ISSN PRINT 2319 1775 Online 2320 7876

Research paper  Volume 10, Iss 12, 2021

# A NOVEL METHOD FOR FINANCIAL PLANNING FOR SMALL AND MICRO ENTERPRISES

**[1]Dr.V.CH.PURNA CHANDRA RAO, [2]Dr.ZIA UR REHMAN**

[1]Associate Professor, Department of Management Studies, NRI Institute of Technology, Guntur, A.P, India

[2]H.O.D, Department of Management Studies, NRI Institute of Technology, Guntur, A.P, India

**ABSTRACT:** Financial management is all about monitoring, controlling, protecting, and reporting on a company's financial resources. Companies have accountants or finance teams responsible for managing their finances, including all bank transactions, loans, debts, investments, and other sources of funding. This analyzes for current situation of small and micro enterprises financing models, then proposes a novel model of small and micro enterprises financing under the guidance of government, as to deal with the financing information asymmetry fundamentally and reduce the financing risks. As the overall architecture and process of the small and micro enterprise financing model shows better performance. Hence, this model shows better results interms risk and profit.

**KEYWORDS:** Financial Management, Monitoring, Controlling, Protecting, Finance

## I. INTRODUCTION

Finance management merges management and accounting, using the financial management cycle to create strategic plans for clients. Learn about this growing field, the education requirements, and different career paths. Finance management is the strategic planning and managing of an individual or organization's finances to better align their financial status to their goals and objectives. Depending on the size of a company, finance management seeks to optimize shareholder value, generate profit, mitigate risk, and safeguard the company's financial health in the short and long term. When working with individuals, finance management may entail planning for retirement, college savings, and other personal investments [1].

The purpose of financial management is to guide businesses or individuals on financial decisions that affect financial stability both now and in the future. To provide good guidance, financial management professionals will analyze finances and investments along with many other forms of financial data to help clients make decisions that align with goals [2].

Financial management can also offer clients increased financial stability and profitability when there's a strategic plan for where, why, and how finances are allocated and used. How financial management professionals help clients reach goals will depend on whether the client is a company or an individual. Finance management professionals handle three main types of financial management for companies. These types involve various aspects of the internal decisions a company will likely need to make about cash flow, profits, investments, and holding debt. Many of these decisions will depend significantly on factors like company size, industry, and financial goals. Financial management professionals help companies reach financial goals by guiding in these areas of financing, investment, and dividends.

Financial management professionals assist companies in major decisions that involve acquiring funds, managing debt, and assessing risk when borrowing money for purchases or to build the company. Financing is also required when raising capital. Companies can make better, more strategic financing decisions to raise capital or obtain funds when they have information on cash flow, market trends, and other financial stats on the health of a

ISSN PRINT 2319 1775 Online 2320 7876

Research paper  Volume 10, Iss 12, 2021

company [3]. Financial management professionals can help companies choose where to invest, what to invest in, and how to invest. The financial professional's job is to determine the number of assets (both fixed and long term) a company will need to hold and where cash flow goes based on current working capital. In essence, this type of financial management is about assessing assets for risk and return ratios. Financial managers will consider a company's profits, rate of return, cash flow, and other criteria to assist companies in making investment decisions.

Companies should have a dividend disbursement plan and policy in place, with guidance from a financial management professional who can create and implement that plan, suggest modifications when needed, and monitor payouts if and when they occur. Any time a financial decision is made, it's essential to consider dividend payments since you may hold dividends to fund certain financial decisions within the company [4]. It's also important to have a flexible long-term plan that can grow with the company. Some more mature companies may pay out dividends at certain times or once a year; the payout schedule depends on many factors. Other companies may retain or reinvest dividend payments back into the company if the company is in a growth phase.

China National Administration for Industry and Commerce small and micro enterprises development report (2015) shows that small and micro enterprises accounted for 76.57% of the total number of enterprises. The economy of small and micro enterprises plays an indispensable role in the development of the regional economic. In our country, the life expectancy of small micro enterprises is only 2.9 years, about 30% of small and micro enterprises go bankrupt each year. In the closure of enterprises, about 32% is due to funding issues [5]. In recent years, the Internet finance has explored a development path of inclusive financial with Chinese characteristics to solve the financing problems for small and micro enterprises. In particular, P2P provides a new channel for small and medium-sized enterprises to financing and investors to do financial management.

However, the number of platform increases wildly, which leads to many chaos phenomena occur frequently, such as false targets, evade debt, nude loan, illegal storage and other risky events, which damage seriously to the interests of investors. This phenomenon has also become one of the new significant inducements for the occurrence of social mass disturbances and unstabilized factors. Therefore, it is necessary to review the financing innovation model of small and micro enterprises again, establish a more efficient operational mechanism, reduce investment risks and explore a new way for developing small and micro enterprises financing in a healthy environment[6].

The survey shows that for most small and micro enterprises bank loan financing is still the preferred financing models. On one hand, take the cost of financing into consideration, 76.47% of small and micro enterprises believe that the cost of bank credit financing is more reasonable. Compared with private financing rates, bank credit financing is more cost-effective. It is the primary cause why small and micro enterprises would like to choose the way of bank loan financing. On the other hand, compared with the large bank, the procedure of small and medium-sized banks loan is simpler. 32.89% of enterprises take small and medium-sized banks as the preferred choice, much higher than the 12.44% of the large bank. Regional joint-stock banks, local commercial banks and rural banks and other small and medium banks can summary potential information such as the personal information of the entrepreneur of small and micro enterprises and market

ISSN PRINT 2319 1775 Online 2320 7876

Research paper  Volume 10, Iss 12, 2021

condition of products to make a comprehensive analysis. It estimates the qualification of small and micro enterprises sufficiently and reduces the transaction cost to some extent.

## II. LITERATURE SURVEY

Y. Liu, et.al [7] technology, as well as the development strategy requirement of the financial information management, financial information construction for universities becomes the essential means to improve financial management and the quality of financial services. The financial information construction for universities should not only strengthen the management of financial information, financial information analysis, financial internal control and financial information security, as well as enhance the decision analysis of financial information. This paper mainly discusses how to build financial information management solutions, how to integrate the financial information platform through financial system, and provide data support for other management system. Through the establishment of financial information management solutions, universities can effectively improve the efficiency of financial business, enhance the level of financial management, strengthen financial control and reduce financial risks, so as to build security, standardized, scientific and sustainable university financial information management.

J. Martin, S. Caton, T. Conte and C. Weinhardt,, et.al [8] financial crisis has recalled the importance of proper financial planning. Companies which are organized as a multitude of legal entities are in particular affected by planning irregularities. To optimize the financial planning process and to cope with the challenges, we propose our service model "Financial Planning as a Service" (FiPlaaS). This approach allows companies to redesign their planning processes according to SOA principles and to achieve substantial improvements in performance.

Ting-Sheng Weng and Shin-Fa Tseng, et.al [9] recent years, the rising price of international crude oil has led to an increase in living expenses, as the fixed deposit interest rates cannot keep up with price inflation, forcing fixed salary earners to reduce expenditures, and create progressive savings plans. This study uses Visual Basic for programming, and adopts the Open Database method of saving data in an Access database, in order to develop a personal financial planning management system. This system provides financial planning functions, including accounting, budgeting, financial planning, and monitoring. The system design includes user accounts, password settings, a security management system, journal-type account management, displayable account subjects, options for additional budgeting lists, modification and deletion options, revenues and expenditures of annual accounting subjects, and legends and records displays for related income and expenses, assets and liabilities, profit and loss accounts. The system is suitable for personal financial planning.

J. M. Mulvey, et.al [10] area of finance has been relatively immune to the ML technology, except for a few exceptions such as high-frequency trading and credit scoring for loans. Significant financial decisions are made with reference to formal decision models. The first, and most famous, example is the Markowitz portfolio model. This model has been endlessly enhanced. Institutional investors build structured asset allocation and asset-liability management models for a variety of reasons, including the desire to improve performance and others, such as satisfying governance procedures. Regulators may charge institutional investors with imprudence if there is no formal analysis of their portfolio selection decisions and large losses occur. Due to the levels of

ISSN PRINT 2319 1775 Online 2320 7876

Research paper  Volume 10, Iss 12, 2021

uncertainties and time-lags in strategic decisions, it can be difficult to evaluate the quality of the recommendations, thus complicating the search for ML breakthroughs. Recall the need for measurements of correctness in supervised learning..

E. N. Madi and A. O. M. Tap, et.al [11] Financial Planning Model is adapted with the hybrid of fuzzy logic. The fuzzy logic displays the morphology of the results that help us to think efficiently based on the knowledge systems. The study is done on randomly selected college students in Terengganu. The result shows that students have different spending behaviors based on two different financial sources. Our analysis also shows the pattern of financial planning in the campus and their level of understanding of financial planning.

J. Martin, T. Setzer, F. Teschner, T. Conte and C. Weinhardt, et.al [12] Decision making in corporate financial controlling is typically based on the aggregation of huge data sets of financial planning items stemming from a multitude of companies with heterogeneous financial planning processes and planning quality. Quality of financial planning is usually quantified by its outcome using accepted ex-post metrics such as planning accuracy or alternative derivatives of plan versus actual distances (planning errors). However, additional metrics for measuring the quality of the planning processes themselves are mandatory. First, controllers want to determine suspicious planning data and revisions that will likely result in huge planning errors. Second, the determination of flawed planning processes allows for more profound root cause analysis of poor planning accuracy. Unfortunately, nowadays controllers have little guidance on how to assess running planning processes. This is particularly true because of the complex data structure in financial planning processes often underlying unknown assumptions and dynamics. This papers discusses two ex-ante candidate-metrics for measuring the quality of financial planning, namely Benford's Law and weak planning data efficiency. Both measures are applied to multi-year financial planning data from set of over hundred enterprises. The outcomes of numerical analysis are presented and first managerial implications regarding decision support are drawn.

Z. Yun and X. Li, et.al [13] A number of financial institutes began the operations of personal financial planning service in Mainland China due to the economic development and the accumulation of family fortunes. However, compared with international development of personal financial planning, personal financial planning in Mainland China is still in a cradle without the conduct of influential and localized theoretic fruits. Individuals and families have no clear understanding to financial planning, and more they lack theoretic knowledge and practices of investment planning factors and risk management based on financial planning. By advanced financial planning theories and in a systematic way, this paper analyzed the three major factors of investment planning for personal financial planning: family life cycle, investment principles, and investor's risk appetite; and analyzed the five steps and the five types of approaches for risk management of investment planning, providing theoretic guide for investment planning in the financial planning of individual and families in China..

J. Z. Wang and P. Y. Hsu, et.al [14] Traditional sales and operations planning (S&OP) focus on balancing between supply and demand in a company. It is utilized to ensure the alignment of plans supporting the business strategic goal. An

ISSN PRINT 2319 1775 Online 2320 7876

Research paper  Volume 10, Iss 12, 2021

obvious drawback of past decision models is lacking in considering financial planning. The paper proposes a new global S&OP planning model integrating financial flows and physical flows in a company supply chain to evaluate the benefit with various scenarios. The feasibility of the proposed model to the financial issue is demonstrated with a case study. We discuss the sensitivity of cash flow to the changes of payment terms and credit limits. The significance of this study is to adopt the integrated model as a decision support tool thereby enhancing the coordination between financial and physical activities.

H. Naruse and M. Kosaka, et.al [15] Savioz defines Technology Intelligence (TI) as "those activities which support decision-making of technological and general management concerns by taking advantage of a timely preparation of relevant information on technological facts and trends of the organization's environment by means of collection, analysis and dissemination." Traditional TI consists of four processes: Identification of information needs, Collection of information, Analysis of the information and Dissemination of the information. This process corresponds to Goods Dominant logic (G-D logic), where TI information is delivered to customers as a product. A TI activity can be considered as a kind of service that offers relevant information via TI systems to decision makers. Therefore, the application of several concepts related to service science such as Service Dominant logic (S-D logic) for TI is proposed here in order to enhance the service quality of TL The concept of value-in-context or context-aware service can be applied to enhance the service value of TI for decision makers. In the new TI proposed here, the collaboration between TI providers and decision makers can create service value, which is similar to the concept of "value-in-use" in S-D logic. The effectiveness of the proposed concept is demonstrated through an example that involves planning the business strategy of financial information system developers. In this example, an analysis of value-in-context is performed through interviews with top managers and project managers.

## III. METHODOLOGY

Financial leasing is the lessor(investors) purchase equipment in accordance with the demand of the lessee(small and micro enterprises). During the lease term, the lessee only have the right to use but not the ownership. The ownership of the equipment belongs to the lessor. However, the lessee must pay the rent of using the equipment to the lessor by instalments in accordance with the contract signed by the two parties, bear the risk of daily maintenance and depreciation of the equipment. The lessee lease expires and decides to purchase, renew or return the equipment to the lessor. "Internet +" leads every industry to explore innovation, and cloud computing technology as the "Internet +" background technology and capacity guarantee, it has been rapid development in recent years, the application has matured. The relevant ideas(such as resource integration, platform, big data, credit rating, small dispersion, etc.) applied in the existing financing model also provide us very valuable ideas. The core idea of cloud service is based on cloud computing and big data technology to construct transparent communication between cloud subjects. Therefore, standing in the Internet environment, this paper builds a new model of small and micro enterprise financing based on cloud service on the basis of existing financing models and technology. It is based on the idea of the cloud services platform to put forward a new more effective financing channel.

The overall model structure shown in Figure 1, cloud service platform is a government-led multi-party social capital and the main body of the financial innovation service model, which is conducive to the government financial

ISSN PRINT 2319 1775 Online 2320 7876

Research paper  Volume 10, Iss 12, 2021

institutions, small loan companies, insurance companies, third parties Service agencies and other resource integration, and promote the exchange of information between these entities and integration. The borrower uses the cloud service platform to issue a loan demand, and the investor uses the cloud service platform to find the appropriate lender to issue funds. This transaction is largely depend on the transparency information of small micro-enterprises, such as borrowing purposes, credit levels and actual financial information, how to ensure the authenticity of such information, and reduce the risk of lenders, which requires a third party Service agencies, such as security agencies, insurance agencies, assessment agencies, etc. And how to investigate, certification, assessment and security, etc. in the whole process, which need government to supervise and create a good investment and financing environment, then may achieve multi-party win-win, so as to promote the coordinate development of all parties.

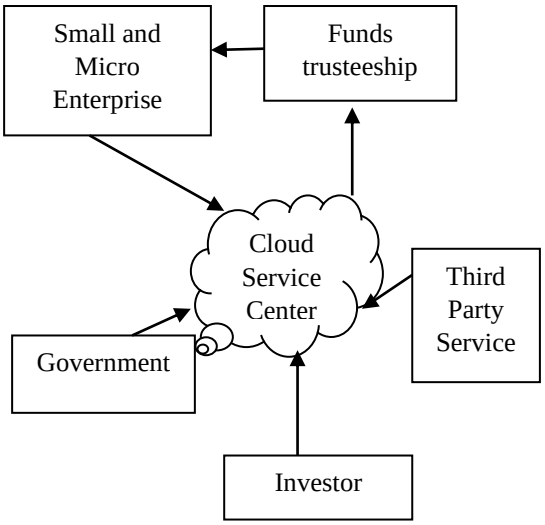


**Fig.1: Flow Chart Of Small And Micro Financing Model Based On Cloud Services**

## IV. RESULT ANALYSIS

In this performance analysis a novel method for small and micro enterprises financing.

**Table.1: Performance Analysis**

| Parameters | Novel Model | Existing Model |
|---|---|---|
| Risk | 75 | 89 |
| Profit | 96 | 84 |

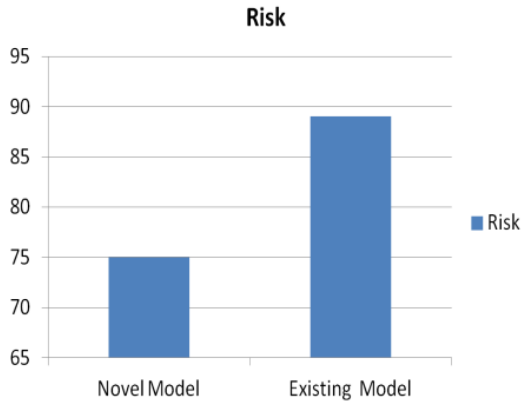


**Fig.2: Risk Comparison Graph**

In Fig.2 risk comparison graph is observed between Novel model and existing model.

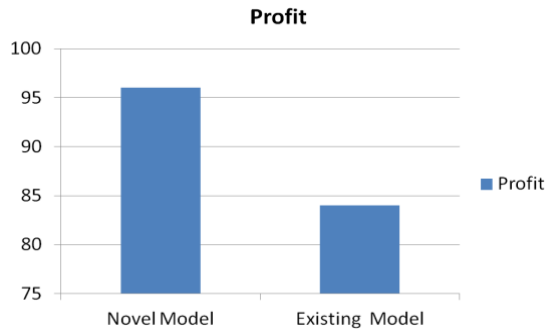


**Fig.3: Profit Comparison Graph**

In Fig.3 profit comparison graph is observed between Novel model and existing model.

## V. CONCLUSION

Financial management is all about monitoring, controlling, protecting, and reporting on a company's financial resources. Companies have accountants or finance teams responsible for managing their finances, including all bank transactions, loans, debts, investments, and

ISSN PRINT 2319 1775 Online 2320 7876

Research paper  Volume 10, Iss 12, 2021

other sources of funding. Proposed a novel model of small and micro enterprises financing under the guidance of government, as to deal with the financing information asymmetry fundamentally and reduce the financing risks. Hence, this model has reduced the risk and increased the profit.

## VI. REFERENCES

[1] Zhang Lianqi, Liu Jian,Guo Ting. Research on Small and Micro Enterprise Financing Model Based on E-commerce Platform[J]. China Business and Market, 2014, 08:49-54.

[2] Gu Xiujuan, Zhang Xiajing. A Study of Innovation in Financing Mode for Small & Micro Enterprises Based on Internet Banking[J]. Journal of Henan University of Technology(Social Science Edition), 2015,11(3):101-104.

[3] Jiang Chaofeng. Supply Chain Financial Service Innovation[J]. China Circulation Economy, 2015,01:64-67.

[4] Hui Wei. Search for the Direction of Internet Finance Research in China[J]. Journal of Northwestern University, 2015,45 (4): 44-50.

[5] Chen Wen, Wang Fei. Network Lending and SME Financing[M]. Bei Jing: Economic Management Press, 2014.

[6] Tang Lili. An Extended Study on the Financing Mode of Enterprises Based on Supply Chain Financing[J]. Times Finance, 2014,20:171-172.

[7] Y. Liu, "The preliminary discussion of financial information management solutions for universities," *2016 International Conference on Logistics, Informatics and Service Sciences (LISS)*, Sydney, NSW, Australia, 2016, pp. 1-4, doi: 10.1109/LISS.2016.7854397.

[8] J. Martin, S. Caton, T. Conte and C. Weinhardt, "Towards Financial Planning as a Service," *2011 IEEE International Conference on Services Computing*, Washington, DC, USA, 2011, pp. 767-768, doi: 10.1109/SCC.2011.64.

[9] Ting-Sheng Weng and Shin-Fa Tseng, "Design of a personal financial planning management information system," *2010 IEEE International Conference on Advanced Management Science(ICAMS 2010)*, Chengdu, China, 2010, pp. 73-78, doi: 10.1109/ICAMS.2010.5552837.

[10] J. M. Mulvey, "Machine Learning and Financial Planning," in IEEE Potentials, vol. 36, no. 6, pp. 8-13, Nov.-Dec. 2017, doi: 10.1109/MPOT.2017.2737200..

[11] E. N. Madi and A. O. M. Tap, "On fuzzy financial planning model," *2010 2nd IEEE International Conference on Information Management and Engineering*, Chengdu, China, 2010, pp. 254-258, doi: 10.1109/ICIME.2010.5478323.

[12] J. Martin, T. Setzer, F. Teschner, T. Conte and C. Weinhardt, "Decision Support Services Based on Dynamic Digital Analyses - Quality Metrics for Financial Planning Processes," *2012 Annual SRII Global Conference*, San Jose, CA, USA, 2012, pp. 130-138, doi: 10.1109/SRII.2012.25.

[13] Z. Yun and X. Li, "Investment Planning Factors and Risk Management in Personal Financial Planning," *2010 International Conference on Management and Service Science*, Wuhan, China, 2010, pp. 1-4, doi: 10.1109/ICMSS.2010.5576131.

[14] J. Z. Wang and P. Y. Hsu, "Advanced sales and operations planning based on integration of physical and financial flows," 2010 IEEE International Conference on Industrial Engineering and Engineering Management, Macao, China, 2010, pp. 70-74, doi: 10.1109/IEEM.2010.5674428..

[15] H. Naruse and M. Kosaka, "Application of Technology Intelligence from the viewpoint of service value creation: Strategic planning of financial information system using TI," *ICSSSM11*, Tianjin, China, 2011, pp. 1-5, doi: 10.1109/ICSSSM.2011.5959461.