*IOSR Journal of Business and Management (IOSR-JBM)*
*e-ISSN:2278-487X, p-ISSN: 2319-7668. Volume 26, Issue 10. Ser. 14 (October. 2024), PP 16-38*
*www.iosrjournals.org*

# A Study On Financial Practices In Micro And Small Scale Business

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**Abstract**

This paper investigates the financial practices that micro and small-scale enterprises embrace, particularly their impact on business sustainability, growth, and access to credit. Micro and small-scale enterprises (MSEs) significantly contribute to the development of the economies of both developed and developing nations, although there are significant challenges they face to ensure financial stability. The study does probe some of the critical areas, such as cash flow management, record-keeping and financial literacy, and access to digital financial tools. Other key areas of study include barriers to access of credit - the role of collateral requirements, and the role of financial inclusion programs to affect the growth potential of MSEs. Using a mixed-methods approach, the paper illustrates the application of integration between analysis and quantitative data and qualitative interviews involving business owners to gain insight into the MSEs' financial predicaments. Results indicated that MSEs need to follow sound financial practices and exploit innovative financial solutions in order to improve their overall financial resilience. Third, the study offers suggestions to policymakers and financial institutions in terms of further improvement in providing support to micro and small enterprise to overcome the financial barriers more comfortably and towards sustainable development in the long run.

Keywords: Micro and small-scale businesses, financial practices, cash flow management, financial literacy, credit access, digital financial tools.

Date of Submission: 16-10-2024 Date of Acceptance: 26-10-2024

## 1. Introduction

major contribution to the generation of employment and industrial growth. As far as the situation with India is concerned, the micro and small-scale industries are a part of the overall MSME domain. Now, these smaller units essentially assist the more significant sectors by providing them with vital goods and services. A part of the economic development of India relates to these companies, especially for areas like Tamil Nadu, since SMEs contribute to their both urban and rural economic ecosystems (Venkatesan, 2024). However, despite their importance, several SMEs face some incredibly difficult hardships in sustaining themselves mainly due to poor financial management practices.

Micro, Small and Medium Enterprises (MSMEs) are the backbone of any economy. It makes a

Effective management of finances has been the most imperative issue for the sustenance of any business, particularly to micro and small enterprises that remain short of resources and plagued by uncertainty in the markets. According to Venkatesan (2024), risk management and working capital management along with credit management happen to be the driving factors for sustainable performance for the SMEs. An underlying lack of proper financial management systems causes a business firm to suffer from liquidity, profitability, and long-term growth issues to eventually lead to closure or stagnation. Farida & Setiawan (2022) argued, business strategies, sound financial practices are directly related to firm innovation capability and sustainability competitive advantage in the marketplace.

Moreover, in the present business environment, digital financial inclusion has become a strong facilitator of SME sustainability. Micro-enterprises embrace digital financial services, including online payments, digital loans, and e-commerce platforms, which assist them in bypassing conventional huddles arising from business operations and access to finances (Johri et al., 2024). Access to these services enables the business organizations to enhance their operational efficiency, to manage financial risks more efficiently, and do business activities in a more efficient manner, hence making them even more sustainable in the long term.

With this in mind, it is only prudent to point out the importance of mixing good financial practices with new digital innovations and thereby enabling micro and small businesses in regions such as Tamil Nadu to be sustainable and performance-measurable. This study would contribute to the broader understanding of how SMEs can go through the situation of financial challenges and grow with real sustained growth, based on analysis into the role of financial management in the performance of SMEs.

## 2. Literature Review

Most micro and small enterprises apply simple financial models because most of them lack resources. According to Venkatesan (2024), the monitoring and follow-up of cash flow and expenses have played an important role in the sustainability of the business. In Ethiopia, Meressa (2022) reported that informal financing methods, such as family loans, are preferred and applied for many businesses because they face formal credit access barriers. Sharma et al. (2024) further point out that FinTech provides digital tools that help enhance the process of financial inclusion in improving the financial management of small enterprises.

Comparative studies highlight the disparity in the financial systems of developing and developed economies. According to Prijadi et al. (2022), better-established formal financial systems are easily accessible to MSEs in developed countries. According to Johri et al. (2024), digital finance platforms help overcome traditional barriers by developing digital financial platforms. In rurally located Malaysia, Jalil (2021) identified that digital finance is considerable as it enhances working capital management with quicker access to loans.

Business growth is also brought about by financial management. According to Farida and Setiawan (2022), good practices ensure that businesses innovate and remain competitive within their fields. Financial knowledge is thus crucial for SMEs in Nigeria, primarily because it translates to informed decision-making as posited by Obazee in 2019. Financial practices are significant management tools for supply chains; a fact established by Elantheraiyan in 2023; the use case being businesses of organic foodstuffs.

Financial management will thus be very instrumental for the growth and survival of businesses in general. As much as MSEs in developed economies depend on formal financial systems, those in developing nations are increasingly relying on digital tools to beat the financial constraints and usher into sustainable expansion (Fuming et al., 2022).

## 3. Research Methodology

This study follows a mixed-methods approach focusing on MSEs in Tamil Nadu to examine their financial practices. A mixed-methods approach combines qualitative and quantitative data sources that allow for a more comprehensive understanding of the topics under discussion- namely financial management of MSEs. Research Design The study employs a descriptive research design that allows in-depth exploration of the prevailing financial practices and their impacts on business sustainability. Descriptive research helps in unveiling patterns and relationships underlying the financial behaviors amongst MSEs (Osuagwu, 2020).

**Sampling Techniques**

There shall be the use of stratified random sampling to ensure diversification in the representation of the different types of MSEs. This method divides the population into relevant subgroups, therefore enhancing the reliability and validity of the results (Endris, 2022). sample representatives from these industries; among them are retail, services, and manufacturing so that there is real variance across the MSEs.

**Data Collection Methods**

Data collection will be through a combination of surveys and semi-structured interviews. Surveys are given to a larger sample of MSE owners who have finances managed in a particular way for gathering quantities of practice in managing the finances of MSE owners. On the other hand, semi-structured interviews generate qualitative insights from the participants on their experiences and difficulties they face with financial management. Through the dual method, a holistic understanding of the financial behavior of MSEs is acquired (Hamed Taherdoost, 2021; Jalil, 2021).

**Data Analysis Tools Analysis of Quantitative data**

This is done through the use of statistical software, such as SPSS, to provide the required parameters for descriptive and inferential statistical analysis. Qualitative data will be subjected to thematic analysis, therefore, extracting prominent themes and patterns in the financial practices in play (Snyder, 2019). This way, both quantitative and qualitative data analyses will give a more vibrant understanding of how financial practices affect the sustainability and growth prospects of MSEs. Such methodologies that will be employed will allow the study to make much-needed contributions to acquiring knowledge on the financial management practices of MSEs, thus informing strategies towards improving their performance and sustainability in a competitive business environment.

## 4. Financial Practices in Micro and Small Scale Businesses

**Cash Flow Management**

Micro and small-scale enterprises must ensure the effective flow of cash to maintain proper financial stability, especially in the period of crises such as COVID-19. According to Laghari et al. (2022), improvement in cash-flow metrics positively affected low-leverage firms' financial performance. Nonetheless, inefficient cash management by the micro-traders of Kuala Terengganu made the firm 'severely financially inconvenienced during the pandemic period', Ramli and Yekini (2022). Secondly, poor separation of the personal and business finances made matters worse. Suminah et al. (2022) note that business capital, technology, among other factors influence MSE income. In other words, there has to be good practices in financial management. Cash flow management strategies that are sound must be basic for MSEs to counter any economic challenges that come along; hence, continue running their business operations.

**Budgeting and Cost Control Techniques**

Effective budgeting and cost control are the only ways for the sustainability and growth of micro and small-scale enterprises. According to Bouzari et al. (2023), the use of the NCA approach is indeed helpful in determining the critical performance prerequisites for Iranian SMEs by focusing on innovation, CSR, and investment in information technology to ensure efficient performance. The need for systematic problem-solving and resource allocation to optimize budget allocation is also necessitated by the study.

Gao (2023) also discussed cost control within the framework of China's "Internet +". He understood that old-line manufacturing firms compete pretty hard, and therefore need strong cost management strategies. This therefore calls for identification of the nature of fixed and variable costs in financial planning to achieve optimum profitability.

According to Bai et al. (2022), financial literacy and mental budgeting influence individual financial well-being significantly. Improved decisions regarding finances knock on MSEs through such effects..

**Access to Credit and Financing Options**

This is one of the major challenges MSEs face, more so in developing countries. Main drawbacks include a lack of credit history, insufficient collateral, and institutional issues that prevent most micro and small enterprises from receiving credit due to negative rejection rates from traditional lenders (Dela Cruz et al., 2023). Innovative finance, including psychometric credit scoring models, better accesses. The approval rates reach 30% higher in comparison with traditional methods (van Thiel et al., 2024). Many MSEs are using IFS, but yet a bet on its effectiveness compared to traditional options (Yang et al., 2022). This informal financing is of importance because it provides much-needed liquidity, but risks prevail more in periods of economic recession (Yang et al., 2023). The policymakers should encourage more financial education and new credit scoring models that will help to serve the MSEs better when accessing funds needed (Meressa, 2022).

**Record Keeping and Financial Reporting**

Effective record keeping and financial reporting are major elements required for the development and survival of MSEs. Studies suggest that proper documentation of the records management plan significantly enhances decision-making, operational efficiency, and, therefore, business growth (Mintah et al., 2022). The proof gathered by Khadim and Choudhury (2024) emphasizes the role of record-keeping accuracy concerning MSE performance as it suggests that bad bookkeeping is one of the major causes of failure from a high failure rate of such businesses. Furthermore, accounting knowledge of the owners is also necessary for this association; the higher the accounting knowledge, the higher is the positive effect that bookkeeping may have on the performance of MSEs (Adela et al., 2024). Computerized accounting systems are also recommended as it helps to create efficient as well as correct record-keeping, thus resulting in healthier financial outcomes (Khadim & Choudhury, 2019). MSEs must focus on sound financial practices in order to survive in competitive markets for a long term.

## 5. Challenges in Implementing Effective Financial Practices

**Limited Financial Literacy**

Limited Financial Literacy is the most notable barrier for micro and small enterprises. Several business owners, not having knowledge of finances, commit wrong decisions that lead to an unstable business in terms of financial position. Lone and Bhat (2022) suggest that financial literacy improves the feeling of having the ability to manage personal finances and subsequently enhances financial well-being. Such a lack of knowledge may lead to uncontrolled savings, investments, and cash flows.

Impact on economic outcome is the other aspect. Without proper financial knowledge, Hastings et al. (2013) claim that small business owners lack suitable capabilities in deciding the usage of financial services and proper management of finances.

Cultural and Demographic Factors also contribute. Research carried out in 2022 indicates that young entrepreneurs manage finances better compared to the aged, and socio-economic status influences the degree of financial literacy.

Gender Differences also make finance management complicated. Sconti, 2022, ascertained that financial knowledge is relatively low in women of the southern regions as compared to other areas, and thus having a direct impact on business decisions and financial stability directly. Lastly, External Shocks such as the Covid-19 pandemic present a scenario that heightens all of the above problems, making firms vulnerable during a crisis. The more the lack of knowledge of finance, the more vulnerable. Better financial education is a surety of overcoming all these barriers for long-term success of businesses.

**Barriers to Accessing Formal Financial Institutions**

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**Inadequate Use of Financial Technology**

Low Adoption Among the Users: Even though fintech may offer promise, Sultana et al. (2023) mention that social influence and personal innovativeness have weak effects on fintech adoption among younger customers. This leads to the fact that awareness and trust still pose a challenge for effective implementation of the fintech systems.

2. Resistance from Traditional Financial Institutions: As Jourdan et al. (2023) point out, most cases of innovations in fintech are resisted by the traditional financial institutions who fear being knocked off their stability and regulatory frameworks. This will therefore provide some reticent resistance from the said institutions who take time to integrate new technologies, hence retarding its diffusion beyond the circles of adoption.

3. Poor Infrastructure and Enabling Environment: Limited infrastructure and technology are some of the specific limiting factors affecting access to fintech, mostly in developing economies (Asif et al., 2023). For instance, improving infrastructure and having an enabling regulatory environment can facilitate increasing access to digital financial services in countries like India for greater attainment of the financial inclusion objectives.

4. Knowledge gaps in user education and training Most of the users, particularly MSMEs are unaware of their true potential with the appropriate usage of fintech tools. As Sultana et al. (2023) further point out that poor effort expectancy coupled with low facilitating conditions deters low adoption rates, which calls for targeted education and training plans.

5. Regulatory and Institutional This is yet another reason making fintech integration into traditional

financial systems difficult. Improved collaboration in this case would be required by the fintech firms and regulators as stated in Jourdan et al. (2023).

## 6. Impact of Financial Practices on Business Performance

Profitability and sustainability

Access to Microfinance and Economic Empowerment: The overall profitability and sustainability of SMEs are most enhanced through access to microfinance when it provides the much-needed credit. Constraints in poor access to microcredit and complicated credit assessment models affect the ability of SMEs to maximize their financial practices. Improvement in financial inclusion, therefore requires addressing the challenges within the microfinance-related issues.

Operational and Financial Sustainability: According to Hussain et al. (2020), practices of finance, mainly aligning CSR with the operational self-sustainability of SMEs have been proven effective in raising the financial performance of SMEs. SMEs, adopting responsible financial strategies make their bottom line rich by increasing profitability and at the same time increasing customer and employee retention while strengthening the reputation, which is a key for long-term sustainability.

Microfinance Loans and Profitability: Smolo (2023) further considers that microfinance loans asymmetrically affect the economic growth in Bosnia. That the MFL promotes the business growth in the long term, but short-term fluctuations will adversely affect profitability. Therefore, hence it emphasizes maintaining stable access to microfinance and good financial practices are necessary to achieve long-term growth and stability in SME performance.

Informal financing strategies and interest rate risks: Yang et al. report that, as of 2023, informal financing strategies are of foremost importance for SMEs since access to formal financial systems may be limited within developing economies. Even though IFS may result in liquidity during times of crisis such as COVID-19, IRS (interest rate risks) stands as a threat towards profitability. The study therefore recommends the need for structured financial strategies that alleviate these risks and enhance the sustainability of the business.

**Influence on Business Expansion and Growth**

Financial Inclusion and Investment Decisions: The financial inclusion, especially through innovative financial technologies or so-called fintech, goes on to play a highly significant role in amplifying the access to SMEs concerning financial services, thus affect investment decisions for them. Financial inclusion increases the incidence of entrepreneurship because there would be additional investments in capital, leading to expansion and growth of the business. That the study emphasizes financial literacy improvement and makes possible solutions for difficulties in fintech adoption to be realized as SMEs' full growth potential.

Microfinance and SME Development in Pune, India According to Putta, 2023, the growth of MSEs is a significant impact of microfinance service providing to MSEs in Pune, India. Microfinance provides access to credit for MSEs to invest in new business ventures and scale up their production capacities and market reaches. In fact, the findings of the study reveal that microfinance services, particularly loans and financial advisory, play a very important role for the expansion of MSE businesses, upscaling their activities, and achieving sustainable growth.

Microfinance and SME Growth in Pakistan: The study further emphasizes that microfinance plays a very significant role in supporting SME growth in Karachi, Pakistan, as the access to microfinance investments in new ventures, and improved operational efficiency alongside increased business activities of SMEs, augurs well for the optimistic financial capabilities. In fact, microfinance helps to enable the growth of businesses of SMEs because such finances provide them with the capital they may require in increasing production and hiring more staff and also improving their product offerings.

Microfinance as a Facilitator of Growth: The study by Putta (2023) aligns with the observation made by Idrees et al. in 2022 in regard to the fact that microfinance is essential for the growth of small and medium enterprises in any setting. Two studies reveal that microfinance not only enables SMEs to overcome financial difficulties on a day-to-day basis, but also provides it with the necessary requirements to ensure sustainable business growth, especially in developing economies.

**Case Studies of Successful Financial Practices**

Yang et al. 2023 examines the impacts of informal financing strategies on the performance of small and micro enterprises SMEs. Such informal financing strategies must be applied in the countries of developing areas wherein formal financial institutions are not easily accessible. For instance, Wenzhou, China, was utilized in the study wherein it revealed that informal finance is one of the vital methods for SMEs in relation to interest rate risks IRS. Although the public health emergencies like COVID-19 presented some risks during liquidity flows, firms were still reliant on IFS because successful firms managed to mitigate them with adaptive financial strategies that brought financial stability into the organization, which eventually promoted business expansion despite recessionary economics influencing the external environment.

Case Study: SMEs in Wenzhou changed their financial strategy in light of the COVID-19 crisis. SMEs in Wenzhou embraced the informal finance networks found in their districts and avoided high-interest loans through formal channels. They kept money fluid, ensuring survival, and used the periods of recovery to grow even under the most difficult circumstances. Microfinance as an Instrument of Business Expansion: Pattnaik et al. (2024) outlined a bibliometric analysis of the role of microfinance in support of SMEs, specifically in developing regions. Microfinance would provide accessible low-cost financial services for small entrepreneurs who are often deprived of normal banking facilities. The broad impact of microfinance is seen in the ability to empower SMEs by equipping them with the necessary capital to grow, diversify, and innovate. It forms a connection that this research draws between microfinance and the improvement of financial management practice and performance of business.

Case Study: In regions like India and Pakistan, microfinance institutions (MFIs) have enabled SMEs to grow by providing capital for expansion, investment in new technology, and increasing production capabilities. SMEs that received microfinance loans demonstrated higher levels of profitability and operational efficiency, directly correlating with business expansion and job creation.

Financial Management Practices in Karnataka, India: Begum and Navi (2023) study the impact of financial management practices on the performance of micro, small, and medium enterprises (MSMEs) in Karnataka. Their research shows that effective financial management—particularly in areas like working capital management, investment practices, and accounting systems—has a direct correlation with business growth and sustainability. MSMEs with structured financial practices were better equipped to handle market fluctuations, make informed investment decisions, and sustain long-term profitability.

Case Study: In Karnataka's Honaga Industrial Area, MSMEs that utilized efficient financial management tools, such as budgeting, financial forecasting, and cash flow analysis, experienced improved financial performance. These practices allowed businesses to expand, manage debt effectively, and reinvest profits into growth initiatives, contributing to their sustained success in competitive markets.

Role of Microfinance in Supporting SME Growth in Pakistan: The study by Idrees et al. (2022) in Pakistan highlights the significant impact of microfinance on SME growth, focusing on the link between access to finance and business expansion. SMEs that leveraged microfinance services reported increased investment in new projects, higher production capacities, and enhanced market competitiveness. The study emphasizes that microfinance not only facilitates business growth but also encourages the development of financial literacy among SME owners.

Case Study: In Karachi, microfinance programs enabled SMEs to access capital at affordable rates, which they used to expand operations, enter new markets, and invest in workforce development. The result was a significant increase in both business turnover and profitability, illustrating the transformative potential of microfinance in supporting SME growth.

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## 7. Government and Institutional Support

Programs Assisting Small Businesses in Finance

Financial support schemes go a long way in helping small businesses grow and survive, particularly in LMICs, where the failure to access financial resources is often quite a significant constraint. As earlier studies indicated, the MSMEs significantly contribute to economic growth and employment generation but are financially disadvantaged because they lack a certain credit history and have inappropriate collateral for investment and more working capital (Dela Cruz et al., 2023). For these needs, the government together with the private sector offers several intervention packages along these lines: back financing from the government, regulation support to improve MSME access to financial services.

These financial support packages often include a series of measures from laws and regulations to facilitate the easier access of credit extended to companies without typical financial backing. From the Malaysian perspective, GFS has been suggested to enhance the competitiveness of SMEs through technological means, such as cloud ERP systems, designed to give companies an edge in competition (Jayeola et al., 2022).

Government interference had also introduced the Paycheck Protection Program in the U.S. during COVID-19, which ensured continuity for vulnerable small businesses. However, their PPP loans were distributed unequally, and socioeconomically disadvantaged communities were less likely to receive those PPP loans, according to research by Wang & Kang (2023). Such evidence rightly points to better targeted financial intervention to ensure that financial aid is provided equitably to all regions.

Besides, government support not only improves the performance of an organization but also helps in achieving financial satisfaction of owners in small enterprises. Receiving such support has been improved by increased financial satisfaction and is associated with unfavourable financial experiences and undesirable financial behaviors (Lee et al., 2023). This is evidence that providing both the aspects of financial matters and educating the people on financial matters is quite necessary for sustenance in the long run.

**Policies to Strengthen Financial Practices**

Financial Incentives and Support Mechanism

Subsidies, tax incentives, direct investments of public funds, all these are highly vital to support establishments in adopting sustainable practices. Financial help reduces some obstacles in the face of small and medium enterprises, mainly from emerging markets and developing economies. Hence, the structured assistance also promotes investment in green technologies and practices for SMEs to develop newer, greener business models. For instance, public guarantees raise SME profitability; they are indeed effective in stabilizing firms at the micro-sized levels, which, oftentimes, are the most unstable to economic shocks.

2. Sustainability Reporting Requirement

Sustainability reporting requirement on SMEs: requirements necessary to make effective sustainability reporting: Enhancing transparency and accountability through the introduction of sustainability reporting requirements. In line with the G20 Sustainable Finance Roadmap, there is a need for consistent and comparable data on sustainability risks and opportunities. With standardized reporting practices, governments would find it easy to further increase access to sustainable finance among SMEs, leading to the promotion of their adoption and implementation of environmentally responsible practices. The OECD stresses that a framework must be provided that assists SMEs in reporting while not "over-burdening them with the costs of compliance".

3. Capacity Building and Education

Financing illiteracy and ignorance of environmental sustainability are the primary challenges to the adaptation of SMEs in sustainable practices. The government has to begin building capacities through training, education resources, and education programs to empower SME owners and managers towards being aware of the significance of sustainable practices. After governments enhance their knowledge and awareness regarding this cultural shift toward sustainability, they can enforce and reinforce it within the business community.4. Regulatory Support and Compliance Clear regulatory frameworks which ensure respect for environmental safety laws are essential in the encouragement of SMEs to embrace sustainable practices. One fundamental constraint on the environmental sustainability of developing countries has been characterized by a lack of government support and regulatory enforcement. Governments can institute policies that are both control and encouragement policies, perhaps in phase-specific compliance that will enable the SMEs to adapt gradually to meeting such requirements.

5. Cooperation of Stakeholders

It is also necessary to foster cooperation among the stakeholders: the public institutions, private enterprises, and the non-governmental organizations in developing a supportive sustainable practice ecosystem. This involvement by the governments can come in the form of promoting partnerships and collective efforts where a pool of resources and expertise may be tapped from the various sectors. Such an effort may lead to more innovation and shared knowledge, hence better financial practices by SMEs.

6. Research and Development Support

Government investment in research and development serves as a significant catalyst for the advancement of sustainable technologies and practices. Through the financing of several initiatives in the 'sustainability R&D' portfolio, the government can accelerate innovation in the agri-food sector, as well as beyond it, thereby helping to reduce the impact on the environment but also to foster SME growth by placing cutting-edge technologies and practices in more proximate reach with better efficiency in their operations.

7. Disaster Relief and Crisis Management

Effective disaster relief policies and crisis management can significantly influence the response of SMEs to economic downturns. Governments can directly contribute to stabilizing SME business operations through financial support during the periods of occurrence of such crises and effective recovery schemes that enable SMEs to invest in sustainable practices. Public guarantees have, indeed, been demonstrated in various studies as to promote the financial health of the SMEs on issuance.

**Role of Microfinance Institutions**

Microfinance institutions are also very instrumental in the promotion of women entrepreneurship; other areas that support MSEs. Government policies play a role in bolstering their impact by providing access to credit and savings products specifically designed for women (Abebe & Kegne, 2023). Studies show that credit accessibility has a positive association with the progress of the women entrepreneurs (Khursheed, 2022).

Government can also help in skill development training and financial literacy, which is a must requirement for empowering women entrepreneurs, according to Mehabaw et al. (2023). Public-private partnerships enhance the operational capacity of MFIs and encourage mentorship, as well as role modeling, to the novice business owners, according to Firdaus et al. (2020). Besides, a healthy facilitatory regulatory environment for MFIs can ensure fair lending practices and operational liberty needed to foster an enabling environment for women entrepreneurship activities (Khursheed, 2022).

Finally, data collection helps in tracking and assessing the success of MFIs, which would help policymakers to further enhance supportive programs (Abebe & Kegne, 2023). Summary In short, targeted governmental initiatives will greatly complement the contribution made by MFIs in sustainable economic development through entrepreneurship and MSE growth for women.

## 8. Recommendations for Enhancing Financial Practices

### Training and Development for Entrepreneurs

Strategic attention to the development of entrepreneurs in SMEs can enhance financial practices in the enterprise. Recent researches have afforded the recommendations:

1. **Financial Literacy Training** The entrepreneurs should be constantly trained in financial literacy to improve their knowledge on financial management, budgeting, and capital allocation. According to research, financial literacy is important to enhance the performance as well as access financing for SMEs, especially in emerging markets (Al-shami et al., 2024).

2. **Digital Financial Literacy** Since digital tools feature extensively in modern entrepreneurship, digital financial skills must also accompany entrepreneurship education. Digital financial literacy has been shown to increase financial inclusion and improve access to credit for SMEs (Al-shami et al., 2024).

3. **Knowledge Management and Problem-Solving Skills:** Training programs need to be equipped with knowledge management and problem-solving skills so that entrepreneurs can be provided with the decision-making potential to boost organizational performance (Bawono et al., 2022).

4. **Human Resource Management**: Lots of studies have proven that favorable HR practices, among which are employee empowerment and skill development, go with business success. Training needs to be put into leadership and team building to enhance overall productivity.

### Improved Access to Financial Tools and Services

Huge benefits will be reaped by SMEs with adoption of digital finance solutions. More accessible financial tools ease financing constraints and promote innovation. The research on Chinese SMEs revealed that corporate financing constraints are relieved by digital finance, thereby driving innovation and business growth (Yao & Yang, 2022).

Financial Literacy: SME owners need a high level of financial literacy to ensure good decision making in regards to financial performances. A study concluded that financial literacy determines firm sustainability while also explaining considerable access to external finance. Government and private institutions need to provide targeted financial literacy training to entrepreneurs. Innovative Funding Schemes: SMEs need to exploit all avenues of finance to develop funding innovations like venture capital and microfinance. Innovation funding schemes that are sustainable, new, and innovative have been observed to aid the access of SMEs toward all the resources they desire for growth.

Public and Private Sector Collaboration: the public sector and the private sector should collaborate. This can enhance access to finance by SMEs, especially in low and middle-income countries. As noted, systemic initiatives such as credit guarantees and financial inclusion are known to be good for access to finance for SMEs (Dela Cruz et al., 2023).

Leveraging Technology for Financial Management

**Adopt Digital Finance Solutions**: SMEs should embrace digital finance so that they can overcome the constraints of traditional financing and support innovation. The impact of digital financial inclusion on technological innovation activities in non-state-owned and high-tech SMEs is positive. The small and medium-sized enterprises can access financial services with efficiency and at low costs by leveraging digital platforms, hence the possibility to invest in growth and innovation (Yao & Yang, 2022; Gu et al., 2023).

**Use of Big Data in Financial Planning :** Through big data analytics for financial management, accuracy in budgeting and forecasting can be increased. Big data help SMEs make data-informed decisions and improve their financial planning and sustainability. According to a study, the use of big data in financial budgeting is directly related to the long-term sustainability of a technology-based SME and its financial health (Zhang & Wang, 2022).

Adopt Financial Technologies (FinTech): SMEs can enhance their financial practices by embracing emerging financial technologies such as blockchain, AI, and predictive modeling. These tools have increased the automation of procedures, reduced working costs, and increased financial precision. FinTech solutions also make transactions more straightforward and provide easier access to capital, improving financial management in general (Nkwinika & Akinola, 2023).

Invest in Financial Literacy Programs: For SME owners, the development of financial literacy is crucial for effective use of financial technology and making well-informed decisions. Improving their financial knowledge would empower SMEs to better adopt the utilization of financial technology tools for managing finances, which eventually would lead to sustainable business practices as well as superior financial outcomes (Nkwinika & Akinola, 2023).

Leverage the Support of the Government and Private Sector SMEs should look for financial management support both from the government sector and the private sector. Public sector initiatives, like tax incentives and financial advisory services for SMEs, could help them bypass some of the technology and finance barriers. Furthermore, partnerships between the public and the private sectors could accelerate digitalization, making access to finances easier for SMEs (Nnenna et al., 2024).

## 9. Conclusion

**Summary of Findings**

The research on financial practices of micro and small-scale enterprises provides several insights into the nature of the financial constraints facing these enterprises and their strategies for coping with them. Access to external financing is still the most important factor that hinders small businesses since limited credit history and institutional barriers result in inadequate collateral. Most small businesses rely heavily on internal funds or informal sources of finance. It drew attention to an underutilized application of financial management tools and techniques in micro and small enterprises, typically resulting in waste and inefficiency in budgeting, financial planning, and cash flow management. Lastly, adoption of digital financial tools - while still in its infancy for most small businesses-is indicative of the tremendous scope for improving access to credit and making financial management easier.

**Implications for Small Business Owners**

It is prudent for owners of small businesses to focus on financial literacy by ensuring that they have put in place suitable formal financial management processes that they should base their long-term sustainability. With the use of many digital finance solutions and financial technologies, credit access is going to become less constraint than traditional boundaries, and their financial planning and decision-making will also improve. It is, therefore, prudent for owners of such businesses to advance their budgeting, forecasting, and cash flow management using financial education programs and advisory services. Data analytics coupled with financial tools in the digital will help streamline operations, encouraging better financial health, and subsequently support growth and innovation.

**Implications for Policymakers**

The import of these conclusions for policy makers is the need for interventions especially targeting micro and small businesses to provide access to financial services. There is a need to design programs to enhance access to affordable credit, particularly among those businesses that are devoid of significant collateral or credit history. Additional opportunities include improving the ability of small business owners by offering training programmes regarding financial literacy and partnerships with the financial institutions in order to make better decisions. There is also scope for public-private partnerships to scale up the adoption of digital finance platforms in reducing financing constraints and stimulating economic growth among micro and small enterprises. Regulatory frameworks should also evolve to facilitate scaling up of digital financial tools, with attention paid to making them accessible and to the benefit of small-scale enterprises.

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