FINANCIAL MANAGEMENT STRATEGIES FOR SUSTAINABILITY OF MICRO-SMALL-ENTERPRISES IN NORTH COASTAL DISTRICTS OF ANDHRA PRADESH

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Abstract

The study examines the various financial management strategies implemented by micro and small enterprises (MSEs), analyses how these strategies affect business performance and long-term viability. It discovers the primary factors that influence successful financial planning in these firms using empirical research and data analysis. The data is collected by a survey conducted with owners or managers of MSEs, and analyses primary data using multiple regression technique. This study enhances the comprehension of the factors that influence financial planning in micro and small enterprises (MSEs), particularly in various situations, and promotes the adoption of technology in numerous financial operations.

The findings enhance the understanding of the various financial management strategies for the sustainability of MSEs and contribute to the existing literature on micro and small enterprises by offering valuable insights into the problems, best practises, and potential for improving financial planning and strategies with particular reference to the units chosen for study in the geographical location

Key Words: Financial planning, MSEs, Efficiency

1. Introduction

The North Coastal Districts of Andhra Pradesh host a significant number of Micro and Small Enterprises (MSEs) that contribute significantly to the regional economy. However, these

enterprises often face challenges in managing their finances effectively, which can impact their overall growth and sustainability. The background of investigating the efficiency of financial planning in these MSEs stems from the crucial role they play in the economic landscape of the region and the need to understand and address the specific financial management issues they encounter.

Several factors contribute to the complexities surrounding financial planning within MSEs in this region. These include limited access to formal financial institutions, inadequate financial literacy among entrepreneurs, varying market conditions, and the prevalence of informal financing methods. Additionally, the volatile nature of certain industries and the impact of external factors such as policy changes, market fluctuations, and environmental conditions further underscore the challenges faced by these enterprises in managing their finances efficiently.

The existing literature on financial management in MSEs often offers generic insights and lacks region-specific analysis, necessitating a focused investigation into the North Coastal Districts of Andhra Pradesh. Understanding the unique financial planning practices, barriers, and opportunities in this specific geographical area is crucial for formulating targeted strategies that can enhance the financial efficiency of MSEs.

This investigation aims to delve deeper into the financial planning methodologies adopted by MSEs in the North Coastal Districts, exploring their effectiveness in mitigating financial risks, improving access to capital, optimizing resource allocation, and ultimately fostering sustainable growth. By conducting empirical research and data analysis, this study seeks to provide actionable insights and recommendations tailored to the region's MSEs, thereby contributing to both academic literature and practical interventions to bolster the financial health and resilience of these enterprises.

1.1 Effectiveness of Financial Planning

The effectiveness of financial planning in Micro and Small Enterprises (MSEs) is a crucial factor in determining their sustainability and growth potential, impacting their capacity to traverse intricate economic environments (Ozili & Uadiale, 2018). Micro and Small Enterprises (MSEs) have a substantial impact on the economy of the North Coastal Districts of Andhra Pradesh, India, by creating employment opportunities and promoting local production (Sarada & Rao, 2017). Nevertheless, these businesses face unique obstacles in efficiently managing their finances, which in turn affects their long-term viability and potential for expansion (Srinivas, 2019).

The process of financial management in micro and small enterprises (MSEs) is complex and influenced by a range of internal and external influences (Robb, 2018). Obstacles such as restricted entry to official financial institutions (Shidhaye & Patil, 2016), dependence on informal financing mechanisms (Ayyagari et al., 2011), and market uncertainty create difficulties for effective financial planning in these businesses. Furthermore, the lack of customised financial strategies designed to address the specific regional difficulties adds further complexity to the situation (Vijayakumar & Shanmugham, 2019).

It is essential to comprehend the complexities of financial planning specifically for Micro and Small Enterprises (MSEs) in the North Coastal Districts of Andhra Pradesh. An in-depth analysis of financial management strategies utilised by MSEs is required to address the unique economic, social, and environmental factors in the region, with the aim of reducing risks and promoting growth (Rajesh & Nirmala, 2015). The objective of this study is to examine the effectiveness of financial planning techniques implemented by micro and small enterprises (MSEs) in this area. It seeks to provide insights into the factors that drive and hinder their financial management practises.

Using empirical approaches and data analysis, this research aims to uncover the strategies employed by micro and small enterprises (MSEs) to efficiently handle their financial matters (Beck et al., 2020). This study seeks to analyse effective financial planning strategies and obstacles that are specific to the North Coastal Districts. The objective is to offer practical insights that can guide policy interventions, industry practises, and support mechanisms designed to meet the distinct requirements of Micro and Small Enterprises (MSEs) in this geographical area (Kumar & Chandrasekhar, 2020).

The primary objective of this research is to connect the theoretical frameworks with the practical issues encountered by Micro and Small Enterprises (MSEs) in the North Coastal Districts of Andhra Pradesh. The research aims to provide detailed insights that can enhance the financial resilience and growth opportunities of these MSEs (Sahoo et al., 2017).

2. Research Gap: Effective Financial Management in MSEs:

The profitability and sustainability of MSEs rely on the implementation of effective financial management procedures. Hove-Sibanda and Kibirige (2017) found that adopting robust financial management methods is directly associated with enhanced performance metrics, such as profitability and growth rates, in micro and small enterprises (MSEs). Effective financial planning enables the optimal distribution of resources and informed investment choices, resulting in a substantial enhancement of overall business performance (Smith & Tandon, 2018).

Meyer and Nguyen (2019) have pointed out, skilful financial management in MSEs promotes the ability to withstand economic uncertainty and market volatility. Micro and small enterprises (MSEs) that have strong and resilient financial plans demonstrate greater flexibility in responding to changing circumstances, allowing them to effectively overcome problems and maintain their operations.

Access to finance is a crucial factor that determines the growth of Micro and Small Enterprises (MSEs). As per the World Bank (2020), adopting efficient financial management techniques improves the credibility of Micro and Small Enterprises (MSEs), resulting in greater availability of capital and improved financing conditions. Enhanced access to financial resources enables companies to expand, upgrade their technology, and enter new markets, resulting in improved overall performance.

According to Gupta and Hussain (2016), good financial management inside MSEs leads to transparency and accountability. Transparent financial reporting and monitoring processes

cultivate confidence among stakeholders and creditors, empowering MSEs to cultivate stronger connections and obtain essential support for growth endeavours.

2.1 The relationship between effective financial planning and business performance
Academic study has thoroughly examined the correlation between efficient financial planning and company performance in micro and small enterprises (MSEs). A study conducted by Lussier and Kimball (2019) reveals a significant and favorable association between proficient financial planning and enhanced firm performance indicators, such as profitability, growth, and overall competitiveness. Micro and small enterprises (MSEs) that actively participate in strategic financial planning are more likely to attain elevated levels of success in comparison to those with less extensive financial strategies.

Furthermore, the research conducted by Armitage and Scholey (2017) emphasized that small and medium enterprises (SMEs) who implement proactive financial planning strategies have increased flexibility in response to changes in the market and economic concerns. The ability to adapt is a key factor in maintaining strong business performance, as it allows micro and small enterprises to effectively manage obstacles and take advantage of favorable circumstances.

Enhanced financial planning has also been linked to improved availability of finance and financing alternatives for micro and small enterprises (MSEs). Based on a study conducted by Mazzucato and Penna (2018), micro and small enterprises (MSEs) that have clearly defined financial goals are more likely to attract investors and lenders, allowing them to access capital on more advantageous conditions. By providing improved financial access, micro and small enterprises (MSEs) are empowered to make investments in growth initiatives and innovation, resulting in a direct positive impact on their business performance.

Moreover, a study conducted by Wilson and Gilligan (2016) highlights the significance of proficient financial planning in promoting a culture of responsibility and well-informed decision-making inside micro and small enterprises (MSEs). Maintaining well-defined financial objectives and strategies allows micro and small enterprises (MSEs) to effectively track their progress, enabling them to make informed strategic changes and enhance their overall operational effectiveness, hence boosting business performance.

Nevertheless, there are ongoing difficulties in comprehending and executing customized financial tactics within Micro and Small Enterprises (MSEs), particularly in certain geographical areas such as the North Coastal Districts of Andhra Pradesh. There is a shortage of region-specific research in the available literature that thoroughly assess the efficiency of financial planning in these particular circumstances. Hence, it is imperative to conduct empirical study to further investigate the financial planning strategies employed by Micro and Small Enterprises (MSEs) in the North Coastal Districts. This study seeks to fill the void in existing literature by offering valuable insights into the determinants that affect the effectiveness of financial planning in micro and small enterprises (MSEs) within this specific geographical area.

3. Objectives of the study:
1) To Identify Factors Influencing Financial Planning Strategies and their efficacy
2) To Propose Recommendations for Enhanced Financial Planning for sustainability of MSEs

4. Hypotheses of the study:

1. H_{01}: The Financial budgets of MSEs impact in providing information for making decisions
2. H_{02}: The Application of Financial planning techniques causes an impact on the financial analysis of an organization.
3. H_{03}: MSEs with well-structured financial planning strategies in the North Coastal Districts will exhibit higher levels of business performance when compared to those with less comprehensive financial plans.

5. Research Design:

Quantitative Approach: Utilize surveys/questionnaires distributed among MSEs to collect quantitative data regarding financial planning practices, performance metrics, and factors influencing financial decisions.

Qualitative Approach: Conduct interviews or focus group discussions with MSE owners/managers to gain deeper insights into their financial planning strategies, challenges faced, and perceptions regarding financial management.

Sample Design And Sampling Technique: This study has used Purposive sampling technique, where the researcher has purposively taken women entreprenuers in the study. According to the records, the total number of employees from the three districts is shown in the table below and sample calculation by kothari 95 percent of confidence level and 0.05 percent of permissible error is shown below.

Table-1: Population sample of the study

S.No	District	No. of Women Establishments (Population)	Sample (1% as the Proportion)
1	Visakhapatnam	44154	441
2	Vizianagaram	17013	170
3	Srikakulam	23745	237
	Total	84912	848

5.1 Data Collection:

Surveys/Questionnaires: Develop structured surveys or questionnaires to collect quantitative data on financial planning practices, financial literacy, access to finance, and business performance indicators.

Interviews/Focus Groups: Conducting semi-structured interviews or focus group discussions to gather qualitative data, allowing for in-depth exploration of financial planning processes, challenges, and experiences.

Data Analysis:

Quantitative Analysis: Employ statistical methods such as regression analysis, correlation tests, and descriptive statistics to analyze quantitative data obtained from surveys. This analysis aims to identify patterns, relationships, and correlations between financial planning efficiency and business performance metrics.

6. Results and Discussion:

The primary data was collected with a sample of 848 from the women entreprenuers in the North Coastal Districts of Andhra Pradesh. Out of these, it is clear that 28.1 percent of the respondents are in the age group of 26 – 35 years, 64.5 percent of the respondents are in the age group from 36 – 45 years of age, 7.4 percent of the respondents are in the age group from 46- 55 yrs. Approximately 65 percent of the respondents in the study are in the age group from 36 – 45 yrs, who are good having good experience in hand inn doing business. Majority 54.6 percent of the respondents are Post Graduates, and 54.3 percent of the respondents are in the income group of less than to 25 lakhs.

Table-2: Descriptive Statistics on the Efficiency of Financial planning

S.NO	Factors	N	Mean	Std. Deviation	T-value	P-value
1	How does your business regard financial planning	848	3.10	.671	83.149	.000
2	How regularly does your business prepare its financial budgets	848	3.72	.604	110.724	.000
3	How involved is the owner/manager in preparing and using financial budgets	848	3.29	.621	95.302	.000
4	How involved is the owner/manager in interpreting and using financial budgets	848	3.70	.550	121.306	.000
5	How useful are the financial budgets of your business useful in providing information for making decisions	848	3.36	.632	95.812	.000
6	How regularly does your business compare between actual and budgeted results	848	3.83	.593	116.222	.000
7	How reasonable are financial planning technique applied in financial analysis of your business	848	3.47	.674	92.598	.000

Source: Primary data

The data was collected on a 5 rated scale on the above factors of financial planning. The responses were tabulated as shown above. From the above table, it is interpreted that the highest mean (3.83) indicating that the women entrepreneurs are comparing their actual budgets with budgeted results. The mean (3.72) represents that the women entrepreneurs are regularly preparing the financial budgets. The mean (3.70) represents that the women entrepreneurs are regularly interpreting and using financial budgets.

Graph-1: Descriptive Statistics on the Efficiency of Financial planning
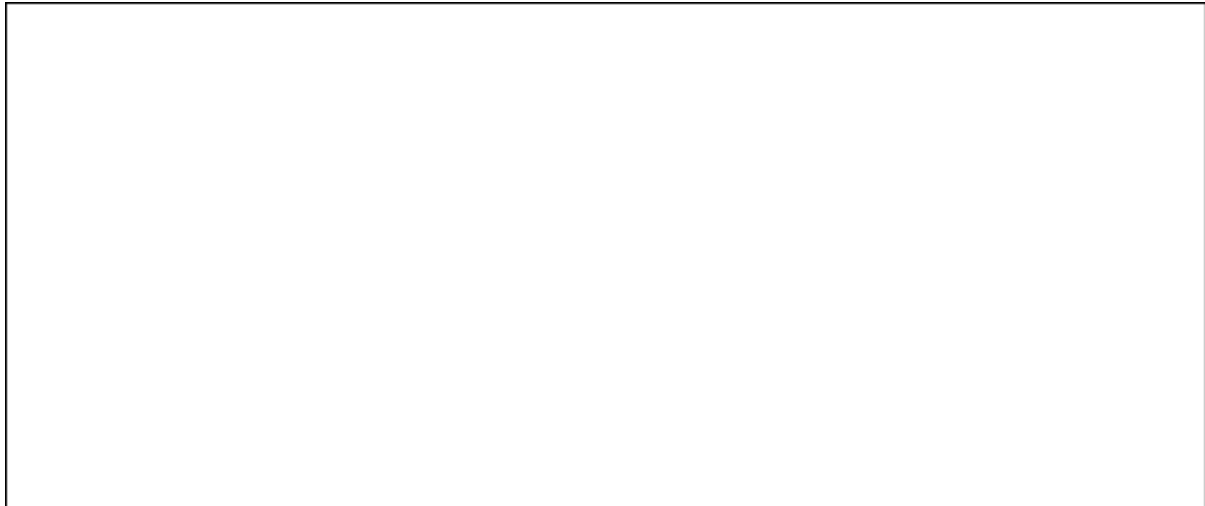
Impact of financial planning on the financial performance of the Micro and small Enterprises in the North Coastal Districts of Andhra Pradesh

In this part, the researcher tried to extract the major factors of financial planning on **the financial performance**. The model to fit the relation between a dependent variable and an independent variable is shown in the below table.

Dependent Variable: **Financial performance**

Independent variables: **Various factors of financial planning**

Table-3: Showing the Regression Model for financial planning Performance

Model	R	R square	Adjusted R Square	F-value	the p-value
1	.759[a]	.576	.564	10.866	0.00 **

a. Predictors: (Constant), factors of financial planning

b. Dependent Variable: Financial performance

The table shows a model overview of regression analysis. The R-Square statistic is a widely used metric for assessing model fit. The R-square is equal to 1 minus the residual variability ratio. The adjusted R^2, also known as the coefficient of multiple determinations, is the percentage of variance in the dependent variable explained by the independent variables individually or collectively. It shows that the combined influence of the predictor factors accounts for 57.6 percent of the variations in financial performance.

The capacity to predict the financial performance of MSEs was indicated by the financial planning (R^2 =.576). The R^2 value in this model indicates that the financial planning may explain 57.6 percent of the observed variability in the financial performance. The remaining 42.4 percent is unaccounted for, implying that the remaining 42.4 percent of variation is due to factors not included in the model. The F value (F= 10.866 and P < 0.01) indicates that this variation is extremely significant.

Table-4: Showing Unstandardized and Standardized Coefficient Values of Financial planning factors

It gives the specifics of the model parameters (the beta values) as well as their relevance. It reveals that b0 was the Y-intercept and that this is the constant's value B. So, according to the table, b0 is 22.38, which means that when no predictors exist (with X=0), the model predicts that the perception would be 22.38. The value of b1=0.849 indicates that an increase in 1 unit of perception leads to an increase in total perception of 0.849 times. Other variables' b values are 0.185, 0.691, and so on.

Model	Unstandardized Coefficients		standardized Coefficients	t-value	p-value
	B	Std. Error	Beta		
Business regard financial planning	1.711	1.164		1.469	.143
Preparation of financial budgets frequently	-.559	.159	-.831	-3.511	.001 *
Involvement of the owner/manager in preparing and using financial budgets	.661	.155	1.020	4.269	.000 *
Involvement of the the owner/manager in interpreting and using financial budgets	.071	.042	.119	1.697	.091
Do the financial budgets of your business useful in providing information for making decisions	-.108	.036	-.235	-3.005	.003 *
comparing the actual and budgeted results regularly	-.078	.090	-.069	-.865	.388
Applying the financial planning technique applied in financial analysis of the business	-.318	.257	-.153	-1.241	.216

A: Dependent variable: Financial Performance; * Significance at 0.05

From the above table, the p-values of certain factors are less than to 0.05. So, It is understood that the major factors of financial planning of MSEs which influence financial performance are " Preparation of financial budgets frequently, Involvement of the owner/manager in preparing and using financial budgets, taking decisions based on financial budgets".

7. Conclusion:

The study reports a positive correlation between financial planning and the financial performance for sustainability of MSEs. It revealed a broad range of financial planning tactics utilised by MSEs in the North Coastal Districts, emphasising the flexibility and variety of approaches employed by these firms. The issues identified include restricted entry to official financial institutions, differing degrees of financial knowledge among businesses, dependence on informal sources of finance, and the influence of regional economic dynamics on financial decision-making. The investigation confirmed earlier research findings by demonstrating a significant correlation between successful financial planning and enhanced business performance among micro and small enterprises (MSEs). Companies that showcased strong

financial planning techniques demonstrated greater levels of profitability, expansion, and resilience. Access to capital, entrepreneurial traits, market conditions, and regulatory frameworks are key factors that significantly influence the efficiency of financial planning in micro and small enterprises (MSEs). The hypotheses were also proved significant.

The findings indicate the need to create focused assistance programmes and activities that aim to enhance the financial literacy of MSE owners and managers. This would help increase their ability to make informed financial decisions and engage in effective financial planning. Alleviate the difficulties associated with restricted entry to official financial institutions by enacting measures that promote simpler access to funds and financing alternatives for micro and small enterprises (MSEs). Deliver capacity-enhancement initiatives that specifically target financial planning methodologies and tools tailored to the distinct geographical circumstances of the North Coastal Districts.

To summarise, the inquiry highlights the crucial importance of effective financial planning in promoting the development, adaptability, and long-term viability of Micro and Small Enterprises (MSEs) for their sustainability in the North Coastal Districts of Andhra Pradesh. The study identifies the necessity of implementing focused interventions, enhancing the capabilities of MSEs, and providing policy assistance to enhance financial management practices in this particular location. By effectively tackling the recognised obstacles and capitalising on the advantages, it is possible to greatly enhance the overall financial well-being and performance of Micro and Small Enterprises (MSEs), thus strengthening the sustainable economic environment of the North Coastal Districts of Andhra Pradesh.

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