



**National Conference on Latest Innovations in Engineering,  
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**Critical Analysis of Financial Management Practices in Small and  
Medium Scale Enterprises (SMEs) in Paschim Bardhaman District of  
West Bengal**

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**ABSTRACT**

Financial management is crucial for SMEs because it ensures survival and growth by optimizing cash flow, controlling costs, enabling informed decision-making, managing risks, and attracting investment, giving small businesses the stability and foresight needed to compete and achieve long-term profitability despite limited resources. Financial management is the umbrella term for thorough bookkeeping, making accurate projections, creating financial statements and accessing business financing. Managing all of this efficiently make the decisions to run company successfully. Some of the first steps for good financial management include starting a budget, accessing lines of credit and opening a bank account for business expenses like payroll. This paper reflects Critical analysis of Financial Management practices in Small and Medium Scale Enterprises (SMEs) in Paschim Bardhaman District of West Bengal.

**Keywords:** *Financial Management, Paschim Bardhaman District, Business, Profitability.*

**INTRODUCTION**

In today's dynamic business landscape, financial management stands as a cornerstone for the success and sustainability of any enterprise, especially small businesses. These entities often face unique financial challenges that necessitate a strategic approach to managing their resources effectively. Financial management encompasses the planning, organizing, directing, and controlling of a company's financial activities. It involves making informed decisions to optimize the allocation of resources, maximize profitability, and ensure long-term financial stability. Effective financial management enables businesses to navigate through economic uncertainties, capitalize on growth opportunities, and mitigate potential risks. Small businesses, often characterized by limited resources and tight budgets, face a myriad of financial hurdles that can significantly impact their operations and growth prospects. From cash flow constraints to funding limitations, these enterprises encounter challenges that require prudent financial management practices to overcome. Additionally, factors such as market volatility, regulatory changes, and competitive pressures further underscore the importance of robust financial management strategies tailored to the specific needs of small businesses.



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### OBJECTIVES OF THE STUDY

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

### RESEARCH METHODOLOGY

Research methodology is a structured and scientific approach used to collect, analyze, and interpret quantitative or qualitative data to answer research questions or test hypotheses. A good research methodology answers research questions ethically and clearly explains why we have made each methodological choice. It includes various types like qualitative, quantitative, and mixed methods. Understanding its importance helps ensure accurate, reliable results. Once a methodology is selected, the next step is to decide on specific research methods. These are the practical tools used to carry out the study. Choosing the right method depends on the objectives, available resources, and the type of data needed.

#### Study Area:

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

#### Research Design:

The descriptive form of research design is used in the study.

#### Sample Size and Design:

The Sample size of the study was taken on the basis of random selection of SMEs in Paschim Bardhaman district of West Bengal.

Sample Size for Paschim 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.

### DATA ANALYSIS

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



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**Table 1: Respondents' Profile in Paschim Bardhaman District**

Respondents' Profile	No. of Respondents	Percentage
Proprietor	350	88
Manager	25	6
Accountant	20	5
Others	5	1
<b>Total</b>	<b>400</b>	<b>100</b>

*Source: Primary Data*

The position occupied by respondents in Paschim Bardhaman district are Proprietors (88%), Managers (6%), Accountant (5%) and Others (1%).

**Table 2: Profile of Respondents Based on Gender in Paschim Bardhaman District**

Gender	No. of Respondents	Percentage
Male	370	93
Female	30	7
<b>Total</b>	<b>400</b>	<b>100</b>

*Source: Primary Data*

**Findings:** Most of the respondents are Male (93%) and very few respondents are Female (7%).

**Table 3: Profile of Respondents Based on Age in Paschim Bardhaman District**

Age in Years	No. of Respondents	Percentage
31-40 Years	30	8
41-50	100	25
Above 50 Years	270	67
<b>Total</b>	<b>400</b>	<b>100</b>

*Source: Primary Data*

**Findings:** The age of the respondents was classified into 3 categories within the Age group ranges 31-40 yrs (8%), 41-50 yrs (25%) and above 50 yrs. (67%). Majorities are in the age groups of Above 50 yrs.

**Table 4: Components of Working Capital Considered for SMEs of Paschim Bardhaman District**

Options	Nos	Percentage
Cash and Cash Equivalents	12	3
Accounts Receivable	10	2
Inventory	12	3
Accounts Payable	30	8
All of them	336	84
<b>Total</b>	<b>400</b>	<b>100</b>

*Source: Computed from Primary Survey*



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Table 4 illustrates the components of working capital across the study area. 3 percent of the respondents stated that Cash and Cash Equivalents and 2 percent stated that Accounts Receivable are the Components of Working Capital, 3 percent of the respondents stated that Inventory is the Components of Working Capital, 8 percent of the respondents stated that Account Payable is the Components of Working Capital and 84% stated that all of these are the components of working capital

**Table 5: Information on Working Capital Requirements of SMEs of Paschim Bardhaman District**

Options	Nos.	Percentage
Up to 30000	130	33
30001 to 40000	100	25
40001 to 50000	130	33
50001 to 60000	25	6
More than 60000	15	3
Total	400	100

*Source: Computed from Primary Survey*

Above data depicts the information on working capital required for the SMEs per day across the study area. 33 percent stated 40001 to 50000 and up to 30000 required for working capital per day followed by 25 percent opined Up to 330001 to 40000 and 6% and 3% stated 50001 to 60000 and more than 60000 respectively.

**Table 6: Factors Determining the Working Capital Requirements of SMEs in Paschim Bardhaman District**

Options	Nos.	Percentage
Past experience	70	18
Mere forecasting	50	13
Assessment of the demand	120	29
Cost of the inputs	110	27
Transportation cost	50	13
Total	400	<b>100</b>

*Source: Computed from Primary Survey*

Table 6 depicts factors determining the working capital requirements of the respondents in the study area, 18 percent of the respondents opined that based on the past experience they use to decide the amount required for working capital, 13 percent made the assessment on mere forecasting, 29 percent made assessment of the demand and 27 percent decide the working capital level based on the Cost of the inputs, 13 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.



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**Table 7: Method of Credit Purchase of SMEs in Paschim Bardhaman District**

Options	Nos.	Percentage
Bhabishyat Credit Card Scheme	130	33
Bank loans	140	35
Loan of NBFCs	40	10
Pradhan Mantri Mudra Yojana (PMMY)	40	10
Stand-Up India Scheme	50	12
Total	400	100

*Source: Computed from Primary Survey*

Table 7 illustrates the methods of credit purchase practice followed by the selected respondents across the study area. 33 percent availed Bhabishyat Credit Card Scheme, 35 percent of the respondents availed bank loans, 10 percent of the respondents availed Loan of NBFCs and Pradhan Mantri Mudra Yojana (PMMY) whereas 12 percent of the respondents availed “Stand-Up India Scheme”.

**Table 8: Availability of Credit Period of Product/Services of SMEs in Paschim Bardhaman District**

Options	Nos.	Percentage
Up to 15 days	40	10
16 days to 30 days	120	30
More than 30 days	70	18
Not Applicable	170	42
Total	400	100

*Source: Computed from Primary Survey*

Table 8 illustrates the availability of credit period of the selected respondents across the study area. 10 percent stated up to 15 days, 30 percent opined 16 days to 30 days, 18 percent stated that more than 30 days and it is not applicable to 42 percent of the selected respondents.

**Table 9: Factors Influencing in Determine Financial Structure of SMEs in Paschim Bardhaman District**

Options	Nos.	Percentage
Cost of capital	40	10
Financial Institutions Directives	50	12
All the above	310	78
Total	400	100

*Source: Computed from Primary Survey*



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Table 9 illustrates the factors influencing in determine financial structure of the selected respondents across the study area. 10 percent stated cost of capital, 12 percent stated financial Institutions directives and 78 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.

**Table 10: Factors Considering in Determination of the Fixed Capital Investment of SMEs in Paschim Bardhaman District**

Options	Nos.	Percentage
Cost of the asset	50	13
Quality of the asset	40	10
Life period of the asset	20	5
Rate of return	30	7
All of them	260	65
Total	400	100

*Source: Computed from Primary Survey*

Table 10 illustrates the intensity of the factors influencing to determine the fixed capital investment by the selected respondents across the study area. 13 percent stated cost of the asset considered as important determinant, 10 percent opined quality of the asset, 5 percent stated life period of the asset, 7 percent stated rate of return and 65 percent opined all of them are considered before taking decision to procure fixed asset for the selected SMEs.

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