

# Impact of Treasury and Financial Management Practices on Organizational Performance: A Study of NLC India Limited

Anisha J. S.<sup>1</sup>, Dr. K. Kaavya<sup>2</sup>

<sup>1</sup>MBA Student, School of Management Studies, Sathyabama Institute of Science and Technology, Chennai

<sup>2</sup>Assistant Professor, School of Management Studies, Sathyabama Institute of Science and Technology, Chennai

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## ABSTRACT

This study investigates the influence of treasury and financial management practices on the organizational performance of NLC India Limited (NLCIL), a central public sector undertaking operating in India's mining and power generation sector. Treasury operations—spanning cash flow management, liquidity control, and financial risk management—constitute critical determinants of a firm's financial health and strategic resilience. Using primary data gathered from 111 respondents through a structured questionnaire, the study employs percentage analysis, mean score analysis, and Pearson correlation analysis via IBM SPSS Statistics. Results demonstrate that robust treasury practices, particularly disciplined cash management, proactive liquidity planning, and integrated financial control mechanisms, positively influence organizational performance. The correlation coefficient ( $r = 0.501$ ,  $p < 0.01$ ) confirms a statistically significant moderate relationship between treasury practices and performance outcomes. On this basis, the study recommends that NLCIL invest in treasury automation, strengthen risk management protocols, and adopt advanced financial information systems to sustain operational efficiency and long-term growth.

**Keywords:** Treasury Management, Financial Management Practices, Organizational Performance, Working-Capital Efficiency, Liquidity Management, Debt Policy, Risk Hedging, NLC India Limited, Public-Sector Enterprise, India

## INTRODUCTION

NLC India Limited (NLCIL) is a strategically significant public-sector undertaking that anchors India's energy security through lignite extraction and thermal power generation. As a government-owned enterprise operating in commodity-intensive markets, NLCIL confronts distinctive financial management challenges including volatile coal prices, large capital expenditure cycles, and the need to maintain uninterrupted fuel supply to power plants. Within this context, treasury management—encompassing cash flow forecasting, short-term liquidity provisioning, investment of surplus funds, and hedging of financial risks—plays a pivotal role in maintaining operational continuity and financial stability.

While a growing body of research in India has established the relationship between working capital management and corporate profitability (Deloof, 2003; Pandey, 2019), the specific contribution of integrated treasury practices to performance outcomes in public sector enterprises remains insufficiently examined. Unlike private firms where shareholder value maximization drives financial decisions, public sector entities like NLCIL must balance commercial objectives with broader developmental mandates, making it important to understand how treasury functions are designed and executed in such settings.

This study addresses that gap by examining the effectiveness of treasury and financial management practices at NLCIL and analysing their impact on organizational performance. The findings are expected to offer practical guidance to policymakers and financial managers seeking to improve efficiency, accountability, and competitive positioning in India's public sector energy companies.

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## REVIEW OF LITERATURE

The role of treasury management in driving corporate performance has attracted considerable scholarly attention over the past two decades. Foundational theoretical frameworks suggest that firms maintaining optimal liquidity levels and actively managing working capital tend to achieve superior financial performance (Fama & French, 1998; Opler et al., 1999).

Deloof (2003) demonstrated, using a sample of Belgian non-financial firms, that the number of days accounts receivable, inventories, and accounts payable are negatively correlated with gross operating income, implying that aggressive working capital management can enhance profitability. This finding has since been replicated across multiple developing country contexts, including India (Pandey, 2019).

From a treasury-specific perspective, the Indian Institute of Banking and Finance (2018) identifies cash concentration, netting, and short-term investment policies as central levers through which corporate treasuries can optimize returns on idle funds while maintaining adequate liquidity buffers. The Reserve Bank of India (2023) similarly notes that public sector enterprises that adopt systematic cash management frameworks tend to face fewer instances of short-term funding stress, particularly during periods of commodity price volatility.

Brigham and Ehrhardt (2017) argue that capital structure decisions—the balance between debt and equity financing—substantially determine a firm's weighted average cost of capital and, in turn, its ability to generate economic value added. For capital-intensive entities like NLCIL, where large infrastructure investments require long-term debt financing, maintaining an appropriate debt-to-equity ratio is critical to preserving financial flexibility and investor confidence.

Van Horne and Wachowicz (2008) further emphasize that effective financial risk management, encompassing interest rate risk, foreign exchange exposure, and commodity price risk, is a prerequisite for stable earnings in volatile market environments. Firms that deploy hedging instruments and scenario-based financial planning are better positioned to absorb external shocks without compromising operational commitments.

More recently, research on financial technology adoption indicates that treasury departments leveraging automation, real-time cash visibility dashboards, and enterprise resource planning (ERP) integration achieve measurably higher accuracy in cash forecasting and faster response to liquidity shortfalls (Gitman, 2009; Ministry of Corporate Affairs, 2023). This has direct implications for public sector organizations that have historically relied on manual, fragmented financial reporting systems.

Collectively, the literature establishes a clear theoretical and empirical basis for the hypothesis that effective treasury and financial management practices positively influence organizational performance. However, organization-specific evidence from large public sector undertakings in India—particularly in the energy and mining sector—remains limited, underscoring the contribution of this study.

### Objectives of the Study

The primary objective of this study is to analyse the effectiveness of treasury and financial management practices in driving organizational performance at NLC India Limited. The specific objectives are:

1. To examine the nature and scope of treasury management practices at NLCIL.
2. To analyse the effectiveness of financial management systems in supporting operational goals.
3. To study the role of treasury operations in facilitating strategic financial decision-making.
4. To evaluate the impact of treasury practices on organizational performance indicators.
5. To assess how treasury functions contribute to financial stability and operational efficiency.

## RESEARCH METHODOLOGY

The study adopts a descriptive research design to systematically document and analyse existing treasury and financial management practices at NLCIL. Primary data were collected through a structured questionnaire distributed via Google Forms to 111 respondents, comprising employees from finance, treasury, accounts, and related departments. Convenience sampling was employed as the sampling technique given the accessibility constraints of a public sector organization.

Secondary data were drawn from published annual reports of NLCIL (2022–23, 2023–24, 2024–25), academic textbooks, peer-reviewed journal articles, and official government publications. The data collection period spanned January 2026 to April 2026. The following statistical tools were applied using IBM SPSS Statistics: Percentage Analysis to describe the distribution of demographic and response variables; Mean Score Analysis to identify average perception levels across Likert-scale items; and Pearson Correlation Analysis to examine the statistical relationship between treasury and financial management practices and organizational performance.

### Data Analysis and Interpretation

#### Demographic Profile of Respondents

Table 2.1 presents the demographic profile of the 111 survey respondents from NLC India Limited. Female respondents constitute the majority at 62.2%, while 72.1% fall in the below-30 age bracket, reflecting a predominantly young workforce. The 'Others' category accounts for 50.5% of departmental representation, followed by Finance (25.2%) and Treasury (16.2%). Approximately 73% of respondents report less than five years of work experience, suggesting early-stage professional involvement in financial operations.

**Table 2.1: Demographic Profile of Respondents**

Variable	Category	No. of Respondents	Percentage (%)
Gender	Male	42	37.8%
	Female	69	62.2%
Age Group	Below 30 years	80	72.1%
	31–40 years	14	12.6%
	41–50 years	7	6.3%
	Above 50 years	10	9.0%
Department	Treasury	18	16.2%
	Finance	28	25.2%
	Accounts	9	8.1%
	Others	56	50.5%
Work Experience	Less than 5 years	81	73.0%
	5–10 years	17	15.3%
	11–20 years	6	5.4%
	More than 20 years	7	6.3%

Interpretation: The respondent base is predominantly young, female, and early-career, with broad exposure to financial functions across multiple departments. This profile is consistent with NLCIL's organizational structure, where financial awareness extends beyond core treasury and finance roles.

### Importance of Treasury Activities

Table 2.2 presents the frequency of responses regarding the perceived importance of various treasury activities within NLCIL. Respondents were permitted to select multiple activities.

**Table 2.2: Importance of Treasury Activities (Multiple Responses)**

Activity	No. of Respondents	Percentage (%)
Cash Flow Management	59	53.2%
Liquidity Management	46	41.4%
Investment of Surplus Funds	34	30.6%
Borrowing Management	18	16.2%
Risk Management	25	22.5%

Interpretation: Cash flow management (53.2%) and liquidity management (41.4%) are identified as the most critical treasury activities, reflecting the organizational priority placed on short-term financial stability. Risk management and borrowing management received comparatively lower endorsement, suggesting scope for greater awareness and integration of these functions.

Inference: Core treasury activities related to daily cash operations and liquidity are well-recognized by respondents, whereas more sophisticated functions such as risk hedging and structured borrowing may require targeted capacity building.

### Effectiveness of Treasury and Financial Management Practices

Table 2.3 presents respondents' perceptions of the effectiveness of treasury and financial management practices across key operational dimensions, measured using a five-point Likert scale (SA = Strongly Agree; A = Agree; N = Neutral; D = Disagree; SD = Strongly Disagree).

**Table 2.3: Treasury and Financial Management Statements – Likert Scale Responses**

Statement	SA (%)	A (%)	N (%)	D (%)	SD (%)
The treasury department regularly monitors cash inflows and outflows	32.4%	37.8%	27.9%	1.8%	0%
The company maintains sufficient cash for daily operations	27.9%	42.3%	25.2%	2.7%	1.8%
Surplus funds are invested effectively	23.4%	39.6%	33.3%	2.7%	0.9%
The treasury department coordinates effectively with other departments	26.1%	38.7%	31.5%	2.7%	0.9%
Effective treasury management improves organizational performance	20.7%	43.2%	28.8%	4.5%	2.7%

Interpretation: Across all five statements, a majority of respondents either agree or strongly agree, indicating that treasury and financial management practices at NLCIL are broadly perceived as effective. Regular cash flow monitoring and liquidity maintenance recorded the highest combined agreement scores, whereas cross-departmental coordination shows a slightly higher proportion of neutral responses, suggesting potential for improved internal communication.

Inference: NLCIL's treasury operations are perceived positively by employees, with particular strengths in cash monitoring and liquidity management. Departmental coordination represents an area for targeted improvement.

### Impact on Organizational Performance

The majority of respondents (63.9% combined agree and strongly agree) affirm that effective treasury management improves organizational performance. Only 7.2% express disagreement, indicating a high level of consensus regarding the performance-enhancing role of treasury functions. Financial stability and evidence-based decision-making are the most frequently cited outcomes by respondents who support this view.

Inference: Employees at NLCIL broadly recognize treasury management as a performance driver, reinforcing the study's central hypothesis. The relatively high neutral response (28.8%) may reflect partial awareness gaps among non-finance staff regarding treasury's strategic contribution.

### Overall Effectiveness of Financial Management Practices

Table 2.5 consolidates the Likert-scale response distribution across all survey items related to treasury and financial management practices.

**Table 2.5: Consolidated Likert Response Distribution**

Response Category	Average Percentage (%)	Interpretation
Strongly Agree	26.1%	High positive response
Agree	39.2%	Strong agreement
Neutral	30.2%	Moderate / undecided responses
Disagree	9.0%	Low level of disagreement
Strongly Disagree	1.3%	Negligible negative response
Total	100%	111 Respondents

Interpretation: With 65.3% of respondents in the agree or strongly agree categories and only 10.3% in the disagree or strongly disagree categories, the consolidated data indicate that NLCIL's financial management practices are perceived as substantially effective. The 30.2% neutral response warrants attention and may reflect areas where practices exist but their impact on performance is not clearly communicated to employees.

### Statistical Tests

#### Hypothesis

**H<sub>0</sub>:** There is no significant relationship between treasury and financial management practices and organizational performance.

**H<sub>1</sub>:** There is a significant positive relationship between treasury and financial management practices and organizational performance.

#### Correlation Analysis

A Pearson correlation analysis was conducted to examine the strength and direction of the relationship between treasury and financial management practices and organizational performance. Table 3.1 presents the results.

**Table 3.1: Pearson Correlation – Treasury Practices and Organizational Performance**

Variables	Treasury Practices	Organizational Performance
Treasury Practices	1	0.501
Organizational Performance	0.501	1

Significance Level (p-value) = 0.000 | Sample Size (N) = 111 | Correlation significant at the 0.01 level (2-tailed)

Interpretation: The Pearson correlation coefficient ( $r = 0.501$ ) indicates a moderate positive relationship between the two variables. This means that improvements in treasury practices—particularly in cash flow monitoring, financial risk management, and liquidity planning—are associated with measurable improvements in organizational performance. The p-value of 0.000, which is well below the conventional significance threshold of 0.05, confirms that this relationship is statistically significant and not attributable to chance.

On the basis of these results, the null hypothesis ( $H_0$ ) is rejected and the alternative hypothesis ( $H_1$ ) is accepted. This finding is consistent with prior empirical evidence reported by Deloof (2003) and Brigham and Ehrhardt (2017), which established positive linkages between financial management quality and firm performance across diverse organizational contexts.

## DISCUSSION

The findings of this study provide empirical support for the proposition that effective treasury and financial management practices are meaningful drivers of organizational performance at NLCIL. The moderate correlation coefficient ( $r = 0.501$ ) is consistent with the view that treasury management is one among several determinants of performance—alongside strategic planning, human capital quality, and operational efficiency—rather than the sole explanatory factor.

The emphasis respondents place on cash flow monitoring and liquidity management aligns with the theoretical frameworks of Van Horne and Wachowicz (2008) and the IIBF (2018), which identify these activities as foundational to financial stability in capital-intensive enterprises. The relatively lower awareness of risk management and borrowing practices among survey participants suggests that NLCIL may benefit from structured financial literacy programmes designed to broaden employees' understanding of advanced treasury functions.

The relatively high proportion of neutral responses across several items also points to a communication gap between treasury department practices and their perceived outcomes at the operational level. Bridging this gap through transparent internal reporting and cross-functional financial briefings could enhance both awareness and the organizational impact of treasury activities.

## CONCLUSION

This study confirms that treasury and financial management practices exert a statistically significant and positive influence on the organizational performance of NLC India Limited. The correlation analysis reveals a moderate positive relationship ( $r = 0.501$ ,  $p < 0.01$ ), demonstrating that as the effectiveness of treasury operations improves—particularly in the domains of cash flow management, liquidity planning, and financial risk control—organizational performance correspondingly strengthens.

The study also uncovers specific areas that merit managerial attention. Risk management and borrowing management are less prominently recognized by employees relative to core cash management functions, suggesting that NLCIL's treasury competency development initiatives should extend beyond operational cash handling to encompass financial risk frameworks and capital structure strategy. Additionally, the gap in cross-departmental coordination identified in the Likert-scale responses indicates that treasury functions may operate in relative isolation from other business units, limiting their broader strategic contribution.

Based on the findings, three strategic recommendations are advanced for NLCIL's financial management leadership. First, the organization should accelerate the automation of treasury operations, including real-time cash visibility tools and integrated ERP systems, to improve forecasting accuracy and reduce manual processing risk. Second, a structured enterprise risk management framework should be embedded within the treasury function to enable systematic identification and mitigation of liquidity, interest rate, and commodity price risks. Third, cross-functional financial communication channels should be strengthened to ensure that treasury insights are effectively translated into operational and strategic decision-making at all levels of the organization.

Implementing these recommendations will position NLC India Limited to achieve greater financial efficiency, stronger stakeholder confidence, and sustainable long-term growth in an increasingly competitive energy sector.

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