

Critical Analysis of Financial Management Practices in Small and Medium Scale Enterprises (SMEs) in Purba Bardhaman District of West Bengal

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Abstract:

Financial management is the strategic process of planning, organizing, directing, and controlling an organization's financial resources (like funds, assets, and liabilities) to achieve its objectives efficiently, ensuring profitability, liquidity, and long-term sustainability by making smart decisions about investments, budgeting, cash flow, and risk. Important areas including Cash flow, Working Capital, Budgeting, and Financing are the focus of financial management in SMEs. These areas are sometimes hampered by owner-manager skill gaps, which may result in failure of the business. Hence, there is a need for focused training to improve these skills for better business stability and growth. This paper reflects Critical analysis of Financial Management practices in Small and Medium Scale Enterprises (SMEs) in Purba Bardhaman Districts of West Bengal.

Keywords: Small and Medium-sized Enterprises (SMEs), Financial Management, Financial Resources, Purba Bardhaman Districts.

I. INTRODUCTION:

SMEs, or Small and Medium Enterprises, are businesses smaller than large corporations, defined by employee count, revenue, or asset limits that vary by country, playing vital roles in job creation, innovation, and economic growth. The abbreviation "SME" is used by many national agencies and international organizations such as the World Bank, the OECD, European Union, the United Nations, and the World Trade Organization (WTO). Developing countries tend to have a larger share of small and medium-sized enterprises. SMEs are also responsible for driving innovation and competition in many economic sectors. Although they create more new jobs than large firms, SMEs also suffer the majority of job destruction/contraction. Medium- or mid-sized enterprises which have grown beyond the scale of a "small business" may have different support needs from those of small businesses, and their contribution to the local and national economy where they operate may also be quite distinct from the contribution of a smaller business.

II. REVIEW OF LITERATURE:

Mutambara, A., & Kader, A. D. (2025). Small and medium-sized businesses (SMEs) are essential to the expansion and success of SMEs, particularly in developing nations like Zimbabwe. Strategic financial management techniques (SFMP), which are thought to be a major factor in business growth, have not been adopted by SMEs in emerging markets in recent years. So, the study aimed to understand how important strategic financial management techniques are for small and medium-sized businesses in developing markets by using a mix of surveys and interviews with 640 SMEs from different industries. A questionnaire was used to collect data from 240 participants in the sample, and open-ended interviews were used with 21 participants. Descriptive statistics were used to analyze quantitative data, and cloud maps were used to analyze qualitative data. According to the study's findings, SFMPs are crucial for decision-making because they help owner-managers and stakeholders create the company's purpose and vision statements and set up financial management systems that improve performance. Planning, budgeting, and decision-making all benefited from SFMPs. The study suggested that every SME should prioritize creating a vision and mission statement in order to map out a course for the future, citing the significant and crucial significance of these documents. The study recommended conducting similar research in developing nations to bolster the growth and efficiency of SMEs. It also contributes to the body of literature by demonstrating the significance of strategic financial management for SME performance.

Chiluba, B. & Hapompwe, C.C. (2025). The goal of this study was to evaluate how business management techniques affected the Central Business District (CBD) performance of small and medium-sized businesses (SMEs) in Lusaka. Three research goals served as the foundation for the study: to analyze the business management techniques currently used by SMEs, to ascertain how these practices affect their performance, and to investigate methods for improving business practices. The study was conducted using a mixed-method research strategy. With a sample size of 100 participants—83 business owners/managers and 17 Ministry of Small and

Medium Enterprises Development officials—the study used a mixed-method research methodology to target the 37,000 SMEs in the central business district. Questionnaires and interviews were used to gather data, and the Statistical Package for Social Sciences (SPSS) was used for analysis. One hundred questionnaires were distributed to MSMED officials and SME owners/managers, and ten selected SMEs who took part in the questionnaire administration process were interviewed. Eighty of the 100 surveys that were distributed to SMEs were returned, indicating an 80% response rate. Purposive and random sampling were used in the study to improve the validity, reliability, and generalizability of the results. The results showed that the main management methods used by SMEs in the central business district include marketing strategies, strategic planning, financial management, and human resource management. According to the study, effective business management techniques have a major and favorable impact on company performance, increasing competitiveness, productivity, profitability, and success all around. Issues such as poor performance evaluation, significant personnel turnover, and a lack of managerial experience hinder the implementation and efficacy of these techniques. According to the study's findings, SMEs can improve performance and their business management practices by implementing strategic marketing, financial management, and human resource management techniques. Identifying and implementing missing management practices, adopting current technologies, and using SME support systems to assist managers and owners in gaining the requisite skills are some of the main recommendations. To determine the impact of management techniques on performance, the study also suggests that SMEs evaluate their performance on a regular basis.

Venkatesan, R. (2024). The growth of small and medium-sized businesses (SMEs) is crucial to India's economic development. SMEs have a significant role in the creation of accessories that sustain large industries. Although many small and medium-sized enterprises are suffering large losses and closures due to subpar performance, the current study focuses on the factors influencing performance measurement in SMEs. Finding the relationship between financial management techniques and performance management in small and medium-sized businesses is the next objective. The dependent variable in this study is the measurement of SME performance. SME financial management methods can be evaluated using three separate factors: risk management, working capital management, and credit management. We based the questionnaire for each item on previous research. Each item scale utilized in this study was scored using a five-point Likert scale. Data was collected via online structured questionnaires from working people in a few areas of South Tamil Nadu, India. The study's current sample size is 157. Using Jamovi 1.8, the statistical data analysis was completed. Regression analysis was utilized for hypothesis testing, factor loading, sample size, reliability, model fit, and structural equation modeling. The study's conclusions can be useful to policymakers and small business owners who are knowledgeable in measuring performance for numerous components. The study discovered a connection between financial management procedures and SMEs' performance evaluation.

III OBJECTIVES OF THE STUDY:

- To investigate the respondents' profile and status in relation to SMEs in Purba Bardhaman district of West Bengal.
- To analyse the factors in relation to Financial Management practices of Small & Medium Scale Enterprises in Purba Bardhaman district of West Bengal.
- To find out the practices of financial management among SMEs of Purba Bardhaman district of West Bengal.

IV. RESEARCH METHODOLOGY:

Research methodology is the systematic, logical strategy and specific techniques used to collect, analyze, and interpret data to answer research questions, acting as the blueprint for a study to ensure validity and reliability by explaining the "how" and "why" of the research process, encompassing choices like quantitative, qualitative, or mixed-methods approaches. It details data sources, collection methods (surveys, interviews, experiments), and analytical procedures, allowing others to understand, evaluate, and replicate the findings.

Study Area:

The survey was conducted among the Small and Medium Scale entrepreneurs in Purba Bardhaman district of West Bengal.

Research Design:

The descriptive form of research design is used in the study. The study answers questions relating to the practices which are prevailing in the small-scale industries, with regard to financial management. The entire data has been analysed and put in the form of tables and charts, for a clear and better understanding of the situation that is existing in the small-scale industries with respect to management of finance.

Sample Size and Design:

The Sample size of the study was taken on the basis of random selection of SMEs in Purba Bardhaman district of West Bengal. The primary data were collected through well formulated Questionnaire.

Sample Size for Purba Bardhaman District: **400**

Questionnaire Design

The primary data were collected through Questionnaire Survey. The respondents were asked to give their opinion relating to the crucial financial management practices.

V. DATA ANALYSIS:

Percentage Analysis has been used to analyse personal and business profile of Small and Medium Scale enterprises in Purba Bardhaman district of West Bengal.

1. Respondents' position in SMEs in Purba Bardhaman district

Table 1: Respondents' Profile in Purba Bardhaman district

Respondents' Profile	No. of Respondents	Percentage
Proprietor	340	85
Manager	30	8
Accountant	20	5
Others	10	2
Total	400	100

Source: Primary data

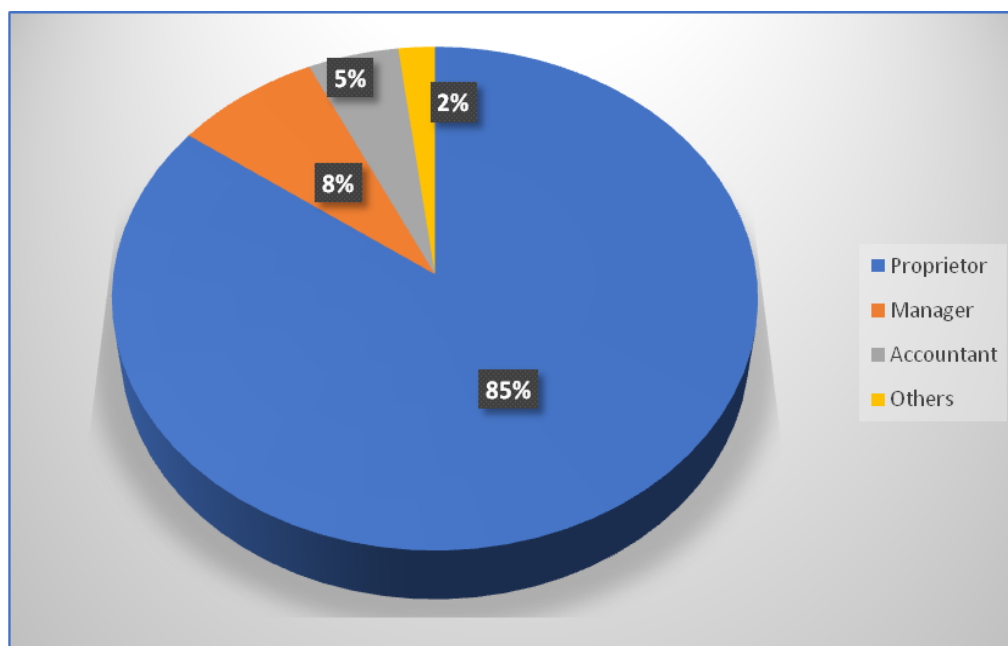


Fig. 1: Respondents' position in SMEs in Purba Bardhaman district

Findings : The position occupied by respondents in Purba Bardhaman districts are Proprietors (85%), Managers (8%), Accountant (5%) and Others (2%)

2. Profile of Respondents based on Gender in Purba Bardhaman district

Table 2 : Profile of respondents based on Gender in Purba Bardhaman district

Gender	No. of Respondents	Percentages
Male	350	88
Female	50	12
Total	400	100

Source: Primary data

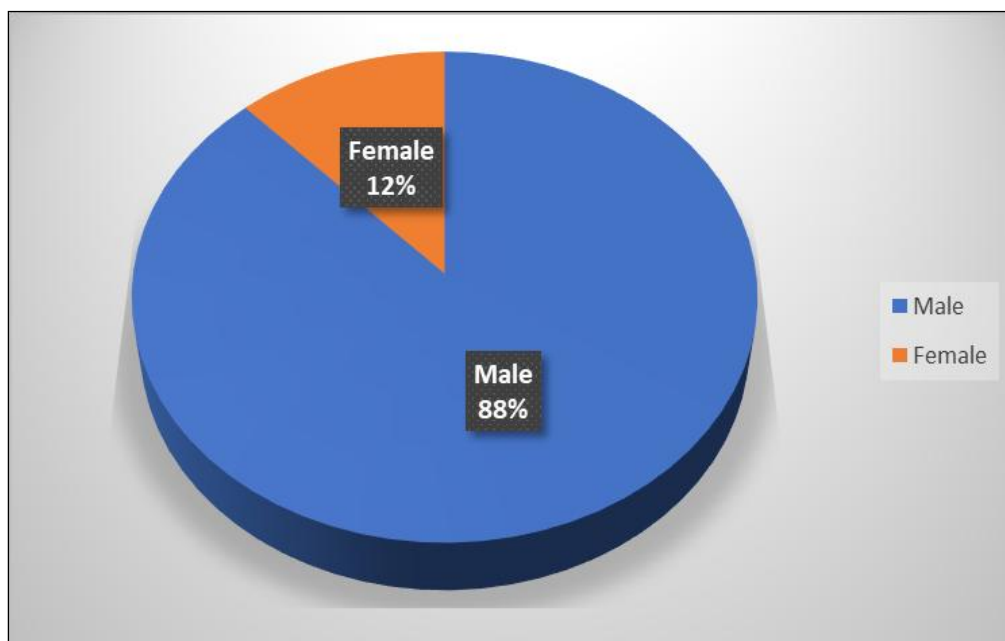


Fig. 2 : Profile of respondents based on Gender in Purba Bardhaman district

Findings: Most of the respondents are Male (88%) and very few respondents are Female (12%)

3.Profile of respondents based on Age in Purba Bardhaman district

The age of the respondents was classified into 3 categories within the Age group ranges 31-40 yrs (5%), 41-50 yrs (33%) and above 50 yrs. (62%). Majorities are in the age groups of Above 50 yrs.

Table 3: Profile of respondents based on Age in Purba Bardhaman district

Age in Years	No. of Respondents	Percentage
31-40 Years	20	5
41-50 Years	130	33
Above 50 Years	250	62
Total	400	100

Source: Primary data

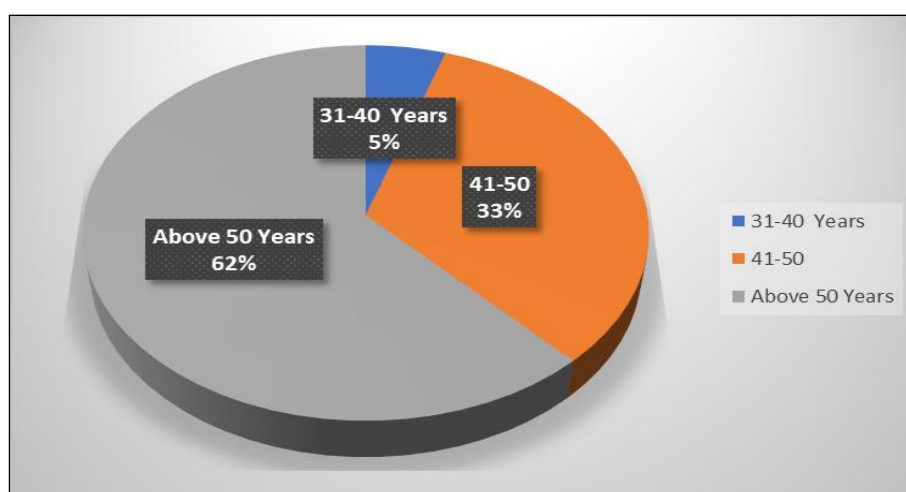


Fig. 3 : Profile of respondents based on Age in Purba Bardhaman district

Findings: The age of the respondents was classified into 3 categories within the Age group ranges 31-40 yrs (5%), 41-50 yrs (33%) and above 50 yrs. (62%). Majorities are in the age groups of Above 50 yrs.

4. Components Of Working Capital Considered For SMEs:

Table 4: Components of Working Capital considered for SMEs of Purba Bardhaman district

Options	Nos	Percentage
Cash and Cash Equivalents	10	3
Accounts Receivable	12	3
Inventory	15	4
Accounts Payable	20	5
All of them	343	85
Total	400	100

Source: Computed from Primary Survey

Findings : 3 percent of the respondents stated that Cash and Cash Equivalents and Accounts Receivable are the Components of Working Capital, 4 percent of the respondents stated that Inventory is the Components of Working Capital, 5 percent of the respondents stated that Account Payable is the Components of Working Capital and 85% stated that all of these are the components of working capital.

5. Information on Working Capital Requirements

Table 5: Information on Working Capital Requirements of Respondents of Purba Bardhaman district

Options (in Rs.)	Nos.	Percentage
Up to 30000	120	30
30001 to 40000	110	28
40001 to 50000	140	35
50001 to 60000	20	5
More than 60000	10	2
Total	400	100

Source: Computed from Primary Survey

Findings : 35 percent stated 40001 to 50000 required for working capital per day followed by 30 percent opined Up to 30000. 28 percent stated 30001 to 40000 and 5% and 2% stated 50001 to 60000 and more than 60000 respectively.

6. Factors Determining the Working Capital Requirements of SMEs

Table 6: Factors Determining the Working Capital Requirements of SMEs in Purba Bardhaman district

Options	Nos.	Percentage
Past experience	80	20
Mere forecasting	60	15
Assessment of the demand	110	28
Cost of the inputs	110	28
Transportation cost	40	10
Total	400	100

Source: Computed from Primary Survey

Findings : 20 percent of the respondents opined that based on the past experience they use to decide the amount required for working capital, 15 percent made the assessment on mere forecasting, 28 percent made assessment of the demand and Cost of the inputs to decide the working capital level, 10 percent determined the working capital based on the transportation cost, as the working capital is the essential component for any production function especially in small and medium business units.

7. Method of Credit Purchase of SMEs

Table 7: Method of Credit Purchase of SMEs in Purba Bardhaman district

Options	Nos.	Percentage
Bhabishyat Credit Card Scheme	100	25
bank loans	140	35
Loan of NBFCs	50	13
Pradhan Mantri Mudra Yojana (PMMY)	50	13
Stand-Up India Scheme	60	14
Total	400	100

Source: Computed from Primary Survey

Findings : 25 percent availed Bhabishyat Credit Card Scheme, 35 percent of the respondents availed bank loans, 13 percent of the respondents availed Loan of NBFCs and Pradhan Mantri Mudra Yojana (PMMY) whereas 14 percent of the respondents availed “Stand-Up India Scheme”.

8. Availability of Credit Period of Product/Services of SMEs

Table 8: Availability of Credit Period of Product/Services of SMEs in Purba Bardhaman district

Options	Nos.	Percentage
Up to 15 days	50	12
16 days to 30 days	100	25
More than 30 days	75	19
Not Applicable	175	44
Total	400	100

Source: Computed from Primary Survey

Findings : 12 percent stated up to 15 days, 25 percent opined 16 days to 30 days, 19 percent stated that more than 30 days and it is not applicable to 44 percent of the selected respondents. It is clear from the empirical verification that majority of the selected respondents have stated up to 30 days credit period available. Further, it is also worthy to note that credit facility seems to be sound and also majority of the entrepreneurs have enough pecuniary power to cater the working capital.

9. Factors Influencing in Determine Financial Structure of SMEs

Table 9: Factors Influencing in Determine Financial Structure of SMEs in Purba Bardhaman district

Options	Nos.	Percentage
Cost of capital	30	8
Financial Institutions Directives	40	10
All the above	330	82
Total	400	100

Source: Computed from Primary Survey

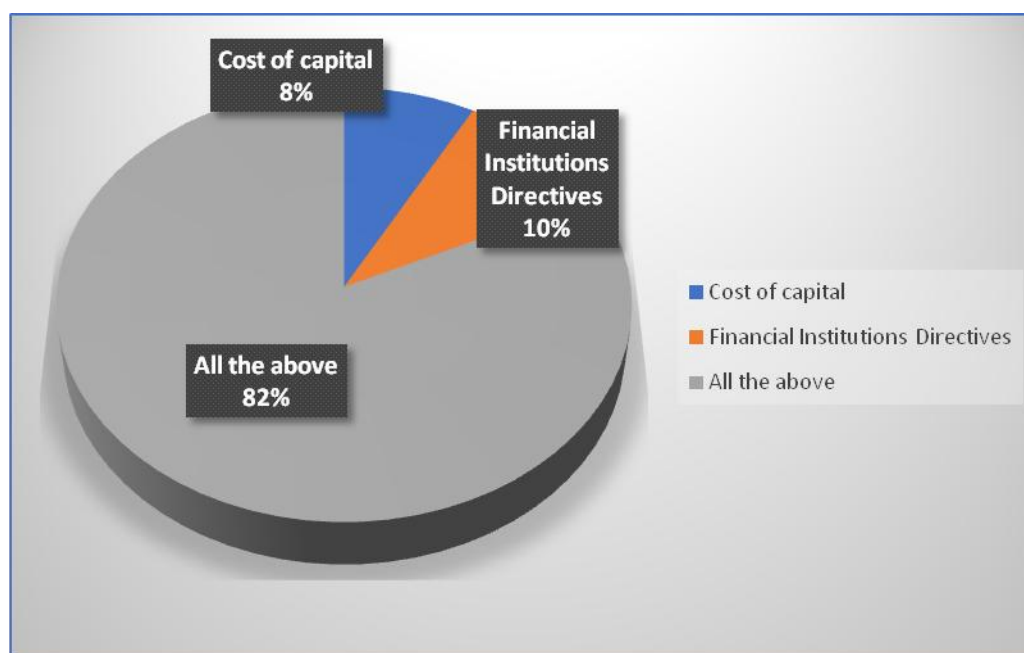


Fig. 4 : Factors Influencing in Determine Financial Structure of SMEs in Purba Bardhaman district

Findings : 8 percent stated cost of capital, 10 percent stated financial Institutions directives and 82 percent opined all the above. It is apparent from the empirical verification that majority of the selected respondents have utilized all the possible factors to estimate the financial structure for their units.

10. Factors Influencing in Determination of Financial Structure of SMEs

Table 10: Factors Considering in Determination of Fixed Capital Investment of SMEs in Purba Bardhaman district

Options	Nos.	Percentage
Cost of the asset	40	10
Quality of the asset	10	2
Life period of the asset	30	7
Rate of return	70	17.5
All of them	250	62.5
Total	400	100

Source: Computed from Primary Survey

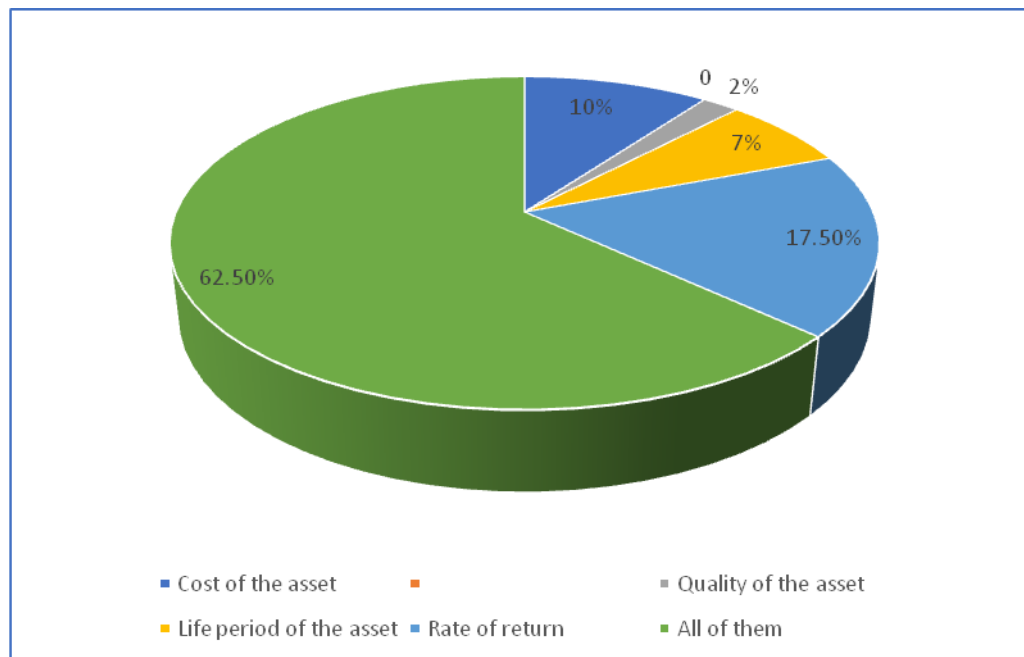


Fig. 5 : Factors Considering in Determination of the Fixed Capital Investment of SMEs in Purba Bardhaman district

Findings : Nearly 10 percent stated cost of the asset considered as important determinant, 2 percent opined quality of the asset, 7 percent stated life period of the asset, 17 percent stated rate of return and 62 percent opined all of them are considered before taking decision to procure fixed asset for the selected SMEs.

V. CONCLUSION:

Despite lot of schemes initiated for the welfare of SMEs still they are facing many challenges. The problems of unawareness towards technological advancement can be removed after running effective training and skill development programs. There should be low-cost credit to the SMEs. The foreign banks are not taking so much interest in sanctioning loan to the SME sector.

More uses of technology should be encouraged by lenders in maintaining books of accounts.

More efforts in the form of higher investment in advanced technology and research and development, higher usage of digital and technology enabled platform, transfer of technology, more investment in human resources, improved access to finance, reduced infrastructural gaps, lesser stringent business regulations can help in improving the competitiveness of the MSMEs.

The small sector faces certain disadvantages, due to small-scale operations therefore, it becomes necessary to provide some institutional support for the smooth and economical functioning of the enterprise.

The outcome of Quantitative Analysis reflects the effective financial management practices among respondents of SMEs in Purba Bardhaman district of West Bengal and this area is very important for every enterprise. Finance is the core function, and deals with the financial aspect of the business which is the back bone of all the business.

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