



Year V, v.2 2025 | Submission: 05/12/2025 | Accepted: 07/12/2025 | Publication: 09/12/2025

Financial planning in small and medium-sized enterprises: practices, challenges, and contributions of simplified approaches.

Financial planning in small and medium-sized enterprises: practices, challenges, and contributions of simplified approaches

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Summary

Small and medium-sized enterprises (SMEs) are responsible for a significant portion of employment and income in developing economies, but they present high mortality rates associated, among other factors, with weak economic and financial management and the absence of systematic cash flow and results planning (FREITAS et al., 2022; SANTOS; LIMA, 2018; OLIVEIRA et al., 2019). This article aims to analyze the practices and challenges of financial planning in SMEs, discussing to what extent simplified approaches can contribute to improving decision-making, mitigating liquidity risks, and supporting business continuity. Methodologically, a narrative review of recent national literature on financial management and planning in micro, small, and medium-sized enterprises is conducted, with an emphasis on studies that propose low-cost and low-complexity operational tools (MARQUES, 2008; LOBATO; SANTOS, 2023; TAVARES; SILVA; SILVA, 2023; COSTA; CRUZ; ALVES, 2023). The results suggest that, although the discourse on the importance of financial planning is well-established, its incorporation into the daily operations of SMEs is still limited by factors such as informal controls, confusion between personal and business finances, low accounting culture, and constraints of time and managerial skills. In this context, simplified models of cash flow, budgeting, and indicator analysis – when adapted to the reality of SMEs – prove viable for supporting liquidity control, prioritization of expenses, investment evaluation, and prevention of cash flow crises. It is concluded that simplified approaches do not replace complete accounting systems, but can function as a "gateway" to more structured financial management practices.

Keywords: financial planning; financial management; small and medium-sized enterprises; cash flow; financial indicators.

Abstract

Small and medium-sized enterprises (SMEs) are responsible for a significant portion of employment and income in developing economies, but they have high mortality rates associated, among other factors, with weak economic and financial management and a lack of systematic cash flow and results planning (FREITAS et al., 2022; SANTOS; LIMA, 2018; OLIVEIRA et al., 2019). This article aims to analyze the practices and challenges of financial planning in SMEs, discussing to what extent simplified approaches can contribute to improving decision-making, mitigating liquidity risks, and supporting business continuity. Methodologically, a narrative review of recent national literature on financial management and planning in micro, small, and medium-sized enterprises (SMEs) is conducted, with an emphasis on studies that propose low-cost and low-complexity operational tools (MARQUES, 2008; LOBATO; SANTOS, 2023; TAVARES; SILVA; SILVA, 2023; COSTA; CRUZ; ALVES, 2023). The results suggest that, although the discourse on the importance of financial planning is consolidated, its incorporation into the daily operations of SMEs is still limited by factors such as informal controls, confusion between personal and business finances, low accounting culture, and time and managerial qualification constraints. In this context, simplified models of cash flow, budgeting, and indicator analysis – when adapted to the reality of SMEs – prove viable for supporting liquidity control, expense prioritization, investment evaluation, and prevention of cash flow crises. It is concluded that simplified approaches do not replace complete accounting systems, but can serve as a "gateway" to more structured financial management practices.

Keywords: financial planning; financial management; small and medium-sized enterprises; cash flow; financial indicators.



1. Introduction

Small and medium-sized enterprises are one of the pillars of the Brazilian economy, both Studies are based on the number of establishments as well as the capacity to generate jobs and income. SEBRAE data (2023) show that micro and small businesses represent more than 90% of Formal companies are responsible for more than half of the jobs in the country.

Despite this economic weight, the literature records high rates of premature mortality: A large number of businesses close down in their first few years, ceasing to contribute to... Gross Domestic Product (GDP) and the employment base (CARDOSO et al, 2022). Reviews Systematic studies on SME mortality identify lack of planning as a recurring cause. prior to this, the absence of formal management and the low professional skills of the entrepreneurs (CARDOSO et al., 2022; RODRIGUES; MONSORES, 2022; OLIVEIRA et al., 2024).

In this scenario, financial planning emerges simultaneously as one of the main... bottlenecks and one of the main opportunities for improvement. Thus, in the context of SMEs, the Financial planning is understood as the process of projecting and monitoring cash inflows and outflows. outflows, economic results and financing needs, in order to sustain liquidity, the profitability and business continuity (PAPANDREA; MACHADO; SILVA, 2020; COSTA; (CRUZ; ALVES, 2023). However, the literature shows that, in practice, financial management is often reduced to a one-off check of the cash balance and immediate customer service short-term commitments, with little strategic use of financial statements and indicators. (MONTEIRO; BARBOSA, 2017; NEVES FILHO, 2022).

Given this scenario, the question that guides this article emerges: how does planning Financial management practices in small and medium-sized enterprises, and how simplified approaches can be implemented. Can they contribute to overcoming recurring challenges?

The overall objective is to analyze the practices and challenges of financial planning in SMEs. Critically discussing the role and potential of simplified approaches. Specifically,
The intention is:

- a) to systematize theoretical and empirical contributions on financial management and planning in SMEs;
- b) identify recurring patterns of practices and difficulties in adopting instruments of planning;
- c) to map out proposed simplified approaches, discussing their limitations and potential;

The article is structured in five sections, in addition to this introduction: theoretical framework, methodological procedures, results and discussion (with emphasis on practices, challenges and approaches) simplified) and final considerations.



2. Theoretical Framework

2.1. Specific characteristics of small and medium-sized enterprises

SMEs differ from large organizations not only in size, but also in...

lean organizational structure, strong centralization of decision-making in the owner, and less separation between personal and business finances (LEONE, 2019; ADAMONIENE; ANDRIUSCENKA, 2007). This context contributes to informal relationships, poorly systematized processes, and reduced use of management tools.

In the financial field, studies show that many micro and small business owners do not...

They have a strong grasp of basic concepts in financial statements and working capital, which results in... difficulty in interpreting balance sheets, income statements, and cash flow statements, and consequently, in planning. adequately meet resource needs (FERREIRA et al., 2015; FONSECA et al., 2022). In

In a large proportion of SMEs, a strong dependence on the immediate perception of cash flow is still observed. primary reference for decision-making, to the detriment of integrated financial statement analysis.

accounting and liquidity and profitability indicators (MONTEIRO; BARBOSA, 2017; NEVES FILHO, 2022; COSTA; CRUZ; ALVES, 2023).

2.2. Financial planning and survival of SMEs

The literature converges in pointing to financial planning and control as key factors.

critical survival factors for small businesses (CUNHA; SOARES, 2017; FERRONATO, 2015; (SANTOS; LIMA, 2018). Descriptive research in different sectors identifies that companies that

They prepare budgets, cash flow projections, and monitor performance indicators.

They have a greater capacity to anticipate liquidity problems and negotiate payment terms with suppliers.

and plan investments (BARADEL; MARTINS; OLIVEIRA, 2010; AZEVEDO; LEONE, 2011;

RODRIGUES; MELO; LEONE, 2015).

Pereira et al. (2020), when analyzing determinants of liquidity risk in SMEs,

They show that the lack of cash flow projections and explicit policies regarding payment/receipt terms...

This increases exposure to working capital shortages and dependence on short-term credit.

Similarly, Ferreira et al. (2015) argue that structured capital management

Working capital – including inventory planning, deadlines and sources of financing – constitutes a condition for the financial sustainability of small businesses.

In this sense, financial planning is often described as a "vital organ".

of the company, as it integrates information from various financial statements and supports short, medium and long-term decisions.

long term (BAZZI, 2016; COSTA; CRUZ; ALVES, 2023).



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2.3. Classic instruments: budget, cash flow and working capital

Among the most frequently mentioned instruments in the literature and in practice are:

- **Budget:** a structured projection of revenues, costs, and expenses for a given period.
period, serving as a guide and as a parameter for performance control;
- **Cash flow:** recording and projecting cash inflows and outflows, essential for ensuring
Daily liquidity and avoiding payment disruptions;
- **Working capital planning:** managing average collection, payment, and turnover periods.
of inventories, in order to minimize the need for short-term financing.

Authors such as Oliveira (2010) point out that, when used appropriately, these instruments contribute to:

- anticipate cash flow deficits and renegotiate deadlines;
- to support investment decisions;
- Define customer credit policies;
- To support the negotiation of credit lines with financial institutions.

2.4. Financial statements, indicators and cash flow

Financial statements, especially the Balance Sheet and Income Statement.

The Income Statement (DRE) and the Cash Flow Statement (DFC) bring together information essentials regarding asset structure, economic performance and cash generation (GITMAN, 2018; ANDRICH et al., 2014). Costa, Cruz and Alves (2023) highlight that the demonstrations “by themselves They gather a series of data relevant to overall management,” but emphasize that the use of Financial indicators are fundamental for transforming this data into decision-making scenarios.

Liquidity indicators allow you to assess a company's ability to meet its obligations. short and long term – such as current, quick, immediate and general liquidity – while indicators of Profitability and return on investment measure the return on investments and net worth (COSTA; (CRUZ; ALVES, 2023; BARROS; DREON, 2021).

Gitman (2018) and Vieira and Batistoti (2015) point out that cash flow allows the The administrator evaluates the consistency between accounting profitability and actual cash generation, identifying Deviations in financial policies and projecting future surpluses or resource needs. Marques (2008) reinforces that the cash flow projection should be reviewed frequently – including in weekly bases – to reduce uncertainty and bring estimates closer to the operational reality of SME.

3. Methodological procedures

This is a narrative literature review, with a qualitative focus and character. exploratory (PAPANDREA; MACHADO; SILVA, 2020). Scientific articles were analyzed,



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dissertations and final course papers that address financial management and planning in micro, small and medium-sized enterprises, with a primary focus on recent Brazilian production.

The selection considered, among other things, systematic review studies on planning. financial (PAPANDREA; MACHADO; SILVA, 2020), empirical research on practices of financial management in SMEs (AZEVEDO; LEONE, 2011; OLIVEIRA et al., 2019; PIRES, 2024), Work focused on specific tools such as cash flow, budgeting, and the 5W2H financial analysis. (MARQUES, 2008; BERTOLDO, 2019; LOBATO; SANTOS, 2023; COSTA; CRUZ; ALVES, 2023), in addition to a thematic review on financial management in micro and small businesses. (TAVARES; SILVA; SILVA, 2023).

The goal was not to exhaust the topic, but to synthesize recurring patterns in relation to practices. and challenges of financial planning in SMEs and identify proposals for simplified approaches that can be adopted by companies with weak accounting and financial structures.

4. Results of the review and discussion

4.1. Management practices and financial planning in SMEs

The literature reviewed confirms a recurring diagnosis: a significant portion of SMEs do not has formalized financial planning, but operates with fragmented controls or exclusively based on bank statements and cash balance (AZEVEDO; LEONE, 2011; FONSECA et al., 2022; OLIVEIRA et al., 2019).

In many cases, financial management is exercised directly by the owner, who It combines technical and administrative functions, with low use of accounting statements and Indicators as support for decisions (MONTEIRO; BARBOSA, 2017; NEVES FILHO, 2022). Catarino, Santos and Silva (2020) further show that the confusion between personal and business finances This is a significant obstacle because it compromises the true view of business performance and widens the... Vulnerability to cash flow crises.

Despite this, there is evidence that when simple tools are implemented, such as Cash flow spreadsheets, monthly budgets and inventory control, the quality of decisions improvement, with reduced payment delays and greater predictability of capacity to investment (BARADEL; MARTINS; OLIVEIRA, 2010; BERTOLDO, 2019; FERREIRA et al., 2015).

4.2. Main challenges of financial planning in SMEs

Studies converge in pointing to a set of structural challenges for the adoption of Financial planning in small and medium-sized enterprises:

- 1. Low financial and accounting literacy among managers:** Business owners often lack a grasp of concepts such as working capital, the financial cycle, contribution margin, and opportunity cost.



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which makes it difficult to interpret reports and projections (LEONE, 2019; FONSECA et al., 2022; ANDREOLLA, 2015).

2. **Time and resource constraints:** The overload of functions and the lean staffing situation lead managers to prioritize operational tasks, relegating planning to the background, even while recognizing its importance (FERNANDES FILHO; SOARES; VASCONCELOS, 2015; SCHUSTER; FRIEDRICH, 2017).
3. **Informality in controls:** Many businesses use notebooks, sporadic spreadsheets, or only bank records, without integration between sales, purchases, inventory, accounts payable/receivable, and financial statements (FERRONATO, 2015; PIRES, 2024).
4. **Difficulty accessing specialized systems:** ERP solutions and management software can be expensive or complex, incompatible with the reality of many SMEs, reinforcing their dependence on basic tools (ANDREOLLA, 2015; NEVES FILHO, 2022).
5. **Liquidity and debt risk:** The absence of cash flow projections and clear credit and collection policies increases the likelihood of insufficient resources, the need for costly loans, and default (PEREIRA et al., 2020; SANTOS; FERREIRA, 2018).

These challenges reinforce the need for gradual approaches that reconcile the complexity of financial models versus their actual implementation capacity in SMEs.

4.3. Contributions of simplified approaches

A significant line of literature proposes simplified models for financial planning, particularly suitable for micro and small businesses with weak administrative structures.

Marques (2008) develops an operational cash flow model adapted to SMEs, Using spreadsheets and focusing on essential categories of inputs and outputs, what It allows the business owner to track cash flow and simulate short-term scenarios. Berti (2008) (000653075) shows, in a case study, that the preparation of monthly cash budgets Based on the projected cash flow for the semester, it is possible to identify surpluses and needs. financing, supporting decisions on applications and fundraising.

Cruz and Andrich (2013), cited by Costa, Cruz and Alves (2023), propose a basic model. A cash flow statement geared towards micro-enterprises, structured in a spreadsheet with columns for income and expenses. and projected balance, emphasizing that even simple projections, when monitored continuously, They improve the understanding of the organization's monetary situation (COSTA; CRUZ; ALVES, 2023).

More recently, Lobato and Santos (2023) suggest using the 5W2H matrix as A quality tool applied to the financial sector of SMEs, enabling transformation. Financial planning in an objective action plan – defining “what will be done, by whom, when, where, why, how, and how much it will cost” – and facilitating the implementation of financial routines. even in environments with low levels of formalization of processes.

These approaches have something in common:

- Focus on operational simplicity;
- Use of widely accessible tools (such as Excel or free spreadsheets);
- Adapting classic finance concepts to language and formats closer to the reality of



Studies indicate that when such models are incorporated into daily life, there is improvement. noticeable in the financial organization, greater cash flow predictability, reduction of unforeseen events and support. to decision-making regarding investments, expansion, and debt renegotiation (BERTOLDO, 2019; COSTA; CRUZ; ALVES, 2023; TAVARES; SILVA; SILVA, 2023).

5. Synthetic proposal for a simplified financial planning structure

Based on the reviewed literature, a minimum planning structure can be synthesized. A financial solution tailored to the reality of small and medium-sized enterprises, comprised of four pillars. main points:

1. Organization of basic information

- Clear separation between personal and business accounts (CATARINO; SANTOS; SILVA, 2020; SEBRAE, 2021);
- Systematic recording of sales, purchases, fixed and variable expenses;
- Simple classification by cost centers or product lines, when applicable (BARADEL; MARTINS; OLIVEIRA, 2010).

2. Projected monthly/weekly cash flow

- Construction of a cash flow spreadsheet with initial balances, projected inflows (cash sales, receipts from sales on credit, other receipts) and projected expenses (purchases, payroll, taxes, general expenses, debt service) (MARQUES, 2008; CRUZ; ANDRICH, 2013; BERTOLDO, 2019);
- Periodic review, at least weekly, to compare projections with actual values and update. premises (VIEIRA; BATISTOTI, 2015; MARQUES, 2008).

3. Essential financial indicators

- Calculation of current and quick liquidity from simple balance sheets or asset/liability spreadsheets. short term;
- Estimate of contribution margin and a basic profitability indicator (e.g.,



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operating profit divided by revenue) (COSTA; CRUZ; ALVES, 2023; FERREIRA et al., 2015);

- Using these indicators to define debt limits and performance targets.

4. Financial action plan using the 5W2H method.

- Translation of identified financial problems (delays, low margins, excess inventory, concentrations of earnings) into concrete actions using a 5W2H matrix (LOBATO; SANTOS, 2023);
- Defining responsibilities, deadlines, necessary resources, and monitoring indicators for each action.

This structure does not require complex software or advanced financial knowledge. corporate, but relies on disciplined record-keeping, periodic review, and use of information for deciding, elements emphasized in different studies as a condition for the maturation of financial management in SMEs (FERRONATO, 2015; PAPANDREA; MACHADO; SILVA, 2020; TAVARES; SILVA; SILVA, 2023).

6. Final considerations

The article discussed financial planning in small and medium-sized enterprises, highlighting Practices observed in the literature, main challenges and contributions of simplified approaches. It was found that, although the importance of financial management is widely recognized, its Effective integration into the daily operations of SMEs still faces barriers related to low levels of education. financial, informal controls, resource constraints, and strong centralization of decisions. in the owner (LEONE, 2019; FERRONATO, 2015; FREITAS et al., 2022).

However, the literature suggests that simplified approaches to financial planning – such as cash flow spreadsheets, cash budgets, basic liquidity and profitability indicators Financial 5W2H matrices can generate significant gains in control, predictability, and... Rationality in decision-making, especially when adapted to language and operational capacity. of small business owners (MARQUES, 2008; BERTOLDO, 2019; LOBATO; SANTOS, 2023; COSTA; CRUZ; ALVES, 2023).

As a practical implication, the results suggest that public policies to support SMEs, Consulting programs and training initiatives should prioritize the dissemination of simple models. However, systematic financial planning serves as a gateway to practices.



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more sophisticated corporate accounting and finance. For future research, it is recommended to conducting empirical studies that longitudinally evaluate the effects of adopting these Simplified approaches to indicators of survival, growth, and access to credit in small and medium-sized enterprises.

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