International Journal of Social Science Research (IJSSR)
Volume- 2, Issue- 4 | July - August 2025 ISSN: 3048-9490

# Financial Foresight for SMEs: Data Driven Financial Projections for SME Growth Planning

**Dr. Varsha Maheshwari[1], Ms. Kashish Nainwani[2]**
[1]Assistant Professor, Department of Management, Sophia Girls' College (Autonomous), Ajmer
[2]Certified Management Accountant

**Abstract**

Financial projections are estimates or forecasts of a business's financial performance for a future period. An analysis of financial performance with the aim of understanding how financial projections shape the decision-making and long-term sustainability of the Small and Medium Enterprises (SMEs) are vital to ensure for financial planning as its helps in SMEs grow, mitigate risks, and allocate resources effectively. These projections include key financial metrics such as sales revenue, cost of goods sold, expenses, net income, cash flows, and capital structure. For SMEs, accurate financial projections are not just a tool for budgeting but are also pivotal in securing investments, planning for growth, managing risks, and evaluating performance. The study emphasizes the importance of creating realistic and data-driven financial forecasts that can guide businesses in navigating uncertainty and preparing for future challenges. The financial data reveals how SMEs that adopted more accurate and comprehensive projections experienced smoother operations, better risk management, and higher profitability, while those with less accurate projections faced difficulties in planning for unforeseen market fluctuations, supply chain disruptions, or changes in consumer demand. The study utilizes a variety of analytical tools, including line charts, trend analysis, Compound Annual Growth Rate (CAGR), and regression analysis, to examine revenue growth, expense patterns, profitability, and financial health. By predicting future revenues and expenses, SMEs are able to optimize their budgets, allocate resources efficiently, and plan for strategic investments, thus fostering sustainable growth. Additionally, financial projections help businesses assess the feasibility of new ventures or expansions, making them indispensable for long-term planning. As a result, many SMEs struggle to make precise projections and may have to revise their forecasts frequently. The analysis identifies that while financial projections provide a valuable framework, they must be updated regularly to remain relevant and reflective of current conditions.

**Keywords:** Financial Planning; Small & Medium Enterprises; Financial Projection, Resource Allocation, Regression Analysis

## INTRODUCTION

The role of financial projections in business planning is a cornerstone of successful business management, particularly for Small and Medium Enterprises (SMEs). In today's dynamic and competitive business environment, SMEs often face numerous challenges, including limited resources, fluctuating market conditions, and the need for sustainable growth. To navigate these challenges and ensure long-term viability, SMEs must rely on strategic planning and decision-making processes that are rooted in accurate financial projections.

Financial projections are estimates of a company's future financial performance, based on historical data, market trends, and assumptions about future events. They typically include forecasts for key financial metrics such as sales revenue, costs, profits, capital expenditure, cash flow, and return on investment. These projections serve as a financial blueprint, guiding business owners and managers in their day-to-day decisions, strategic planning, and risk management. In SMEs, where resources are often constrained, financial projections become an essential tool for setting realistic goals, attracting investment, managing cash flow, and aligning operational activities with long-term objectives.

The theoretical framework for financial projections in business planning can be understood through several key concepts:

**Forecasting and Budgeting:** Financial projections are rooted in the concept of forecasting, which involves predicting future financial outcomes based on historical data and market trends. Forecasting provides a framework for setting achievable financial goals and identifying potential risks. Budgeting, on the other hand, is the process of allocating financial resources to achieve these goals. Effective financial projections help businesses establish a detailed budget that aligns with both short-term and long-term objectives.

**Risk Management:** One of the key purposes of financial projections is to identify and mitigate risks. In the absence of precise data, projections provide a systematic way to anticipate potential challenges, such as changes in market demand, shifts in supply chain dynamics, or fluctuating costs. By understanding the financial implications of various scenarios, SMEs can make informed decisions that reduce exposure to financial risks.

**Capital Planning:** For SMEs, managing capital effectively is essential for growth and sustainability. Financial projections help businesses determine how much capital is required for expansion, investment in assets, or the hiring of additional staff. By forecasting future revenues and costs, SMEs can assess the feasibility of raising funds, whether through debt, equity, or internal cash flow. This allows SMEs to plan their financial strategy to achieve a balanced capital structure, which is vital for attracting investors and securing loans.

**Strategic Planning and Decision Making:** Financial projections are integral to the decision-making process in any business. They provide critical data that business owners can use to evaluate different strategic alternatives, such as entering new markets, launching new products, or expanding operations. By aligning financial projections with business strategy, SMEs can make informed decisions that contribute to their long-term success.

**Financial Ratios and Performance Metrics:** To gauge the effectiveness of financial projections, SMEs often use financial ratios such as the return on assets (ROA), return on equity (ROE), and debt-to-equity ratio. These ratios are derived from the projected financial statements and provide insights into the company's financial health. They serve as benchmarks for evaluating business performance and identifying areas that require attention.

Financial projections play a crucial role in the business planning process, especially for SMEs. They provide the necessary framework for decision-making, budgeting, risk management, and long-term growth strategies. By developing accurate and reliable financial projections, SMEs can enhance their chances of success and ensure they are well-prepared for the future. This theoretical framework serves as the foundation for understanding the importance of financial projections in business planning and their role in the overall success of SMEs.

## LITERATURE REVIEW

Moore & Thompson (2022) explored the obstacles SMEs face when making financial projections, particularly the challenges related to limited financial data and forecasting accuracy. However, it also highlighted the crucial role of financial projections in managing risks, improving decision-making, and developing long-term strategies. Trencheva (2021) focused on the processes involved in creating financial statements and conducting financial risk analysis. The paper underscored how SMEs use financial reports and key financial ratios to monitor performance, assess potential risks, and make more informed business decisions. Wright & Lee (2021) discussed how financial projections play a pivotal role in helping SMEs secure external funding. The research highlighted how accurate financial forecasting builds trust with investors, lenders, and stakeholders by demonstrating the company's potential for growth and profitability. Silva et al. (2019) explored how financial projections help SMEs mitigate the impact of economic downturns and external shocks. The study analysed that effective forecasting can allow businesses to plan for market fluctuations, improve cash flow management, and stay resilient during economic challenges. Krivka et al. (2019) analyzed how financial projections serve as a critical tool for SME growth by making them more attractive to investors. The paper highlighted the connection between strong financial forecasting and increased investor confidence, which is crucial for raising capital and ensuring long-term viability. Oosterhuis & Tuck (2018) examined how SMEs use financial projections as a tool to assess their performance and identify potential risks. It emphasizes the importance of these projections in enabling SMEs to craft strategic plans that are adaptable and focused on sustainable growth. Gandhi (2017) highlighted the necessity of financial planning for SMEs, particularly in managing cash flow and ensuring that businesses meet their long-term objectives. The research stressed that regular financial projections can help SMEs stay on track with their financial goals and adapt to changing conditions. Barney & Hesterly (2015) emphasized the strategic advantage financial planning provides to SMEs. By creating accurate financial projections, businesses are able to foresee potential challenges and implement strategies that allow them to manage risk and take advantage of opportunities in the market. Wulifan (2015) investigated the relevance of business planning documents for SMEs, specifically in the context of the Tamale Metropolis in Northern Ghana. The study showed that well-prepared financial projections and business plans are essential for financial management, securing funding, and promoting long-term sustainability in SMEs.

## RATIONALE OF THE STUDY

This study is essential to emphasize the importance of financial projections for Small and Medium Enterprises (SMEs), which often operate with limited resources and face heightened economic risks. Many SMEs lack formal financial forecasting due to constraints in tools or expertise, making structured planning a crucial area of improvement. Financial projections help these businesses manage risks, navigate uncertainties, and make informed, timely decisions. They also support sustainable growth by enabling SMEs to set achievable goals and adapt strategically. By showcasing the practical benefits of financial planning, this study aims to equip SMEs with the tools needed for stability, resilience, and long-term competitiveness.

## OBJECTIVES OF THE STUDY

The objective of this study is to explore the strategic importance of financial projections in the business planning of SMEs. By analyzing past financial data from five firms and forecasting future outcomes, the study aims to evaluate how projections support informed decision-making, effective resource allocation, and operational efficiency. It also examines their role in risk management by helping SMEs anticipate financial challenges and build resilience. Additionally, the study investigates how projections identify growth opportunities and contribute to sustainable development by enabling long-term strategic planning. Overall, the study highlights financial forecasting as a vital tool for empowering SMEs to navigate risks, pursue growth, and ensure sustainability.

## METHODS

This study employs a combination of quantitative and analytical techniques to examine the role of financial projections in business planning for Small and Medium Enterprises (SMEs). The methodology involves both descriptive and inferential analysis using various tools such as **line charts**, **trend lines**, **CAGR (Compound Annual Growth Rate)**, and **regression analysis** to assess and project financial data for the selected firms. The data for this analysis were collected from the financial statements of five firms over a period of four years (2021-2024), with projections for the years 2025 and 2026. The primary data used in this report include **Income Statements** (showing revenue, expenses, and net income) & **Balance Sheets** (showing assets, liabilities, and equity). Line charts were employed to visually represent the trends in key financial variables such as revenue, expenses, and net income over the years. These charts provide an intuitive representation of changes over time and highlight the overall trajectory of financial performance for each firm. For a more refined analysis, trend lines were added to the line charts to identify underlying patterns and to visualize the overall direction of the data. The trend lines help in understanding whether a variable's growth is linear or exponential and assist in identifying fluctuations in financial performance. Compound Annual Growth Rate (CAGR) was used to calculate the growth rate of key financial metrics (such as revenue and net income) over the period from 2021 to 2024. CAGR provides a smoothed annual growth rate that eliminates the effect of volatility within the time frame, offering a more reliable measure of long-term growth. Linear regression analysis was applied to assess the relationship between independent variables (such as total revenue) and dependent variables (such as net income). This regression model helps in understanding how changes in revenue impact profitability. The results of the analysis were interpreted to understand the financial performance, growth trends, and profitability of the firms. The line charts and trend lines provided a clear picture of the overall financial trajectory. The CAGR provided insights into the growth rates over the period, and the regression analysis helped quantify the impact of revenue changes on profitability. The projections for 2025 and 2026 were derived using the CAGR calculated for each firm from 2021 to 2024. These projections serve as estimates based on historical performance and help in forecasting future trends.

## RESULTS

### Case Study 1 – Firm A

### Income Statement

| Particulars | 2021 | 2022 | 2023 | 2024 | 2025* | 2026* |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Sales revenue | 5,036,000 | 5,539,60 0 | 6,093,560 | 6,702,91 6 | 7,373,20 8 | 8,110,528 |
| Interest revenue | 40,000 | 40,000 | 40,000 | - | - | - |
| **Total Revenues** | **5,076,000** | **5,579,60 0** | **6,133,560** | **6,702,91 6** | **7,373,20 8** | **8,110,528** |
| **Expenses** | | | | | | |
| Cost of goods sold | 3,021,600 | 3,323,76 0 | 3,656,136 | 4,021,75 0 | 4,423,92 5 | 4,866,317 |
| Depreciation | 200,000 | 180,000 | 162,000 | 195,800 | 176,220 | 158,600 |
| Electricity | 56,630 | 62,293 | 68,522 | 75,375 | 82,912 | 91,203 |
| Interest expense | 96,000 | 96,000 | 160,000 | 160,000 | 160,000 | 160,000 |
| Maintenance and repairs | 56,900 | 79,660 | 111,524 | 156,134 | 218,587 | 306,022 |
| Office supplies | 21,640 | 30,296 | 42,414 | 59,380 | 83,132 | 116,385 |
| Rent | 240,000 | 240,000 | 280,000 | 280,000 | 280,000 | 280,000 |
| Salaries and wages | 600,000 | 620,000 | 660,000 | 660,000 | 660,000 | 660,000 |
| Other | 80,000 | 108,000 | 145,800 | 196,830 | 265,721 | 358,723 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Total Expenses** | **4,372,770** | **4,740,009** | **5,286,397** | **5,805,268** | **6,350,496** | **6,997,250** |
| Net Income Before Taxes | 703,230 | 839,591 | 847,163 | 897,648 | 1,022,711 | 1,113,279 |
| Income tax expense | 70,323 | 83,959 | 84,716 | 89,765 | 102,271 | 111,328 |
| **Net Income** | **632,907** | **755,632** | **762,447** | **807,883** | **920,440** | **1,001,951** |

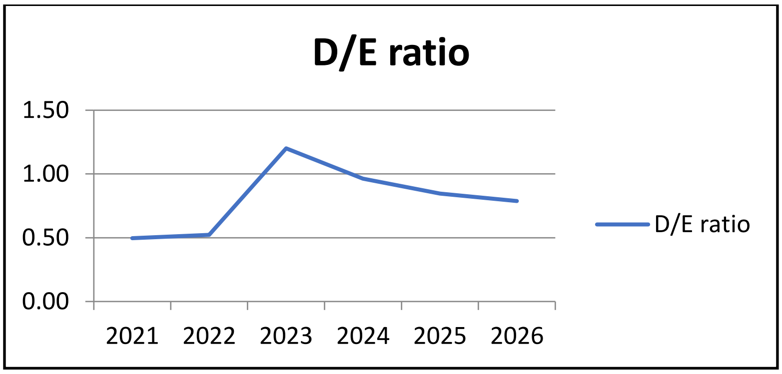
***Projected amount**

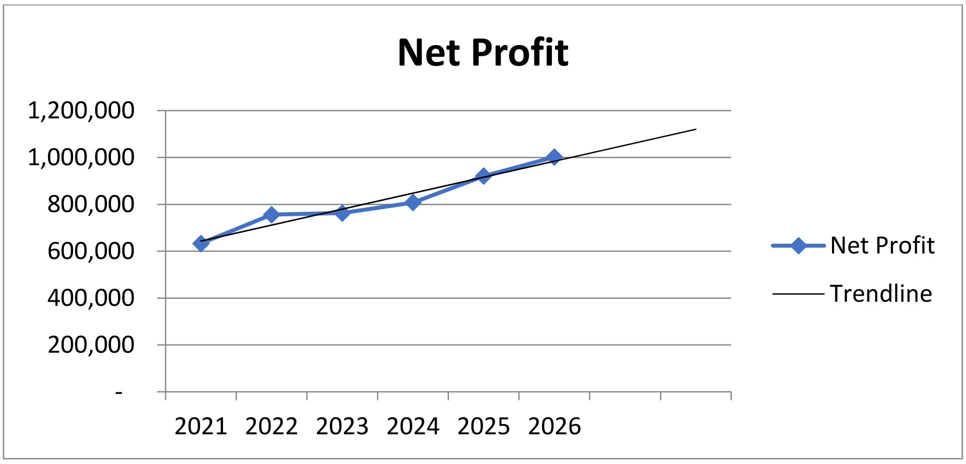
**Balance Sheet**

| **Particulars** | **2021** | **2022** | **2023** | **2024** | **2025*** | **2026*** |
|---|---|---|---|---|---|---|
| **I. EQUITY AND LIABILITIES** | | | | | | |
| 1. Non-Current Liabilities | | | | | | |
| Capital | 1,933,080 | 1,836,368 | 1,332,265 | 1,659,398 | 1,889,263 | 2,033,338 |
| Long-term Debt | 800,000 | 800,000 | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 |
| 2. Current Liabilities | | | | | | |
| Short-term Loans | 160,000 | 160,000 | 400,000 | 400,000 | 400,000 | 400,000 |
| Accounts Payable | 725,000 | 812,000 | 909,440 | 1,018,573 | 1,140,802 | 1,277,698 |
| **TOTAL EQUITY AND LIABILITIES** | **3,618,080** | **3,608,368** | **3,841,705** | **4,277,970** | **4,630,065** | **4,911,036** |
| | | | | | | |
| **II. ASSETS** | | | | | | |
| 1. Non-Current Assets | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Fixed Assets | 2,000,000 | 1,800,000 | 1,620,000 | 1,958,000 | 1,762,200 | 1,585,980 |
| 2. Current Assets | | | | | | |
| Inventory | 587000 | 511,240 | 492,864 | 545,406 | 684,687 | 929,161 |
| Accounts Receivable | 906,480 | 997,128 | 1,096,841 | 1,206,525 | 1,327,177 | 1,459,895 |
| Cash and Equivalents | 124,600 | 300,000 | 632,000 | 568,040 | 856,000 | 936,000 |
| **TOTAL ASSETS** | **3,618,080** | **3,608,368** | **3,841,705** | **4,277,970** | **4,630,065** | **4,911,036** |
| | | | | | | |
| **D/E Ratio** | **0.50** | **0.52** | **1.20** | **0.96** | **0.85** | **0.79** |

***Projected amount**




**Analysis and Interpretation of Firm A's Financial Data (2021–2026)**

Firm A has shown remarkable financial growth, with total revenue increasing from ₹5,036,000 in 2021 to ₹6,702,916 in 2024, reflecting a CAGR of 9.74%. Despite rising operational costs, Firm A's efficient cost management is evident. The profitability analysis using regression indicates that net income increases proportionally with revenue. The firm's debt-to-equity ratio peaked in 2023 but is expected to decrease significantly by 2026, demonstrating reduced debt reliance and stronger financial stability. Asset growth, particularly in current assets, indicates robust business expansion and liquidity. Firm A maintains a strong liquidity position with positive working capital, ensuring the capability to support its operations. Projected revenues for 2025 and 2026 suggest continued growth, with expected figures of ₹8,110,528 and ₹8,899,332, respectively.

**Case Study 2 – Firm B**

**Income Statement**

| Particulars | 2021 | 2022 | 2023 | 2024 | 2025* | 2026* |
|---|---|---|---|---|---|---|
| Revenue | | | | | | |
| **Sales revenue** | 4,236,000 | 4,024,200 | 3,822,990 | 4,205,289 | 4,625,818 | 5,088,400 |
| **Other revenue** | - | - | - | - | - | - |
| Total Revenues | **4,236,000** | **4,024,200** | **3,822,990** | **4,205,289** | **4,625,818** | **5,088,400** |
| Expenses | | | | | | |
| **Cost of goods sold** | 2,541,600 | 2,414,520 | 2,293,794 | 2,523,173 | 2,775,491 | 3,053,040 |
| **Depreciation** | 150,000 | 135,000 | 121,500 | 109,350 | 98,415 | 88,574 |
| **Electricity** | 66,560 | 73,216 | 80,538 | 88,591 | 97,450 | 107,196 |
| **Interest expense** | 72,000 | 66,000 | 60,000 | 60,000 | 54,000 | 54,000 |
| **Maintenance and repairs** | 29,630 | 32,593 | 35,852 | 39,438 | 43,381 | 47,719 |
| **Rent** | 48,000 | 48,000 | 72,000 | 72,000 | 72,000 | 72,000 |
| **Salaries and wages** | 600,000 | 650,000 | 650,000 | 700,000 | 700,000 | 700,000 |
| **Other** | 35,230 | 43,602 | 51,974 | 60,346 | 68,718 | 77,090 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total Expenses | **3,543,020** | **3,462,931** | **3,365,658** | **3,652,898** | **3,909,456** | **4,199,618** |
| **Net Income Before Taxes** | 692,980 | 561,269 | 457,332 | 552,391 | 716,362 | 888,781 |
| **Income tax expense** | 69,298 | 56,127 | 45,733 | 55,239 | 71,636 | 88,878 |
| Net Income | **623,682** | **505,142** | **411,599** | **497,152** | **644,726** | **799,903** |

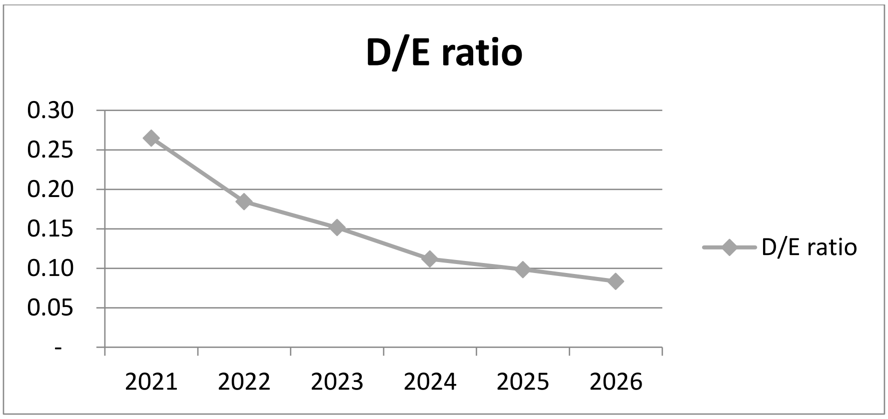
***Projected amount**

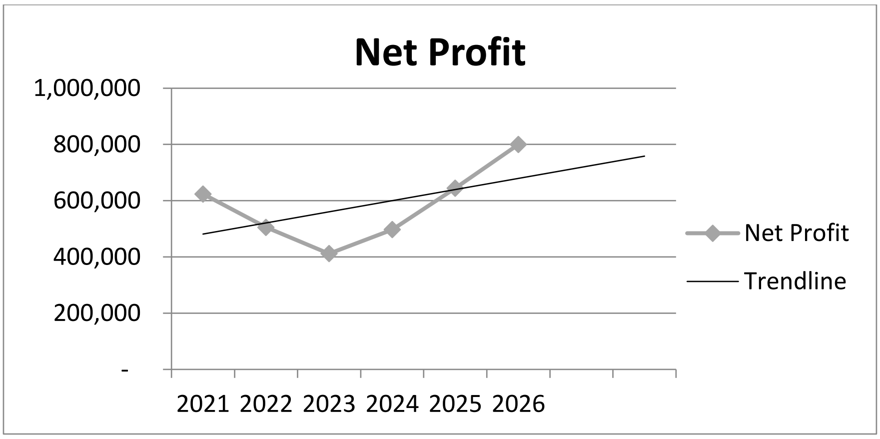
**Balance Sheet**

| Particulars | 2021 | 2022 | 2023 | 2024 | 2025* | 2026* |
|---|---|---|---|---|---|---|
| **I. EQUITY AND LIABILITIES** | | | | | | |
| **1. Non-Current Liabilities** | | | | | | |
| **Capital** | 2,263,900 | 2,981,592 | 3,297,863 | 4,023,810 | 4,567,862 | 5,389,461 |
| **Long-term Debt** | 450,000 | 450,000 | 450,000 | 450,000 | 450,000 | 450,000 |
| **2. Current Liabilities** | | | | | | |
| **Short-term Loans** | 150,000 | 100,000 | 50,000 | - | - | - |
| **Accounts Payable** | 762,500 | 724,356 | 688,138 | 756,952 | 832,647 | 915,912 |
| TOTAL EQUITY AND LIABILITIES | **3,626,400** | **4,255,948** | **4,486,002** | **5,230,762** | **5,850,509** | **6,755,373** |
| **II. ASSETS** | | | | | | |
| **1. Non-Current Assets** | | | | | | |
| **Fixed Assets** | 1,350,000 | 1,215,000 | 1,093,500 | 984,150 | 885,735 | 797,162 |
| **2. Current Assets** | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Inventory** | 872,080 | 1,354,984 | 1,813,743 | 2,318,377 | 2,873,476 | 3,484,084 |
| **Accounts Receivable** | 508,320 | 482,904 | 458,759 | 504,635 | 555,098 | 610,608 |
| **Cash and Equivalents** | 896,000 | 1,203,060 | 1,120,000 | 1,423,600 | 1,536,200 | 1,863,520 |
| TOTAL ASSETS | **3,626,400** | **4,255,948** | **4,486,002** | **5,230,762** | **5,850,509** | **6,755,373** |
| | | | | | | |
| D/E Ratio | **0.27** | **0.18** | **0.15** | **0.11** | **0.10** | **0.08** |

***Projected amount**




Firm B has experienced a slight contraction in revenue with a **CAGR of -0.29%** from 2021 to 2024, but signs of recovery are evident in the recent years. The company has successfully managed its expenses, keeping cost growth in check despite some increases in maintenance and electricity. The **D/E ratio** decline indicates a healthier equity position, while asset management shows that the company is effectively balancing growth and liquidity. Moving forward, Firm B is projected to experience gradual revenue growth, with continued improvement in financial stability and profitability. The company's ability to manage costs and leverage its assets positions it well for a stable future.

**Case Study 3 – Firm C**

**Income Statement**

| Particulars | 2021 | 2022 | 2023 | 2024 | 2025* | 2026* |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| **Sales revenue** | 2,645,360 | 2,909,896 | 3,200,886 | 3,520,974 | 3,873,072 | 4,260,379 |
| **Other revenue** | 80,000 | 60,000 | 56,000 | 56,000 | 56,000 | 56,000 |
| Total Revenues | **2,727,381** | **2,971,918** | **3,258,909** | **3,578,998** | **3,931,097** | **4,318,405** |
| **Expenses** | | | | | | |
| **Cost of goods sold** | 1,322,680 | 1,454,948 | 1,600,443 | 1,760,487 | 1,936,536 | 2,130,189 |
| **Depreciation** | 108,000 | 97,200 | 137,480 | 123,732 | 111,359 | 100,223 |
| **Electricity** | 62,030 | 68,233 | 75,056 | 82,562 | 90,818 | 99,900 |
| **Interest expense** | 48,000 | 60,000 | 60,000 | 56,400 | 56,400 | 56,400 |
| **Maintenance and repairs** | 56,360 | 61,996 | 68,196 | 75,015 | 82,517 | 90,768 |
| **Rent** | 260,000 | 260,000 | 260,000 | 260,000 | 260,000 | 260,000 |
| **Salaries and wages** | 120,000 | 150,000 | 160,000 | 160,000 | 160,000 | 160,000 |
| **Other** | 23,000 | 25,300 | 27,830 | 30,613 | 33,674 | 37,042 |
| Total Expenses | **2,000,070** | **2,177,677** | **2,389,005** | **2,548,809** | **2,731,304** | **2,934,522** |
| **Net Income Before Taxes** | 727,311 | 794,241 | 869,904 | 1,030,189 | 1,199,793 | 1,383,882 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Income tax expense** | 72,731 | 79,424 | 86,990 | 103,019 | 119,979 | 138,388 |
| Net Income | **654,580** | **714,817** | **782,914** | **927,170** | **1,079,814** | **1,245,494** |

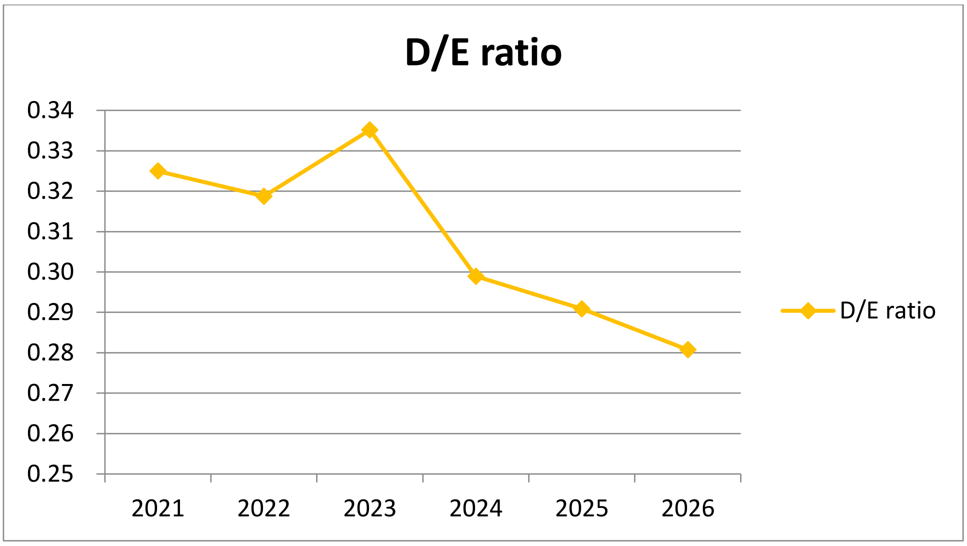
***Projected amount**

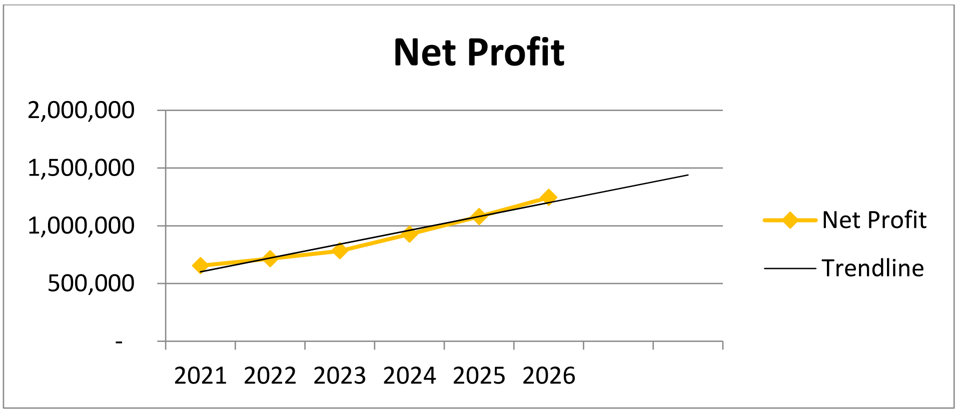
**Balance Sheet**

| Particulars | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|
| **I. EQUITY AND LIABILITIES** | | | | | | |
| **1. Non-Current Liabilities** | | | | | | |
| **Capital** | 1,230,874 | 1,568,716 | 1,491,882 | 1,572,358 | 1,615,895 | 1,674,105 |
| **Long-term Debt** | 400,000 | 440,000 | 440,000 | 440,000 | 440,000 | 440,000 |
| **2. Current Liabilities** | | | | | | |
| **Short-term Loans** | | 60,000 | 60,000 | 30,000 | 30,000 | 30,000 |
| **Accounts Payable** | 552,930 | 442,820 | 579,180 | 623,082 | 677,670 | 747,670 |
| TOTAL EQUITY AND LIABILITIES | **2,183,804** | **2,511,536** | **2,571,062** | **2,665,439** | **2,763,565** | **2,891,776** |
| **II. ASSETS** | | | | | | |
| **1. Non-Current Assets** | | | | | | |
| **Fixed Assets** | 972,000 | 1,374,800 | 1,237,320 | 1,113,588 | 1,002,229 | 902,006 |
| **2. Current Assets** | | | | | | |
| **Inventory** | 605,000 | 470,252 | 585,109 | 671,405 | 744,275 | 830,812 |
| **Accounts Receivable** | 396,804 | 436,484 | 480,133 | 528,146 | 580,961 | 639,057 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Cash and Equivalents** | 210000 | 230000 | 268,500 | 352,300 | 436,100 | 519,900 |
| TOTAL ASSETS | **2,183,804** | **2,511,536** | **2,571,062** | **2,665,439** | **2,763,565** | **2,891,776** |
| | | | | | | |
| D/E Ratio | **0.32** | **0.32** | **0.34** | **0.30** | **0.29** | **0.28** |

***Projected amount**




Firm C has demonstrated solid growth over the past few years, with a **CAGR of 9.52%** in revenue from 2021 to 2024. The company has managed its expenses effectively, with increases in key areas such as COGS and maintenance being balanced by reduced depreciation and interest expenses. The firm's focus on managing its **Debt-to-Equity ratio** and **assets** has improved financial stability, positioning it well for future growth. Moving forward, the company is expected to continue this upward trend, with positive projections for 2025 and 2026, ensuring its continued success and profitability.

**Case Study 4 – Firm D**

**Income Statement**

| Particulars | 2021 | 2022 | 2023 | 2024 | 2025* | 2026* |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| **Sales revenue** | 1,256,000 | 1,230,880 | 1,292,424 | 1,357,045 | 1,424,897 | 1,496,142 |
| **Other revenue** | 80,000 | 80,000 | 80,000 | 90,000 | 90,000 | 90,000 |
| Total Revenues | **1,336,000** | **1,310,880** | **1,372,424** | **1,447,045** | **1,514,897** | **1,586,142** |
| **Expenses** | | | | | | |
| **Cost of goods sold** | 816,400 | 800,072 | 840,076 | 882,079 | 926,183 | 972,493 |
| **Depreciation** | 54,000 | 48,600 | 43,740 | 42,866 | 38,579 | 34,721 |
| **Electricity** | 25,420 | 26,320 | 27,220 | 28,120 | 29,020 | 29,920 |
| **Interest expense** | 82,500 | 75,000 | 75,000 | 90,000 | 90,000 | 90,000 |
| **Other** | 30,560 | 32,690 | 34,820 | 36,950 | 39,080 | 41,210 |
| Total Expenses | **1,008,880** | **982,682** | **1,020,856** | **1,080,015** | **1,122,863** | **1,168,344** |
| **Net Income Before Taxes** | 327,120 | 328,198 | 351,568 | 367,030 | 392,035 | 417,798 |
| **Income tax expense** | 16,356 | 16,410 | 17,578 | 18,351 | 19,602 | 20,890 |
| Net Income | **310,764** | **311,788** | **333,990** | **348,678** | **372,433** | **396,908** |

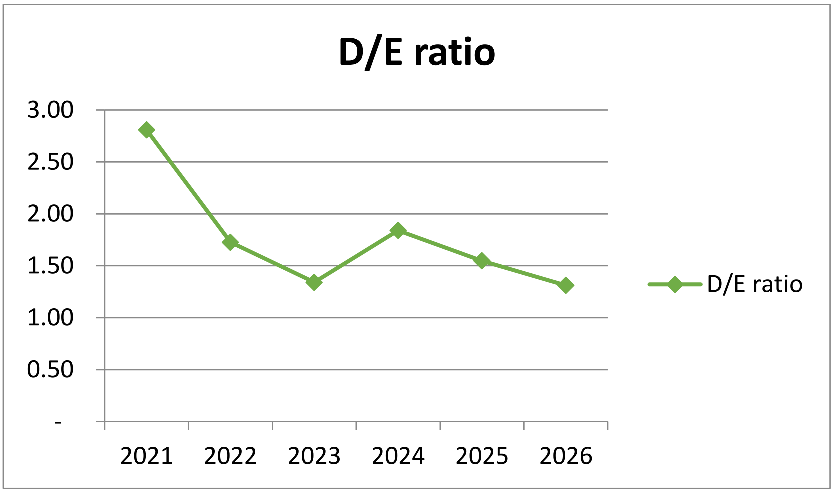
***Projected amount**

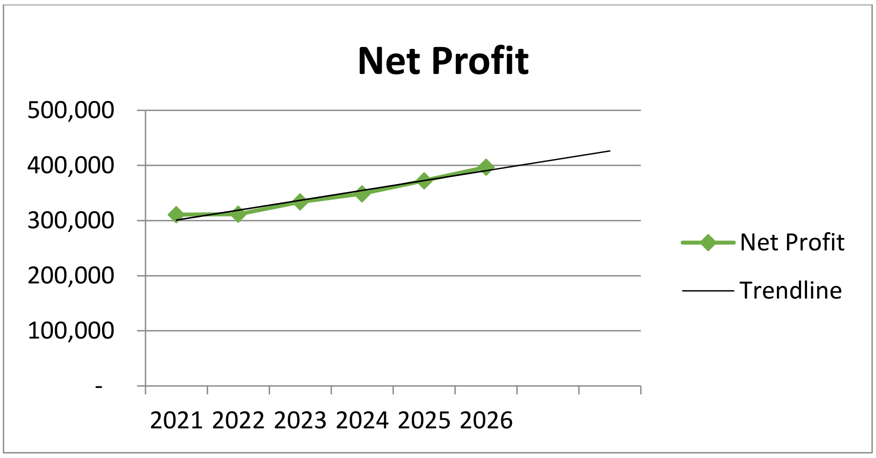
**Balance Sheet**

| Particulars | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|
| **I. EQUITY AND LIABILITIES** | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **1. Non-Current Liabilities** | | | | | | |
| **Capital** | 195,846 | 289,555 | 372,770 | 325,905 | 387,575 | 457,562 |
| **Long-term Debt** | 500,000 | 500,000 | 500,000 | 600,000 | 600,000 | 600,000 |
| **2. Current Liabilities** | | | | | | |
| **Short-term Loans** | 50,000 | | | | | |
| **Accounts Payable** | 314,314 | 308,028 | 323,429 | 339,601 | 356,581 | 374,410 |
| TOTAL EQUITY AND LIABILITIES | **1,060,160** | **1,097,583** | **1,196,200** | **1,265,506** | **1,344,155** | **1,431,972** |
| **II. ASSETS** | | | | | | |
| **1. Non-Current Assets** | | | | | | |
| **Fixed Assets** | 486,000 | 437,400 | 428,660 | 385,794 | 347,215 | 312,493 |
| **2. Current Assets** | | | | | | |
| **Inventory** | 237,640 | 317,647 | 401,655 | 489,863 | 582,481 | 679,730 |
| **Accounts Receivable** | 251,200 | 246,176 | 258,485 | 271,409 | 284,979 | 299,228 |
| **Cash and Equivalents** | 125,320 | 156,360 | 187,400 | 218,440 | 249,480 | 280,520 |
| TOTAL ASSETS | **1,100,160** | **1,157,583** | **1,276,200** | **1,365,506** | **1,464,155** | **1,571,972** |
| | | | | | | |
| D/E Ratio | **2.81** | **1.73** | **1.34** | **1.84** | **1.55** | **1.31** |

***Projected amount**




Firm D has shown a moderate growth rate of **2.65% CAGR** in revenue from 2021 to 2024. The firm's expenses have risen with operational costs, but it has managed to control depreciation and interest expenses. Despite a **high D/E ratio**, there is a noticeable improvement in its financial leverage. The company's asset base is growing, supported by increased working capital and liquidity. Looking ahead, Firm D is poised to maintain steady growth, with positive projections for 2025 and 2026, continuing to strengthen its financial position while navigating its challenges

**Case Study 5 – Firm E**

**Income Statement**

| Revenue | 2021 | 2022 | 2023 | 2024 | 2025* | 2026* |
|---|---|---|---|---|---|---|
| **Sales revenue** | 3,546,500 | 3,901,150 | 4,291,265 | 4,720,392 | 5,192,431 | 5,711,674 |
| Total Revenues | **3,546,500** | **3,901,150** | **4,291,265** | **4,720,392** | **5,192,431** | **5,711,674** |
| **Expenses** | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Cost of goods sold** | 2,127,900 | 2,340,690 | 2,574,759 | 2,832,235 | 3,115,458 | 3,427,004 |
| **Depreciation** | 166,500 | 149,850 | 199,865 | 179,879 | 161,891 | 145,702 |
| **Electricity** | 45,360 | 49,896 | 54,886 | 60,374 | 66,412 | 73,053 |
| **Interest expense** | 120,000 | 120,000 | 120,000 | 90,000 | 90,000 | 90,000 |
| **Advertisement** | 85,650 | 98,498 | 113,272 | 130,263 | 149,802 | 172,273 |
| **Rent** | 50,740 | 63,740 | 85,630 | 85,630 | 85,630 | 85,630 |
| **Salaries and wages** | 280,000 | 340,000 | 340,000 | 360,000 | 360,000 | 360,000 |
| **Other** | 10,230 | 11,253 | 12,378 | 13,616 | 14,978 | 16,476 |
| Total Expenses | **2,886,380** | **3,173,927** | **3,500,790** | **3,751,997** | **4,044,171** | **4,370,137** |
| **Net Income Before Taxes** | 660,120 | 727,224 | 790,475 | 968,395 | 1,148,260 | 1,341,537 |
| **Income tax expense** | 66,012 | 72,722 | 79,047 | 96,839 | 114,826 | 134,154 |
| Net Income | **594,108** | **654,501** | **711,427** | **871,555** | **1,033,434** | **1,207,383** |

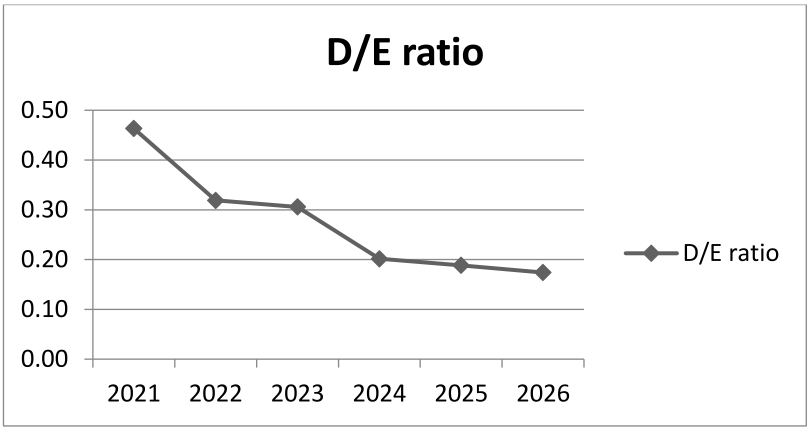
***Projected amount**

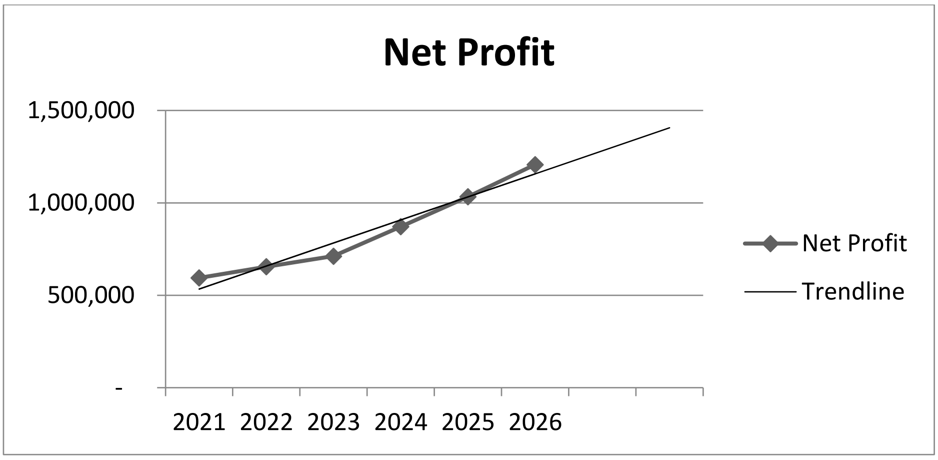
**Balance Sheet**

| Particulars | 2021 | 2022 | 2023 | 2024 | 2025* | 2026* |
|---|---|---|---|---|---|---|
| **I. EQUITY AND LIABILITIES** | | | | | | |
| **1. Non-Current Liabilities** | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Capital** | 1,726,187 | 2,507,355 | 2,616,099 | 2,975,181 | 3,185,637 | 3,449,006 |
| **Long-term Debt** | 600,000 | 600,000 | 600,000 | 600,000 | 600,000 | 600,000 |
| **2. Current Liabilities** | | | | | | |
| **Short-term Loans** | 200,000 | 200,000 | 200,000 | | | |
| **Accounts Payable** | 468,138 | 514,952 | 566,447 | 623,092 | 685,401 | 753,941 |
| TOTAL EQUITY AND LIABILITIES | **2,994,325** | **3,822,307** | **3,982,546** | **4,198,273** | **4,471,038** | **4,802,947** |
| **II. ASSETS** | | | | | | |
| **1. Non-Current Assets** | | | | | | |
| **Fixed Assets** | 1,498,500 | 1,998,650 | 1,798,785 | 1,618,907 | 1,457,016 | 1,311,314 |
| **2. Current Assets** | | | | | | |
| **Inventory** | 552,300 | 786,369 | 1,043,845 | 1,327,068 | 1,638,614 | 1,981,315 |
| **Accounts Receivable** | 886,625 | 975,288 | 1,072,816 | 1,180,098 | 1,298,108 | 1,427,918 |
| **Cash and Equivalents** | 56,900 | 62,000 | 67,100 | 72,200 | 77,300 | 82,400 |
| TOTAL ASSETS | **2,994,325** | **3,822,307** | **3,982,546** | **4,198,273** | **4,471,038** | **4,802,947** |
| | | | | | | |
| D/E Ratio | **0.46** | **0.32** | **0.31** | **0.20** | **0.19** | **0.17** |

***Projected amount**




Firm E has shown strong growth with a CAGR of 9.96% from 2021 to 2024, driven by rising sales revenue. The company has efficiently managed its expenses and improved profitability, as reflected in its stable net income growth. The D/E ratio has decreased, signaling improved financial leverage. Firm E's asset growth and liquidity position remain solid, positioning it for continued success. Projections for 2025 and 2026 indicate ongoing positive performance, and Firm E is well-positioned for future growth.

**DISCUSSION:**

| Firm | CAGR (%) | Revenue to Net Income Ratio | D/E Ratio (2021) | D/E Ratio (2026) |
|---|---|---|---|---|
| A | 9.74 | 0.1295 | 1.20 | 0.79 |
| B | -29.00 | 0.1295 | 0.27 | 0.08 |
| C | 9.52 | 0.1835 | 0.32 | 0.28 |
| D | 2.65 | 0.1413 | 2.81 | 1.31 |
| E | 9.96 | 0.1247 | 0.46 | 0.17 |

## STRATETIC IMPLICATIONS

### Firm A

Firm A should focus on optimizing debt management while leveraging its strong revenue growth. Expanding into high-margin segments and improving cost efficiency can further enhance profitability.

### Firm B

To reverse its negative growth trend, Firm B should reassess its business model, explore cost-cutting measures, and identify new revenue streams. Since debt levels are already low, securing strategic investments or partnerships could aid in turnaround efforts.

### Firm C

Firm C should focus on scaling operations while maintaining financial stability. With a strong profitability correlation, investing in revenue expansion strategies such as market penetration or diversification could yield significant returns.

### Firm D

Given its high debt burden, Firm D should focus on improving operational efficiency and reducing financial risk. Strengthening working capital management and considering equity financing instead of debt could enhance long-term sustainability.

### Firm E

Firm E is well-positioned for expansion and investment in innovation. With a decreasing reliance on debt, it can consider aggressive growth strategies, such as geographic expansion or product diversification, without excessive financial risk.

## CONCLUSION:

The study effectively analyses the role of financial projections in business planning for SMEs, drawing insights from five firms over a four-year period to forecast their financial performance for the next two years. Through the use of historical financial data, the analysis presents trends in revenue, expenses, and profitability, helping to identify potential challenges and opportunities for growth. The study highlights that while financial projections can guide strategic decision-making and resource allocation, they are inherently influenced by assumptions and external variables that can impact their accuracy. Despite the limitations, such as the small sample size and reliance on historical data, the findings provide a valuable framework for understanding the financial outlook of SMEs. However, these projections are not immune to market fluctuations and unforeseen factors that could affect future results. The study underscores the importance of continuous monitoring and adjustment of financial plans to align with changing business conditions.

## REFRENCES

1. Barney, J. B., & Hesterly, W. S. (2015). Strategic management and competitive advantage: Concepts and cases (5th ed.). Pearson Education.

2. Gandhi, S. (2017). Financial planning and control for small and medium enterprises. International Journal of Management Research and Review, 7(9), 897–904.
3. Krivka, A., Sokolova, E., & Chernova, E. (2019). Financial forecasting and SME investment attractiveness. Journal of Small Business and Enterprise Development, 26(2), 315–328. https://doi.org/10.1108/JSBED-04-2018-0135
4. Moore, L., & Thompson, J. (2022). Navigating financial uncertainty: The role of forecasting in SME risk management. Journal of Financial Planning and Analysis, 14(1), 45–59.
5. Oosterhuis, M., & Tuck, R. (2018). Financial forecasting in SMEs: A strategic tool for performance assessment. European Journal of Business Research, 18(3), 112–124.
6. Silva, F., Ramirez, J., & Torres, M. (2019). The use of financial projections to build SME resilience in economic downturns. Small Business Economics, 52(4), 911–928. https://doi.org/10.1007/s11187-018-0071-x
7. Trencheva, T. (2021). Financial statements and risk analysis in SMEs: Practical perspectives. Finance and Business Journal, 9(2), 76–89.
8. Wright, K., & Lee, S. (2021). Financial forecasting and its influence on SME funding decisions. Journal of Entrepreneurial Finance, 23(1), 39–54.
9. Wulifan, J. K. (2015). Relevance of business planning documents in SME management: A study of Tamale Metropolis. African Journal of Economic and Management Studies, 6(3), 267–280. https://doi.org/10.1108/AJEMS-04-2015-0022