

# Study on Financial Management in Small & Medium Enterprise [SMEs]

Rinku Pal<sup>1</sup> and Gupta Minto<sup>2</sup>

Assistant Professor, BFM, Suman Education Society's LN College, Borivali East, Mumbai, India<sup>1</sup>

Student, BFM, Suman Education Society's LN College, Borivali East, Mumbai, India<sup>2</sup>

**Abstract:** *This paper's major objective is to analyse recent research on small and medium-sized businesses in order to focus on the most important problems with SMEs' financial management. Three fundamental components of financial management are: (1) The issue of managing cash flow and liquid assets. The company's most valuable nonhuman asset is cash. (2) The issue of long-term asset purchase, which determines how a corporation will operate over the long term. (3) Concerns about funding, capital structure, and funding costs. The liquidity management issue is the most pressing one. If a company is unable to develop a suitable policy to manage its working capital successfully, it will never see the long term. Typically, the fundamental factor underpinning SMEs' issues is owner-managers' inadequate financial management.*

**Keywords:** Financial failure, capital structure, liquidity management, SMEs.

## REFERENCES

- [1]. Asuman Atik, 2010, „SME's Views on the Adoption and Application of “IFRS for SMEs” in Turkey“, European Research Studies, Vol. XIII, issue 4.
- [2]. Berk, J., DeMarzo, P. and J. Harford, 2012, “Fundamentals of Corporate Finance”, (Pearson Education, Inc.).
- [3]. Bhunia, A., 2012, “Association between Default Behaviors of SMEs and the Credit Facets of SMEs Owners”, European Journal of Business and Management, 4(1).
- [4]. Brigham, E. F. and J. F. Houston, 2010, “Fundamentals of Financial Management”, (Cengage Learning).
- [5]. Czarnitzki, D. and H. Hottenrott, 2011, “R&D investment and financing constraints of small and medium-sized firms”, Small Business Economics, 36(1), 65–83.
- [6]. Escribá-Esteve, A., Sánchez-Peinado, L. and E. Sánchez-Peinado, 2008, “Moderating Influences on the Firm's Strategic Orientation-Performance Relationship“, International Small Business Journal, 26(4), 463–489.
- [7]. Liapis, K. J., 2010, „The Residual Value Models: A Framework for Business Administration“, European Research Studies, Vol. XIII, issue 3.
- [8]. Michaelas, N. and F. Chittenden, 1999, “Financial policy and capital structure choice in UK SMEs: Empirical evidence from company panel data“, Small Business Economics 12(2), 2113–30.
- [9]. McMahan, R. G.P., 1998, “Stage Models Of SME Growth Reconsidered“, School Of Commerce Research Paper Series, 98–5.
- [10]. McMahan, R. G. P., 2000, “Deriving a Development Taxonomy for Manufacturing SMEs Using Data from Australia's Business Longitudinal Survey“, School of Commerce Research Paper Series. Available at <http://www.flinders.edu.au/sabs/business/research/papers/00-4.doc>
- [11]. McMahan, R. G. P., 2001, “Growth and Performance of Manufacturing SMEs: The Influence of Financial Management Characteristics“, International Small Business Journal 19(3), 10–28.
- [12]. McNamara, R. P., Cocks, N. J. and D. F. Hamilton, 1988, “Predicting Private Company Failure“, Accounting and Finance 28(2), 53–64.
- [13]. Newman, A., Gunessee, S. and B. Hilton, 2012, “Applicability of financial theories of capital structure to the Chinese cultural context: A study of privately owned SMEs“, International Small Business Journal 30(1), 65–83.