

Financial Management Practices in Maharashtra SMEs: A Secondary Data Analysis

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Abstract

This paper synthesizes secondary data from empirical studies (2017–2025) on financial management practices in Small and Medium Enterprises (SMEs) in Maharashtra, India, focusing on aspects like financing preferences, working capital management, cash handling, and their impacts on performance. Drawing from regional insights, particularly in areas like Mumbai and Pune, it highlights how effective practices enhance profitability, reduce risks, and support growth amid challenges such as credit access and economic volatility. Findings suggest targeted improvements in financing strategies and working capital could bolster SME resilience, offering implications for policymakers and managers in Maharashtra's dynamic industrial landscape.

Keywords: Financial Management, SME, Maharashtra

Introduction

Small and Medium Enterprises (SMEs) are pivotal to Maharashtra's economy, which is India's largest state economy with a vibrant industrial sector contributing significantly to national GDP. According to the Economic Survey of Maharashtra (2024-25), SMEs account for about 8% of India's total MSMEs, with over 4.8 million enterprises employing millions across urban hubs like Mumbai, Pune, and Nagpur. These businesses span manufacturing, textiles, IT, and services, driving employment and innovation but facing acute financial challenges: restricted access to formal credit, inefficient cash flows, high borrowing costs, and exposure to market fluctuations, including supply chain disruptions in port cities like Mumbai and industrial clusters in Pune.

Regulatory initiatives, such as the Udyam registration (over 3 million in Maharashtra as of 2024) and schemes like Credit Guarantee Trust Fund for Micro and Small Enterprises (CGTMSE), which approved over 129,892 guarantees in FY 2024 amounting to 12% of national totals, highlight efforts to improve financial inclusion. Empirical studies from 2017–2025 indicate that Maharashtra SMEs often prefer internal financing and short-term debt due to collateral barriers, yet optimized practices correlate with better profitability. In Mumbai and Pune, where SMEs benefit from strong market linkages but contend with high operational costs, effective working capital management is crucial for handling inventory and receivables. This paper relies on secondary data from peer-reviewed studies, theses, and reports to examine these practices, their performance linkages, and implications for SME sustainability. By leveraging real-world evidence, it provides actionable insights for managers in Maharashtra's competitive environment, aligning with goals of inclusive growth and regional economic development.

Objectives

- To synthesize secondary evidence from empirical studies on key financial management practices (e.g., financing preferences, working capital, cash management) adopted by SMEs in Maharashtra, India.
- To analyze the linkages between these practices and SME performance outcomes, such as profitability, growth, and risk reduction, based on quantitative findings from existing research.
- To examine variations in practices across sectors (e.g., manufacturing, services) and regions within Maharashtra (e.g., Mumbai, Pune), identifying barriers and enablers in urban-industrial settings.
- To connect these practices to core SME financial management elements, including credit access, cost control, and strategic resource allocation for long-term viability.
- To derive practical implications for SME managers and policymakers in Maharashtra, while highlighting gaps for future research in evolving economic landscapes.

Literature Review

Empirical research on financial management in Maharashtra SMEs reveals a reliance on informal and short-term financing, with positive performance impacts from structured practices, though constrained by firm size and sector.

A study on listed SMEs in India, with insights applicable to Maharashtra's listed entities, found preferences for current liabilities, reserves, and short-term borrowings, influenced by firm-specific factors like size and profitability (Verma et al., 2025). Similarly, financing practices in northwest Indian SMEs, including Maharashtra-adjacent patterns, prioritize internal sources and short-term debt, varying by owner characteristics and reducing external equity dependence (Baker et al., 2017).

In Maharashtra-specific contexts, financial accounting practices among MSMEs in Pune district emphasize cost control and budgeting, positively affecting performance despite resource limits (Journal of Finance and Project Management, 2024). Working capital management in Mumbai SMEs focuses on inventory and receivables optimization, with empirical evidence showing efficiency gains and reduced liquidity risks (Zenodo, 2023). A thesis on financial inclusion in Maharashtra's microenterprises highlights scheme implementations like Stand-Up India, improving credit access for marginalized groups and linking to better employment and growth metrics (Scholarship @ Claremont, 2024). Broader analyses indicate firm-specific factors drive financing choices in listed SMEs, with Maharashtra's urban SMEs benefiting from market proximity but facing higher costs (Verma et al., 2024). Challenges in small-scale industries include suboptimal practices, addressed through strategic solutions like digital tools (ResearchGate, 2025).

These studies collectively suggest that while informal approaches prevail, formal integration enhances resilience in Maharashtra's diverse SME landscape.

Methodology

This study employs a secondary data synthesis approach, drawing from empirical articles, theses, and reports (2017–2025) sourced from academic databases and repositories. Inclusion criteria: focus on Maharashtra SMEs or India with Maharashtra relevance, use of secondary/empirical data (e.g., surveys, financial panels), and coverage of practices like financing and working capital. Thematic coding identified patterns, with quantitative insights from regressions and correlations in source studies.

Analysis and Findings

Secondary evidence shows effective financial practices positively influence Maharashtra SME performance, with urban areas like Mumbai and Pune exhibiting stronger formal adoption due to market access.

Key practices include:

- a) Financing: Preference for internal funds, current liabilities, and short-term debt to navigate credit barriers.
- b) Working Capital: Focus on inventory and receivables for liquidity.
- c) Cash Management: Budgeting and cost controls to mitigate risks.

The table below summarizes descriptive findings from five key studies:

Study	Sample/Region	Key Practices Examined	Main Findings	Performance Impact/Relevance to SMEs
Verma et al. (2025)	Listed SMEs in India (Maharashtra implications)	Financing preferences (liabilities, reserves)	Current liabilities preferred; firm factors influence	Reduces debt risks, enhances profitability in listed firms
Baker et al. (2017)	309 Northwest Indian SMEs (Maharashtra-adjacent)	Financing sources (internal/external)	Internal funds dominant; owner traits affect choices	Improves cost control, supports growth in urban SMEs
Journal of Finance and Project Management (2024)	MSMEs in Pune District, Maharashtra	Financial accounting (budgeting, cost control)	Positive effect on performance	Boosts efficiency, aids survival in industrial clusters

Zenodo (2023)	SMEs in Mumbai	Working capital (inventory, receivables)	Efficiency gains from optimization	Lowers liquidity risks, increases resilience
Scholarship @ Claremont (2024)	Maharashtra microenterprises	Financial inclusion schemes (credit access)	Improved loans for marginalized; regional variations	Enhances employment/growth, eases funding barriers

These patterns underscore practices as drivers of resilience, with Maharashtra SMEs showing 12% national guarantee approvals under CGTMSE, linking to better risk management. The table highlights consistent patterns across the studies: Maharashtra SMEs, especially in urban-industrial zones like Pune and Mumbai, tend to favor internal and short-term financing sources to minimize costs and risks, while working capital optimization (e.g., better inventory and receivables handling) directly improves liquidity and efficiency. For example, Pune's manufacturing-focused MSMEs benefit from structured budgeting and cost controls that correlate with higher performance, whereas Mumbai SMEs gain resilience through receivables management amid high operational demands. Financial inclusion schemes further ease credit barriers for smaller/micro entities, though variations persist due to owner traits and firm size. Overall, these practices act as key levers for reducing vulnerability to cash flow shocks and enhancing profitability in Maharashtra's competitive environment—insights that directly inform practical strategies for SME managers and highlight the value of formalizing these approaches.

Conclusion

This secondary data analysis underscores the critical role of strategic financial management practices in bolstering the performance and sustainability of Small and Medium Enterprises (SMEs) in Maharashtra, India's economic powerhouse.

Drawing from empirical evidence spanning 2017–2025, the findings affirm that optimized approaches—such as prioritizing internal financing and short-term debt to circumvent credit barriers, refining working capital through efficient inventory and receivables management, and implementing robust cash handling via

budgeting and cost controls—directly contribute to enhanced profitability, reduced liquidity risks, and overall growth.

In urban hubs like Mumbai and Pune, where SMEs leverage market proximity for opportunities but grapple with elevated operational costs and competitive pressures, these practices serve as a buffer against economic volatility, including supply chain disruptions and inflationary trends.

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