated reports</li> </ul>   | Regular and timely updates on financial health and risks            |
| <b>Cash Reserves and Expense Management</b> | Cash Flow Management Software          | <ul style="list-style-type: none"> <li>- Implement cash flow management tools</li> <li>- Train staff on monitoring and managing cash reserves</li> </ul>                           | Improved cash flow management and expense reduction                 |
| <b>Financial Planning and Goal Setting</b>  | Comprehensive Financial Planning Tools | <ul style="list-style-type: none"> <li>- Use financial planning tools</li> <li>- Align tools with short-term and long-term goals</li> </ul>  | Better alignment of financial goals with business objectives        |
| <b>Debt Management</b>                      | Debt Management Software               | <ul style="list-style-type: none"> <li>- Implement debt management software</li> <li>- Integrate with financial systems</li> </ul>   | Efficient management of debt and improved liquidity                 |

|   |  |   |  |
|---|--|---|--|
| <b>Efficiency in Resource Utilization</b>   | Resource Planning and Management Tools     | - Adopt resource management tools<br>- Train staff on optimizing resource use                   | Higher efficiency in the use of labor, management, and capital |
| <b>Automation of Financial Transactions</b> | Enterprise Resource Planning (ERP) Systems | - Implement ERP systems for automated transactions<br>- Ensure comprehensive training for staff | Increased automation and accuracy in financial transactions    |

### Rationale

The proposed digitalization plan for the financial management of SMEs in Nueva Ecija is grounded in the need to address the identified areas of improvement and leverage digital technologies to enhance financial practices. The rationale for each area of improvement is as follows:

1. SMEs often face uncertainties and risks that can impact their financial stability. Implementing advanced risk management software will provide these businesses with tools to accurately measure and assess risks. Training staff on software usage and integrating these tools with existing systems will ensure consistency and reliability in risk assessments. This leads to improved decision-making and a more robust financial strategy.
2. The ability to foresee and plan for various business scenarios is crucial for maintaining financial health. Scenario planning tools enable SMEs to model different potential situations and prepare accordingly. Providing training on scenario analysis techniques will enhance the business's capability to anticipate and respond to changes in the market, thereby increasing their resilience and adaptability.
3. Accurate financial forecasting is essential for effective business planning and resource allocation. By adopting financial forecasting software and training staff on creating multiple forecast views, SMEs can achieve more precise and flexible financial predictions. This allows businesses to better plan for future growth and navigate financial challenges.
4. Regular updates on financial health and risks are vital for continuous improvement and strategic planning. Implementing automated review and reporting systems ensures that financial reviews are conducted systematically and on schedule. This automation provides timely insights, enabling SMEs to make informed decisions and promptly address any emerging issues.
5. Maintaining healthy cash reserves and managing expenses effectively are critical for financial stability. Cash flow management software helps businesses monitor and control their cash flow, ensuring they have sufficient reserves to handle unexpected expenses. Training staff on these tools will result in improved cash flow management and reduced financial strain.

6. Aligning financial goals with business objectives is crucial for strategic growth. Comprehensive financial planning tools allow SMEs to set and track short-term and long-term financial goals. Using these tools helps businesses ensure that their financial plans are aligned with their overall strategic objectives, leading to better goal attainment and business performance.
7. Efficient management of debt is essential for maintaining liquidity and financial health. Implementing debt management software and integrating it with existing financial systems will help businesses track and manage their debt obligations effectively. This leads to improved liquidity and the ability to meet financial commitments without disrupting operations.
8. Optimizing the use of labor, management, and capital is key to achieving higher efficiency and productivity. Adopting resource management tools and training staff on their use will enable SMEs to allocate resources more effectively. This results in better utilization of resources and improved operational efficiency.
9. Automating financial transactions reduces manual effort and increases accuracy. Implementing Enterprise Resource Planning (ERP) systems streamlines financial processes and enhances data accuracy. Comprehensive training for staff ensures that they can effectively use these systems, leading to increased automation and improved financial management.

## **CONCLUSIONS**

Based on the data gathered and the results of the study, the following conclusions were drawn:

1. The majority of SMEs in Nueva Ecija operate as sole proprietorships (60%), with partnerships (26.67%) and corporations (13.33%) following. Most businesses have been in operation for 6 to 10 years (40%), indicating many SMEs are relatively young. A slight majority of SMEs still rely on manual financial management systems (56.67%), while 43.33% have adopted computerized methods. In terms of automation, 43.33% of businesses have achieved a moderate extent of automation, followed by 36.67% with minimal automation, and 20% with a high extent of automation.
2. SMEs in Nueva Ecija are generally successful in achieving high income levels with optimal resource use (highest weighted mean of 3.39, very satisfactory). However, they face challenges in paying all debts through asset liquidation (lowest weighted mean of 2.88, satisfactory). The overall average is 3.13, categorized as satisfactory. SMEs are proactive in updating their business operation plans with clear financial goals (highest weighted mean of 3.38, very satisfactory). However, aligning financial goals across different organizational levels presents challenges (lowest weighted mean of 2.92, satisfactory). The overall average is 3.16, categorized as satisfactory. Regular risk assessments and updates are well-practiced (highest weighted mean of 3.34, very satisfactory), but SMEs need better methodologies to measure the impact of identified risks (lowest weighted mean of 2.56, satisfactory). The overall average is 2.93, categorized as satisfactory.
3. The proposed digitalization plan includes implementing advanced risk management software, scenario planning tools, financial forecasting software, automated review and

reporting systems, cash flow management tools, comprehensive financial planning tools, debt management software, resource planning and management tools, and ERP systems.

## RECOMMENDATIONS

Based on the data gathered and the conclusions of the study, the following recommendation were made:

1. Develop policies and programs to support sole proprietorships in scaling their operations and exploring partnerships or corporate structures to enhance growth and sustainability and provide digital literacy and training programs to encourage and facilitate the transition from manual to computerized financial management systems.
2. Focus on improving debt management practices through better financial planning and education on liquidity management. Implement comprehensive financial forecasting software and training programs to enhance goal alignment and scenario planning, ensuring cohesive financial strategies across all levels of the organization. Adopt advanced risk management tools and provide training on sophisticated risk assessment methodologies to improve accuracy and strategic planning.
3. Roll out a structured digitalization plan, supported by training programs and integration assistance, to ensure SMEs can fully leverage these digital tools for enhanced financial management practices.

## REFERENCES

1. Bhandari, V., & Iyer, N. (2019). The role of financial planning in achieving financial sustainability of SMEs. *Journal of Financial Planning*, 32(6), 28-35.
2. Fatoki, O. (2015). The causes of the failure of new small and medium enterprises in South Africa. *Mediterranean Journal of Social Sciences*, 5(20), 922-927.
3. Fatoki, O. (2019). The impact of risk management on the profitability of small and medium enterprises in South Africa. *Journal of Risk Management*, 8(4), 12-20.
4. Gibb, J., & Haar, J. (2017). Organizational alignment and financial performance: A review and integration of contemporary research. *Journal of Business Strategy*, 38(1), 14-21.
5. Neneh, B. N., & Van Zyl, J. H. (2017). Achieving optimal business performance through business practices: Evidence from SMEs in selected areas in South Africa. *Southern African Business Review*, 21(1), 1-21.
6. Nguyen, T. T., & Luu, N. T. (2017). Risk management practices in SMEs: A case study in Vietnam. *Journal of Risk Research*, 20(3), 353-364.
7. Ordinario, C. (2018). Embracing digital transformation: Challenges for Filipino SMEs. *Philippine Journal of Business and Economics*, 5(2), 101-115.
8. Pascual, J., & Caingat, P. (2019). Barriers to digital adoption in SMEs: The Philippine context. *Journal of Small Business and Enterprise Development*, 26(3), 446-467.
9. Schoenmaker, D., & Schramade, W. (2019). *Principles of Sustainable Finance*. Oxford University Press.
10. Smit, Y., & Watkins, J. A. (2016). A literature review of small and medium enterprises (SME) risk management practices in South Africa. *African Journal of Business Management*, 6(21), 6324-6330.