Financial Management Strategies for Small and Medium Enterprises (Smes)

Xu Dongming[1], Lin Zhiyuan[2], Sun Yun[3], Wee Huat Heng[4]

[1,2,3,4]Research Scholar, Lincoln University College, 47301 Petaling Jaya, Selangor D. E., Malaysia

Abstract

Despite the substantial contribution of small and medium companies (SMEs) to socioeconomic and political growth in several sectors, a majority of these firms cease operations before reaching their fifth anniversary. A significant number of business owners exhibit a deficiency in their understanding of the financial strategies necessary to ensure the sustained operation and expansion of their organization. The objective of this qualitative multiple-case research was to get a comprehensive comprehension of the financial methods that small and medium-sized enterprise (SME) owner-managers might use in order to improve the sustainability of their company operations in the organizations. The present analysis was based on the theoretical framework of entrepreneurship and Porter's model of competitive strategy. Data of a qualitative nature were gathered from several sources, including semi-structured interviews, academic literature, and observational field notes. The study included a sample of six small and medium-sized enterprise (SME) owner-managers operating in the education and accounting/consulting service sectors, with a workforce size of less than 100 workers. The analysis of the data yielded five themes that elucidated the financial strategy practices employed by owner-managers of small and medium-sized enterprises (SMEs). These themes encompassed the following aspects: adherence to strategic financial practices, the acquisition of fundamental financial and business knowledge, the establishment of a robust financial reporting system, the articulation of challenges faced by SMEs, and the embracement of entrepreneurial resilience. The results of the study indicated that small and medium-sized enterprise (SME) owner-managers should use a dynamic approach in their financial strategy practices. Through this approach, small and medium-sized enterprise (SME) owner-managers have the potential to ensure the longevity of their firms. This, in turn, may contribute to the advancement of societal well-being by fostering employment opportunities, equitable distribution of wealth, technical advancements, grassroots development, and overall improvement of the gross domestic product.

Keywords: Cash Flow Management, Financial Management, Financial Risk Management, Financial Strategies, Small Business Finance,

Introduction

A significant number of individuals embarking on entrepreneurial endeavors tend to neglect involvement in financial affairs. One such explanation might be attributed to a lack of sufficient expertise or interest in the areas of documenting transactions and preparing and analyzing financial accounts. Additionally, individuals may be heavily engaged in other facets of company operations, such as managing personnel, sales, procurement, and manufacturing. These entrepreneurs depend on their accountants to manage the financial aspects of their firm. The management of assets is of paramount importance within the broader

context of financial management, which is a crucial component of overall company management. The acquisition of assets plays a pivotal role in shaping the trajectory of a company during the lifespan of these assets. However, the ability of the firm to devise a suitable strategy for efficiently managing its working capital is crucial for ensuring long-term success. The primary factor contributing to the challenges in financial management inside small and medium-sized enterprises (SMEs) is the inadequate financial management practices or the absence thereof, particularly stemming from the weak financial management skills of owner-managers. Numerous small enterprises experience failure not due to the owner's incompetence or the provision of subpar services but rather as a consequence of inadequate company management practices. Many individuals involved in small company operations possess a limited understanding of the whole set of factors necessary for achieving success. One aspect that is lacking in their approach is the effective management and expansion of their firm. Small-company entrepreneurs that achieve success in this domain acquire an understanding of these difficulties via practical experience or possess prior expertise (B.A.M et al., 2021).

Small and medium enterprises (SMEs) refer to business entities characterized by a workforce size of less than 100 people and a comparatively smaller yearly revenue when compared to larger organizations. These firms play a crucial role in the economy since they often generate a significant portion of a nation's economic activity and provide job prospects. However, despite their significance, small and medium-sized enterprises (SMEs) often face a range of challenges that pose a threat to their expansion and financial viability. The acquisition of financial resources is a significant problem of utmost importance. Small and medium-sized enterprises (SMEs) can encounter financial troubles as a result of many factors. Initially, individuals in this particular demographic often own few assets and lack an established financial track record, hence encountering challenges in securing loans from conventional banking establishments. In addition, small and medium-sized enterprises (SMEs) may have limitations in their capacity to formulate an elaborate business strategy or provide the necessary financial predictions in order to get investor support. Moreover, a significant number of small and medium-sized firms (SMEs) are engaged in sectors or marketplaces that are characterized by a higher degree of risk. This inherent risk factor tends to diminish the attractiveness of these enterprises for potential investors or lenders, thereby reducing their willingness to join such ventures.

The inability of small and medium enterprises (SMEs) to get capital may have substantial repercussions. Initially, the enterprise can encounter limitations in its capacity to allocate resources towards acquiring essential equipment, technology, or staff, impeding its ability to expand and successfully contend within the market. Additionally, insufficient financial resources might lead to the business's inability to fulfil its financial responsibilities, including remunerating suppliers, workers, and rent, potentially affecting its reputation and overall financial viability. Moreover, in the event that the organization has difficulties in securing financial resources, it may face limitations in capitalizing on emerging business prospects, such as venturing into untapped areas, introducing novel items, or obtaining additional clientele. Therefore, it is essential to develop initiatives and dynamic capacities that may aid small and medium enterprises (SMEs) in overcoming financial obstacles in order to achieve growth and prosperity. In recent years, there has been an increasing acknowledgment of the financial challenges encountered by small and medium-sized enterprises (SMEs). In light of this, there has been a rise in novel financing strategies that prioritize internal resourcefulness and dynamic capacities. According to Durst and Gerstlberger (2020),

entrepreneurs using these methodologies generally prioritize resources that are under their control, irrespective of their long-term profitability. Individuals focus their attention on the potential risks they are willing to undertake, displaying a reduced level of worry about resource limitations that are influenced by the surrounding circumstances.

Financial management is a critical component of management that has significant importance in the achievement of success for small businesses (B.A.M et al., 2021). Financial management refers to the strategic administration and control of a business's financial resources with the aim of attaining the predetermined financial goals of the organization. According to Daud Awang et al. (2020), the concept of financial management revolves around the process of acquiring and effectively using various sources of finances. Financial management encompasses the processes involved in acquiring the necessary finances to support an organization's assets and operations. It also involves the distribution of these limited resources among many conflicting needs while guaranteeing their optimal use in the pursuit of the organization's objectives (Gherghina et al., 2020).

The present research used the term "financial management" to refer to a set of five (5) constructs. These constructs include working capital management, which may be further categorized into cash management, receivables management, and inventory management. Additional components within the realm of financial management include investment, finance, accounting information systems, and financial reporting and analysis. According to Dvorsky et al. (2020), the financial manager of a corporation is responsible for making three types of choices in the business context. These decisions include the financing decision as well as decisions related to short-term finance, which involve managing net working capital, investment, and financial reporting. In a similar vein, Dvorsky et al. (2020), identified three primary financial determinations, namely investment choices, financing decisions, and dividend decisions. According to Dvorsky et al. (2020), financial management encompasses various aspects of management that pertain to finance. This includes not only the acquisition and allocation of financial resources within an organization but also the examination of the financial consequences associated with investment, production, marketing, personnel decisions, and overall organizational performance.

Literature Review

Small and medium enterprises (SMEs) make significant contributions to the economies of all nations, irrespective of their developmental stage. The phrase "small and medium-sized enterprises" (SMEs) encompasses a diverse variety of definitions and metrics, which exhibit variations across different countries and sources that offer information on SMEs. Several often-used criteria are the number of workers, total net assets, sales, and investment level. Nevertheless, the prevailing definition often relies on the criterion of employment. Nonetheless, it is worth noting that there exists some disparity in determining the specific thresholds that delineate the upper and lower boundaries of small and medium-sized enterprises (SMEs) (Dvorsky et al., 2020). Dvorsky et al. (2020), explains that the European Union and other international organizations employ the term SME (Small and Medium Enterprises) to categorize companies with a specific, restricted number of employees, whereas the United States predominantly utilizes the term "SMB" (Small to Medium Business) in this context. The categorization of a firm as a small and medium-sized enterprise (SME) is determined by the number of workers it has, often ranging

from 10 to 100. However, it is important to note that the specific threshold may vary depending on the nation in which the business is established (Daud Awang et al., 2020).
According to Gamage et al. (2020), a conceptual framework may be defined as a succinct portrayal of the phenomena being investigated, complemented by a visual or graphical portrayal of the primary variables involved in the investigation. Festus Folajinmi and Olufemi Peter (2020), defines a conceptual framework as a visual representation that illustrates the interconnections between a pair of independent variables and a dependent variable. The present research will examine the correlation between the financial management methods used by small and medium enterprises (SMEs) and their impact on growth. The expansion of small and medium-sized enterprises (SMEs) serves as the dependent variable in this study, while the independent variables include several aspects of their operations, including working capital management methods, investment strategies, financial planning procedures, accounting information systems, and financial monitoring and evaluation.

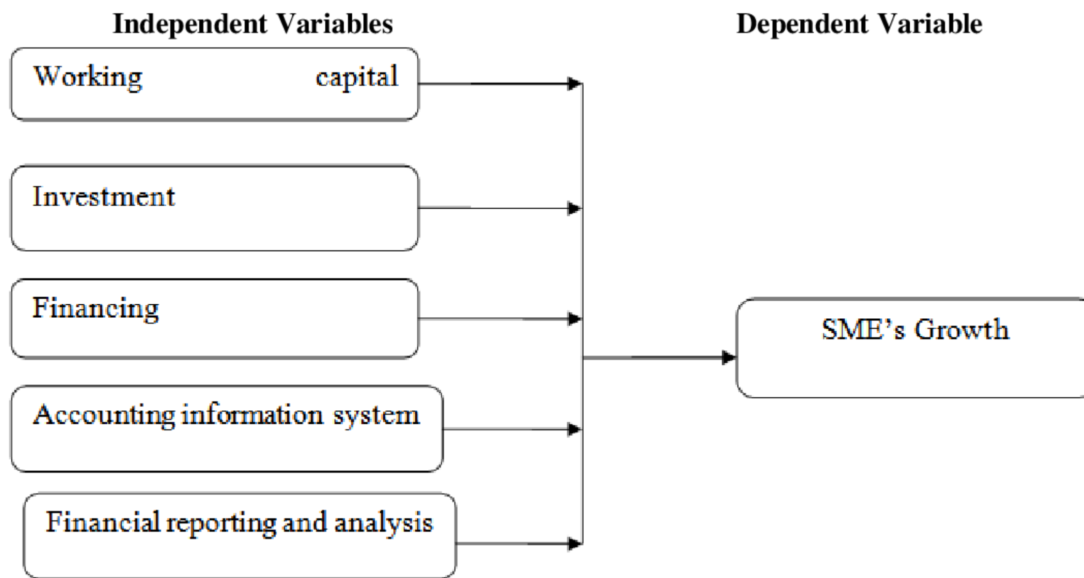

Figure 1: Effect of Financial Management Practices on SME's Growth
Source: (Jennifer & Dennis, 2015)

Financial Strategy:
The incorporation of financial strategy into organizational management is undertaken with the objective of optimizing the financial worth of a company over a designated timeframe (Gamage et al., 2020). Dvorský et al. (2023), posits that an organization's financial planning approach may be understood as the viewpoint of a firm that uses financial tools to analyze and appraise the potential results of strategic business propositions and organizational initiatives.

Small enterprises often have a distinct financial challenge characterized by a deficiency in their capital foundation. Small firms are often overseen by their proprietors, with limited access to financing via stock markets. During the first phases of its establishment, owners often face challenges in accumulating the income reserves necessary for their survival. The inquiry pertains to the manner in which tiny enterprises ascertain sources of financing in challenging circumstances. Gao (2022a) asserts that the inception of contemporary capital structure theory may be traced back to the publication of (Gardi et al., 2021), fundamental work on capital structure. Since that juncture, scholars have tried to elucidate the mechanisms

by which companies make decisions about their capital structure. According to Myers (1984), the inquiry focuses on the decision-making process used by companies in determining their capital structure. The answer remains uncertain since the process by which corporations choose the allocation of securities, equity, or combined instruments in their issuance is not yet well understood. The present research was grounded in the theoretical frameworks of capital structure theory. Hernandez et al. (2021), posits that the Pecking Order Theory (POT) proposes the absence of a clearly defined ideal capital structure. Instead, it asserts that the debt ratio is determined by a sequential process of hierarchical financing. The fundamental principle behind the concept of POT is that companies lack a predetermined debt-to-value ratio. The management has a preference for domestic finance over external funding.

When a corporation is compelled to use external financial sources, managers prioritize the selection of the least risky and onerous source. In situations where the need arises to acquire external sources, the issuing of debt is often favored over the issuance of additional shares. Other researchers have used agency theory to elucidate the funding behavior of small firms. According to agency theory, stakeholders who own stock or debt in a company need to incur expenses to oversee the allocation of their finances by the management or proprietor of the small business. These expenses are sometimes referred to as agency costs. This perspective posits that the process of financing relies on the owner-manager's ability to evaluate the agency costs associated with various financing options and then choose the most cost-effective strategy to fund the firm's operations. A limitation of this hypothesis lies in the absence of empirical measurements for agency costs, particularly within the context of major corporations (Kijkasiwat & Phuensane, 2020). According to Majukwa et al. (2020), it is important to consider the following attributes when providing an explanation for company finance decisions: The behavior seen at the organizational level pertains to the capital structure choice, which is decided within an open systems framework by senior management. These decisions are influenced by several goals and environmental circumstances, some of which extend beyond financial considerations. The funding choice of the organization seems to be influenced by several internal and external circumstances, as well as the values and objectives of the management.

Financial Metrics for Measuring Performance:

Financial metrics are often used to assess and evaluate the performance of an organization. These metrics provide quantitative measures that allow for the analysis and comparison of financial data across time. By examining various financial metrics, stakeholders may get insights into the financial health and profitability.

The practice of using financial measures to evaluate the success of a company has become a prevalent method (Kijkasiwat & Phuensane, 2020). The significance of strategic management has facilitated the ability of a company to adapt and embrace its core objective of facilitating effective operational processes within a dynamic and complicated global context. The field of financial strategic management emphasizes the use of financial resources to execute and oversee specific and quantifiable financial strategy objectives in a cohesive and interconnected manner, hence improving the overall efficiency and effectiveness of a company (Kijkasiwat & Phuensane, 2020). According to Krüger and Meyer (2021), a firm's strategy is contingent upon three crucial factors: (a) the congruence between the enterprise and its external environment; (b) the core competencies and sustainable competitive advantages assessed from a pragmatic standpoint; and (c) the suitability of the strategy's implementation and monitoring. An appropriate

financial strategy establishes a solid foundation for evaluating the external prospects and internal resources of a company in order to effectively guide the company towards achieving profitable performance.

The Implementation of Financial Metrics:

The incorporation of financial objectives and measurements is based on established benchmarks within the "best-in-industry" (Gao, 2022b). These benchmarks encompass various aspects such as free cash flow (FCF), economic value added (EVA), asset management, financial decisions, capital structure, profitability ratios, growth indices, risk assessment and management, and tax optimization. Festus Folajinmi and Olufemi Peter (2020), elaborate on these financial indicators in their analysis.

The free cash flow is used as a financial statistic to assess the financial stability of the company and as an indicator of the effective allocation of financial resources in producing more cash for future investments. Durst and Gerstlberger (2020), defines free cash flow as the residual cash generated by subtracting the increases in investments and working capital from the operational cash flow of the organization. This aspect becomes important in situations when a company is expecting a substantial capital outlay or undertaking a project. According to Gardi et al. (2021), free cash flow is considered to be a more superior metric compared to operational cash flow due to its adjustment for the capital expenditures undertaken by the organization. According to the research conducted by (Hernandez et al., 2021), the most significant factor in determining value within the financial institution sector of the United States is the Free Cash Flow (FCF). FCF is defined as the cash flow generated from operations, minus the cash flow used for investment activities, and further subtracting the cash outflow for preferred stock dividends. Previous research has demonstrated that free cash flow (FCF) does not possess value relevance for the consumer discretionary sector and the communications industry (Majukwa et al., 2020)

The Determination of Financing and Capital Frameworks:

The idea of an "optimal capital structure," which refers to the ideal level of debt or leverage that optimizes the expenditure of capital for the corporate entity, influences the determination of a firm's financing and capital structure. The creation of a suitable capital structure facilitates the assessment of a firm's loan reserve capacity over both short and long time periods as well as its potential financial risks. Oshora et al. (2021), study looked at how inadequate financing affects the running of small and medium-sized businesses (SMEs) and how that affects their capital structure and financial structure. They identified several factors that contribute to this inadequacy, including: (a) the limited accessibility of financial sources (demand gap) due to the influence of a variety of qualitative and quantitative parameters on the capital structure of SMEs; (b) the scarcity of available finance for SMEs (supply gap); (c) a lack of awareness regarding the availability of potential sources of finance (knowledge gap); and (d) the unwillingness of financial institutions to provide financing for SMEs (benevolence gap). According to Zayed et al. (2022), certain small and medium-sized enterprises (SMEs) exhibit limited interest in optimizing their capital structure. These SMEs tend to rely heavily on internally generated funds for financing, following a pecking order behavior. Consequently, their progression towards achieving an optimal level of leverage is slow, as they prefer to adopt a less complex financial strategy for enhancing SME performance. The use of capital structure might be beneficial in scenarios where a company's cost of capital exceeds that of its immediate rivals and is faced with a scarcity of fresh investment opportunities.

Risk Management in the Face of Uncertainties:

The proper identification, measurement, and control of potential risks are essential for effectively addressing significant uncertainties. This includes assessing the likelihood of their occurrence and the economic impacts of these risks in accordance with corporate governance and regulatory compliance (Sedyastuti et al., 2021). The present study employs the described approach to facilitate the implementation and mitigation of adverse risk outcomes as well as foster the development of a robust risk culture.

The importance of tax optimization lies in its ability to minimize tax payments that may be avoided and to manage the potential risks connected with taxation (Nkwinika & Akinola, 2023). According to Krüger and Meyer (2021), it is crucial to carefully evaluate the tax consequences and potential impact on the firm's value when considering capital and financial planning. The phenomenon of globalization has necessitated the careful consideration of tax consequences for corporate endeavours, given the variations in tax rules across different jurisdictions (Gherghina et al., 2020). Small and medium-sized enterprises (SMEs) have the opportunity to benefit from tax discrepancies and advantageous regulatory frameworks. The conventional approach to the business plan involves the utilization of various tools such as financial analysis, planning, the improvement of accounting norms, appraisal of financial requirements for effective managerial decision-making, management of financial resources, outstanding payments and obligations, financial proceedings, and control procedures (Gamage et al., 2020). The field of financial strategy has a prominent position within the broader framework of functional strategy, as outlined by (Gherghina et al., 2020). It is widely recognized as an integral component of both corporate and individual strategies.

Gaps in Literature:

Given the abundance of financial strategies documented in the literature, it is a valid assertion to state that there is no one optimal financial strategy. In practical terms, it is observed that owner-managers of small and medium-sized enterprises (SMEs) tend to exhibit a stronger inclination towards some financial strategies while showing less affinity towards others (Dvorský et al., 2023). This tendency is particularly evident in SMEs, where financial strategies are heavily influenced by the prevailing operational conditions and geographical contexts of the respective enterprises (Durst & Gerstlberger, 2020). From a geographical perspective, several scholars see the awareness of small and medium-sized enterprise (SME) owner-managers about their surroundings, as well as their determination to endure in such conditions, as pivotal elements for the long-term viability of the business (Nkwinika & Akinola, 2023). Small and medium-sized enterprises (SMEs) are confronted with the dynamic and competitive nature of the global business landscape, as noted by the (B.A.M et al., 2021). Therefore, the significance of the financial manager or owner in guaranteeing the viability of small and medium-sized enterprises (SMEs) has become very crucial (Dvorský et al., 2023). Small and medium-sized enterprise (SME) owner-managers exhibit a deficiency in comprehending the ways in which financial strategies might be used to enhance firm performance and ensure the long-term viability of their organizations (Kijkasiwat & Phuensane, 2020), particularly within an exceedingly unstable and fiercely competitive company milieu (Oshora et al., 2021).

Research Methodology

The research methodology, which is a constituent of the research design framework, encompasses the approaches suggested by researchers for data collection, analysis, and interpretation in a study.

Considering the whole range of data collection possibilities and classifying these approaches according to their degree of pre-determination, use of closed-ended vs. open-ended questioning, and focus on numeric versus nonnumeric data analysis confers many benefits. On the other end of the continuum, the data collection procedure may include the actual presence at a selected study site and active participation in observational activities to record the actions and behaviors of persons without depending on predetermined queries. In an alternative approach, the process of data gathering may include the administration of interviews, during which participants are encouraged to openly articulate their thoughts and viewpoints about a certain topic while minimizing the use of organized questioning methods.

Purposive sampling is a commonly used methodological approach for selecting an ideal sample size. Purposive sampling is a methodological strategy whereby people are intentionally chosen from a sample in order to represent a certain domain or category based on specified criteria (Author, Year). The strategic management of data overload and the phenomenon of diminishing returns is of paramount importance. Due to the fundamental nature of qualitative research, the use of very small sample sizes is necessary. According to previous research (citation needed), the sample size in qualitative research is often limited since occurrences only need to occur once to be considered for inclusion in the analytical framework.

The research methodology, which is a constituent of the research design framework, encompasses the approaches suggested by researchers for data collection, analysis, and interpretation in a study. Considering the whole range of data collection possibilities and classifying these approaches according to their degree of pre-determination, use of closed-ended vs. open-ended questioning, and focus on numeric versus nonnumeric data analysis confers many benefits. Conversely, the data collection procedure may include the actual presence of researchers at a selected study site, where they engage in observational activities to capture the actions and behaviors of people without depending on pre-established queries. In an alternative approach, the process of data gathering might include the administration of interviews, during which participants are encouraged to openly articulate their thoughts and viewpoints about a certain topic while minimizing the use of rigid questioning methodologies.

Following a thorough assessment of its merits and demerits, the researcher has opted to use the purposive qualitative research methodology owing to its distinctive nature. The identification and curation of data-rich exemplars is a frequently used approach in qualitative research, with the objective of maximizing the efficient allocation of constrained resources. This procedure involves the identification and selection of individuals or collectives who exhibit a significant degree of skill or experience pertaining to a certain subject matter of interest.

The term "research methodology" refers to the systematic technique used in the implementation of research endeavors. A wide range of methodologies are used across several academic disciplines, including research design, data gathering, and data analysis.

The primary objective of research methodology is to provide a comprehensive understanding of the several facets involved in a research investigation. This includes comprehending the underlying motivations for doing the study, defining the research quandary, constructing hypotheses, gathering data, choosing a certain research approach, and providing rationale for using a particular data analysis methodology. The

field of research technique encompasses several inquiries pertaining to the topic matter of a research project or study.

The objective of this qualitative, multiple-case research was to investigate the comprehension of small and medium-sized firm (SME) owners about the financial strategies that are considered essential for the sustained success and expansion of their businesses within certain fields. The present research is grounded in a constructivist perspective on knowledge. Constructivists place significant emphasis on the viewpoints and insights of those who have directly encountered the subject under investigation. There is a contention that the utilization of a quantitative technique is inadequate for uncovering some imperceptible facets of an individual phenomenon, such as the intricacies surrounding financial strategy. Numerous academic researchers have proposed that the use of relevant research questions is essential in order to effectively address the objectives of a qualitative investigation. It is stated that the researcher must provide an explanation or reason for the selection of a certain technique in comparison to other approaches. Through the use of a multiple case study methodology, we were able to leverage several viewpoints and data sources in order to augment our interpretation with a nuanced and contextually comprehensive understanding. Scholars recommend the use of a deliberate sampling strategy in order to get a controllable number of samples. Purposeful sampling was used to pick six small and medium-sized enterprises (SMEs) for this research, representing two sectors that are mostly composed of SMEs: education and accounting and consulting services within the organizational economy. This study gathered qualitative data from several sources to investigate the research topic and research questions. These sources included interviews conducted with subject matter expert (SME) owner-managers, which were then cross-referenced with the researcher's field notes, observations, internal documents from chosen SMEs, and personal reflections.

Findings of the study

The challenges associated with small and medium-sized enterprise (SME) funding arise due to several factors, such as internal company concerns, limitations imposed by banks, and credit institutions. This study focuses on the sources of finance and the financing strategy used to address the financial issues faced by small and medium-sized enterprises (SMEs). Due to the prevailing financial infrastructure in Nigeria, commercial banks have modified their lending practices in order to mitigate monetary risks, hence adopting a preference for larger enterprises in their loan approval process. These advancements have resulted in small and medium-sized enterprises (SMEs) with fewer resources or organizational structures encountering challenges in accessing financial opportunities. Moreover, obtaining bank loans for small and medium-sized enterprises (SMEs) remains a significant obstacle due to the complexities associated with the structural, viability, and sustainability aspects of bank lending. The collateral guarantee serves as the primary criterion for loan acceptance on the supply side. Moreover, banks tend to favor considerable investments or small and medium-sized enterprises (SMEs) that demonstrate strong performance. Furthermore, long-term loans are characterized by notably low interest rates. The imbalanced structure in question has hindered the maintainability of small and medium-sized enterprises (SMEs), perhaps leading to ineffective lending practices, a lack of credit management, and inadequate evaluation of the SMEs framework

Results & Discussion

There is a limited number of small and medium-sized credit institutions in the contemporary financial landscape, specifically in connection with serving small and medium-sized enterprises (SMEs). These establishments encounter many obstacles and difficulties in their progress, which ultimately hinders their ability to adequately cater to the needs of SMEs. The inclusion of inadequate credit financing and non-subjective or mortgage asset resources in banks' considerations makes the task of boosting financing provision much harder. Similarly, the absence of third-party agreements accompanied by thorough credit rating evaluations ensures the dependability of money accessible via banks. The magnitude of transaction costs is contingent upon the spatial separation between the entrepreneur and the financial institution. The close physical proximity between a financial institution and a borrower enables regular in-person contact, therefore fostering a robust banking relationship. Small and medium-sized enterprises (SMEs) situated in rural regions exhibit a relative disadvantage compared to their urban counterparts. This discrepancy may be attributed to the elevated risk inherent in SMEs operating in rural areas. Consequently, rural entrepreneurs face a continual dearth of access to bank financing. Therefore, financial institutions continue to possess significant limitations when it comes to facilitating fundraising for small and medium-sized enterprises (SMEs). In order to address these challenges, the concept of the "missing middle" has emerged as a means of fostering innovation in the supply of finance for small and medium-sized enterprises (SMEs), particularly via the use of crowdsourcing as a source of funding (Nkwinika & Akinola, 2023).

The majority of the results derived from this research serve to validate or expand upon the current body of information found in the literature pertaining to financial strategies in small and medium-sized enterprises (SMEs). According to Hernandez et al. (2021), the performance and sustainability of an organization are heavily influenced by its financial strategy. Financial strategy encompasses the various choices made by a company to efficiently raise funds, the methods employed to allocate these funds within the organization, and the subsequent management decisions regarding the reinvestment or distribution of any resulting profits generated during business operations. The scope of financial strategy extends beyond the mere attainment of financing objectives, including a broader perspective that incorporates strategic financial management methods. This claim is substantiated by Zayed et al. (2022), who posited that among the various components of strategic accounting and finance practices, such as strategic planning for finances, important management of working capital, strategic fixed-asset executives, and strategic monetary reporting along with control procedures, as well as other arising financial management procedures, there is a positive correlation with improved performance outcomes. Similarly, Karadag (year) discovered that small and medium-sized enterprise (SME) owner-managers in Turkey had a lack of adherence to any particular financial plan. The results pertaining to financial strategies within the chosen small and medium-sized enterprises (SMEs) indicate that owner-managers of SMEs do not adhere to any particular financial plan. The study observed a range of financial strategies among the participants, with a majority favouring a dynamic approach to enhance business growth. This contrasts with the findings of (Sedyastuti et al., 2021), who reported a prevalence of conservative financial strategies in the farming industry of the Czech Republic.

The acquisition of financial resources is of paramount importance for the expansion of businesses, although it often poses a barrier, particularly for small and medium-sized enterprises (SMEs) in their initial stages, when attempting to get a loan from official lenders (Brush et al., 2018). The acquisition of financial

resources is a significant obstacle, necessitating the implementation of a credit strategy to support small and medium enterprises (SMEs). However, impediments such as corruption, the imposition of various taxes, and inadequate infrastructure facilities hinder the progress of innovative initiatives. Obtaining a loan might be a daunting barrier. Insufficient resources, in conjunction with inadequate government assistance in terms of financing rules for small and medium enterprises (SMEs) and tax-related concerns, provide significant challenges.

Conclusion

In conclusion, there are multiple and diverse obstacles that hinder the success of small and medium-sized enterprises (SMEs). These impediments encompass inherent organizational challenges, such as deficiencies in managerial skills, education, and training. Additionally, industry-related issues arise, such as entrepreneurs' limited comprehension of market expectations and inadequate market access. Furthermore, obstacles rooted in the economy, such as fluctuations in interest rates, further contribute to the hindrance of SME success. The primary responsibility for managing the operations of their firms lies with the owner-managers of small and medium-sized enterprises (SMEs). Research undertaken has proven that small and medium-sized organization (SME) owner-managers often lack awareness of the many hazards that their businesses may encounter. These risks may originate from both internal and external sources, including those arising from entrepreneurial activities. Risk management approaches for small and medium-sized enterprises (SMEs) are mostly focused on implementing measures to reduce risks, with a secondary emphasis on transferring risks via insurance operations.

Small and medium enterprises (SMEs) play a crucial role in driving the continuous growth of a growing economy within a certain area. SMEs have the ability to use a range of methods in order to get finance from diverse sources. It is crucial for small and medium-sized enterprises (SMEs) to demonstrate innovation in their selection of appropriate funding sources in order to effectively address the financial obstacles faced by the organization. This study primarily examines the phenomenon of financial innovation and its impact on the occurrence of fiscal problems. It identifies three key factors contributing to these challenges: a decrease in bank loan issuance, regional disparities, and a lack of consistency in public finances. These factors have hindered the ability to get lucrative financing for small and medium-sized enterprises (SMEs). Similarly, the research examined several methods of funding small and medium-sized enterprises (SMEs) and noted that there continues to be a limited availability of external financing options for SMEs in these sectors. The study suggests that enhancing the availability of funding via the refinement of financing sources is a novel approach for small and medium-sized enterprises (SMEs) to contribute significantly and indispensably to the advancement of economic development in the region. However, it is essential for the government to provide a favourable climate that facilitates many funding avenues. This review represents a limited number of studies that have addressed this issue. This research aims to contribute to the current body of literature in the academic discipline of entrepreneurial finance while also serving as a catalyst for further empirical investigation on this topic. The assistance provided will aid policymakers in enhancing the significance and distinctiveness of small and medium-sized enterprises (SMEs) as drivers of economic growth.

Conflict of Interests

The writers state that they personally have no conflicts of interest.

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