

# Financial Management Problems in Small and Micro Enterprises — A Case Study of KT Enterprise

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**Abstract:** Since the reform and opening up, small and micro enterprises have become a vital component of the market economy. Their participation has injected fresh vitality into economic development, invigorating the overall economy and playing a pivotal role in job creation and driving technological innovation. While seizing opportunities, it is crucial for these enterprises to prioritize the development of their financial management and formulate effective strategies to address existing problems, thereby steering the company towards healthier development. This paper takes KT Enterprise, a small micro enterprise, as a case study to analyze the problems and causes in its financial management. Relevant solutions are proposed, aiming to provide references for enhancing and optimizing the financial management standards and quality of small and micro enterprises.

**Keywords:** small and micro enterprises; financial analysis; internal control

## 1. Introduction

With the development of the national economy, small and micro enterprises have not only contributed significantly to creating employment and maintaining social stability, but have also played a role in promoting the prosperity of the economic market. The quality of financial performance relies not only on the strong professional expertise of highly competent financial personnel, but also on an effective and sound financial supervision system. Financial management is an indispensable economic management activity in business operations.

This paper first introduces the concept of enterprise financial management, then provides a detailed analysis of the current state and environment of financial management in Chinese enterprises, as well as the existing problems. Using KT Enterprise as an example, it primarily analyzes the issues in the company's financial management and examines the resolution process, aiming to explore and seek solutions for the financial management problems faced by enterprises in contemporary Chinese society, thereby helping Chinese enterprises develop better and more steadily. From the perspective of financial management in small and micro enterprises, and based on this, research methods such as comparative study, literature review, and case analysis are adopted. The shortcomings in enterprise financial management are pointed out. The problems in financial management, the difficulties and risks faced in operations are identified, the causes of these issues are analyzed and discussed, and corresponding recommendations are proposed.

## 2. Overview of Financial Management Theories

Financial management holds a core position in the course of enterprise activities, requiring financial managers to handle comprehensive financial management tasks involving various relationships. With the continuous development of the national economy, small and micro enterprises have gradually become a crucial component within the national economy.[1] Financial management objectively exists due to financial activities. As an integrated management function, it enables us to objectively reflect the current operational status of an enterprise and predict its future development trends through organizing financial activities and handling financial relationships.[2]

Strengthening financial management contributes to achieving the enterprise's overall strategy. Formulating sound financial plans, developing operational strategies based on the company's own foundation, aligning financial management with the company's strategic objectives, and further improving the financial management system and framework.[3]

## 3. Current Situation and Existing Problems in the Financial Management of Small and Micro Enterprises

KT Enterprise was established on September 11, 2024. Its main business scope includes the research, development, installation, and later maintenance of energy-saving equipment such as air compressors. The legal representative is a recent university graduate. The challenges faced by such small and micro enterprises are even more pronounced: young managers

with limited social experience, minimal competitiveness in the market, a stronger focus on business performance and operational activities while neglecting financial data, and the subsequent role financial data plays in budgeting and decision-making. Financial management is closely linked to the economic vitality of an enterprise—it summarizes the operational results of the previous year and plans the development direction for the next. Here, we select KT Enterprise as a specific case to study the financial management issues in small and micro enterprises.[4]

**Table 1. Cash Flow from Investing Activities of KT Enterprise**

Cash paid for the construction of fixed assets, intangible assets, and other long-term assets	709614.9
Subtotal of Cash Outflows	709614.9
Net Cash Flow from Investing Activities	-709615

Data source: online data survey

From Table 1, it can be concluded that the amount of cash flow obtained by KT Enterprise through investments is zero. During this period, the company did not engage in any external investments and therefore did not generate any investment income. There are significant issues in the company's approach to investment, as it fails to utilize funds reasonably. The enterprise's capital management requires further improvement to avoid related risks.[5]

KT Enterprise is still in an early growth stage. Its primary financing methods consist of self-owned funds and bank loans, which remain relatively basic. Currently, the company has not yet utilized other means of financing.

**Table 2. Cash Flow from Financing Activities of KT Enterprise**

Cash received from borrowings	8,000,00.00
Subtotal of cash inflows	8,000,00.00
Net cash flow from financing activities	8,000,00.00

Data source: online data survey

From Table 2, we can see that KT Enterprise's current cash flow primarily comes from borrowing, with bank loans constituting the vast majority of this financing. The reasons for this are as follows: mainly because KT Enterprise is relatively small in scale. Most banks tend to favor large enterprises or state-owned enterprises when issuing loans.[6]

Managers of start-up enterprises tend to focus more on business development goals and blindly pursue profit maximization. They lack financial management awareness, have weak risk prevention capabilities, and often overlook potential financial risks in fund transactions and other receivables.[7] Due to low financial informatization levels and insufficient professional skills of financial staff, existing preventive measures fail to achieve substantial results.

Most small and micro enterprises focus on short-term goals rather than long-term strategic objectives. Due to inherent capital shortages in small business operations, managers tend to prioritize business development and performance, often neglecting the management of financial operations.[8]

The lack of a sound financial management system in the development of small and micro enterprises is a major cause of irregular business processes. As KT Enterprise's manager is a recent university graduate with limited understanding and research on finance, coupled with a simplistic internal economic management structure and insufficient system development, financial personnel are deprived of their due status and role.

The long-term stable operation of an enterprise requires the circulation of capital flow. Therefore, persistent capital shortages constrain the development of small and micro enterprises. However, due to their small scale, lack of advanced technology and talent, absence of core competitive products, unstable profitability, and weak risk resistance, most small and micro enterprises face significant challenges in sustaining growth.[9]

## 4. Analysis of Countermeasures for Financial Management Problems in Small and Micro Enterprises

The management of KT Enterprise needs to promptly update their financial management concepts, establish clear and reasonable financial objectives, and elevate financial management to the level of strategic management. Management should proactively study financial management theories, continuously update their knowledge base, and foster financial management awareness, core consciousness, and long-term perspective among company staff.[10]

KT Enterprise should select an information system suitable for its own operations, allowing financial personnel sufficient time for financial analysis. During the development of KT Enterprise, it is necessary to improve the supervision and control system of financial accounting management and strengthen internal control. The lifeblood of an enterprise lies in

the circulation of funds. Only when the cash flow is normal can the enterprise achieve sustainable development. However, if funds rely solely on existing assets, the economic pressure on the management will be particularly high. Therefore, appropriate healthy debt should be adopted to accelerate the turnover of current assets and strive to improve the efficiency of their use.

## 5. Conclusion

In summary, small and micro enterprises have already established their own significant role in the development of the market economy. The scale of these enterprises has been continuously expanding. Their growth has made substantial contributions to China's economic development. Through extensive literature review and analysis, this study finds that enterprises need to continuously strengthen and improve their financial and accounting management systems and frameworks. By promoting self-improvement and steady development, they can accelerate their growth pace. This lays a solid foundation for achieving a comprehensive enhancement of the financial and accounting management standards in small and micro enterprises.

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