

Overcoming Financial Management Hurdles in Southeast Asian Micro Businesses: Insights from a Literature Review

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Abstract: Micro businesses are a vital component of Southeast Asia's economy, contributing significantly to employment and poverty reduction. However, these businesses face several financial management challenges that hinder their growth and sustainability. This literature review examines the financial management hurdles faced by micro businesses in Southeast Asia, focusing on challenges such as poor financial literacy, limited access to finance, inadequate cash flow management, and the lack of formal financial systems. It also explores potential solutions to these challenges, including improving financial literacy, increasing access to affordable finance, and promoting the use of digital financial tools. While financial management practices vary across countries in Southeast Asia, micro business owners consistently face barriers that limit their ability to manage resources effectively. The review suggests that improving financial literacy through targeted education programs and enhancing access to formal financial services are key to addressing these issues. Additionally, the role of digital technologies in streamlining financial management practices is explored, highlighting the importance of promoting digital inclusion for micro businesses. This review contributes to the understanding of financial management challenges in micro businesses and provides insights for policymakers, financial institutions, and development organizations to support the growth and sustainability of micro enterprises in Southeast Asia

Keywords: Financial Management; Micro Businesses; Southeast Asia; Financial Literacy; Digital Financial Tools.

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Introduction

The dynamic landscape of Southeast Asia presents a wealth of opportunities for micro businesses, which are pivotal to the region's economic growth. Micro businesses—defined as small-scale operations typically characterized by fewer employees, limited capital, and informal management practices—form the backbone of many Southeast Asian economies. These businesses are often family-owned and operate in sectors such as agriculture, retail, and services, contributing significantly to employment and poverty alleviation. According to the Asian Development Bank (ADB, 2019), micro enterprises account for over 90% of the businesses in Southeast Asia, making them essential to the region's economic fabric. Despite their importance, micro businesses in Southeast Asia face a myriad of financial management challenges that hinder their growth, sustainability, and ability to scale. These challenges are compounded by factors such as limited access to financial services, inadequate financial literacy, and a lack of structured financial management practices. Understanding the financial management hurdles faced by micro businesses is crucial not only for improving their operational efficiency but also for fostering the broader economic development of the region (Ramli et al., 2017). Given the centrality of these businesses in Southeast Asia's economy, addressing the financial management challenges they encounter can contribute to the achievement of sustainable economic growth, poverty reduction, and social development goals. However, despite the critical role these businesses play, there is limited research on the specific financial management challenges they face within the Southeast Asian context. The current literature on financial management in small and medium-sized enterprises (SMEs) often overlooks the particular constraints faced by micro businesses in developing countries, especially in Southeast Asia. As a result, there is a significant gap in understanding how micro businesses in this region manage their financial resources and the hurdles they encounter in doing so.

This literature review seeks to fill this gap by providing an in-depth examination of the financial management challenges that micro businesses in Southeast Asia face, focusing on the unique circumstances of developing countries in the region. By synthesizing existing research, this review aims to offer valuable insights into the specific financial obstacles faced by micro enterprises and the potential strategies they can adopt to overcome them. The goal is to provide a comprehensive overview of the literature on this topic, identify key challenges, and explore potential solutions that can help micro businesses navigate their financial management hurdles more effectively (acqueline Siekei, 2013).

The importance of sound financial management cannot be overstated, particularly for micro businesses operating in developing economies. Financial management encompasses a wide range of practices, including budgeting, financial planning, cash flow management, record-keeping, and financial reporting. These practices are critical for the survival and growth of any business, regardless of size. However, for micro businesses, the stakes are particularly high. Micro businesses typically operate with limited financial resources and face constant pressure to generate enough cash flow to cover day-to-day operations. Poor financial management can lead to cash flow problems, the inability to pay suppliers and employees, and ultimately, business failure. Conversely, effective financial management enables businesses to maintain liquidity, control costs, and make informed decisions about investments and expansion.

In Southeast Asia, many micro businesses struggle with managing their finances due to a combination of internal and external factors. Internally, these businesses often lack formal financial management systems and rely on informal methods for managing their finances (Karadag, 2015). In many cases, business owners may not have formal education or training in

financial management, leading to inadequate record-keeping and poor financial planning. Externally, micro businesses face challenges such as limited access to credit, high-interest rates, and financial exclusion, which restrict their ability to invest in growth opportunities or manage financial risks effectively. The inability to access formal financial services also prevents them from securing the necessary capital to expand their operations or invest in technology and innovation. For micro businesses, effective financial management is essential not only for day-to-day operations but also for long-term growth and sustainability. Without sound financial practices, these businesses are more vulnerable to external shocks such as economic downturns, natural disasters, and changes in market demand. Furthermore, poor financial management can limit their ability to access external funding, as financial institutions often view micro businesses as high-risk due to their lack of formal financial records and business plans. This highlights the importance of addressing the financial management challenges faced by micro businesses in Southeast Asia, as improving their financial capabilities can contribute to their resilience and long-term success.

The urgency of addressing financial management challenges in Southeast Asian micro businesses is underscored by the region's economic landscape and the increasing importance of micro enterprises in driving inclusive growth. Southeast Asia is one of the world's most economically dynamic regions, with a rapidly growing middle class, increasing urbanization, and expanding digital economies. However, despite these promising trends, a significant portion of the population remains engaged in informal or small-scale businesses, many of which operate in the micro sector. According to the International Labour Organization (ILO, 2021), the informal economy in Southeast Asia employs a substantial portion of the workforce, with micro enterprises playing a central role in providing livelihoods and reducing poverty. While micro businesses contribute to the region's economic development, their financial challenges are a major barrier to their potential growth and success. Access to financing remains one of the most significant obstacles. According to the Asian Development Bank (2019), micro businesses in Southeast Asia often face difficulties in securing formal credit due to a lack of collateral, poor credit histories, and insufficient financial documentation. As a result, these businesses are often forced to rely on informal sources of financing, such as personal savings, loans from family and friends, or microfinance institutions, which may come with high-interest rates or unfavorable terms.

In addition to access to finance, micro businesses in Southeast Asia face challenges related to financial literacy. A study by the World Bank (2020) found that financial literacy levels are low across Southeast Asia, particularly among small business owners. Many micro business owners lack basic knowledge of financial concepts such as cash flow management, budgeting, and financial reporting, which hinders their ability to make informed decisions about their business operations. This lack of financial literacy is compounded by the absence of formal financial systems and practices, which makes it difficult for micro businesses to track their financial performance and plan for the future. Furthermore, external factors such as political instability, fluctuating market conditions, and the lack of effective regulatory frameworks contribute to the financial management difficulties faced by micro businesses in the region. These businesses are particularly vulnerable to economic shocks and may struggle to recover due to their limited financial reserves and lack of access to financial support mechanisms. The COVID-19 pandemic further exacerbated these challenges, as many micro businesses were forced to close or reduce their operations due to disruptions in supply chains, changes in consumer behavior, and restrictions on movement. The pandemic highlighted the need for robust financial management systems that can help businesses withstand economic disruptions and adapt to changing conditions (Otokiti et al., 2014).

Despite the critical role of micro businesses in Southeast Asia's economy, there is

limited research that specifically addresses the financial management challenges they face in the context of the region. Much of the existing literature on financial management focuses on small and medium-sized enterprises (SMEs), with limited attention given to micro businesses. While there is a growing body of research on financial inclusion and access to finance for small businesses in developing countries, micro businesses face unique challenges that differ from those experienced by larger SMEs. These challenges include the lack of formal financial records, limited financial literacy, and the high cost of accessing formal financial services. Therefore, there is a need for more focused research on the specific financial management hurdles faced by micro businesses in Southeast Asia. This study aims to fill this gap by providing a comprehensive literature review of the financial management challenges faced by micro businesses in Southeast Asia. By synthesizing existing research and offering insights into the barriers and solutions that have been proposed, this study contributes to the understanding of how micro businesses in the region manage their financial resources and navigate financial obstacles. The findings of this review can provide valuable guidance for policymakers, financial institutions, and development organizations seeking to support micro businesses and improve their financial management capabilities.

The novelty of this research lies in its focus on the unique challenges faced by micro businesses in Southeast Asia, a region characterized by diverse economic conditions, varying levels of financial development, and a significant informaleconomy. By focusing on the specific context of Southeast Asia, this study aims to offer insights that are directly relevant to the region and its economic challenges. Furthermore, by exploring both internal and external factors influencing financial management practices, this review offers a holistic perspective on the issue and highlights the importance of addressing financial education, access to finance, and supportive policy frameworks.

Method

This literature review adopts a systematic approach to identifying and synthesizing existing research on the financial management challenges faced by micro businesses in Southeast Asia. Given the complexity and multifaceted nature of the subject, this review aims to provide a comprehensive understanding of the key barriers and solutions, drawing upon a wide range of sources including peer-reviewed journal articles, books, reports from financial institutions, and grey literature such as policy papers and industry reports. The methodology follows a rigorous and structured process to ensure that the findings are both reliable and relevant to the research objectives.

Literature Search and Database Selection

The first step in the review methodology was conducting a thorough search of relevant academic and grey literature (Adams et al., 2017). The primary databases used for this search were Scopus, Google Scholar, JSTOR, and ScienceDirect, as they provide comprehensive access to peer-reviewed journal articles, books, and conference papers on topics related to financial management, micro businesses, and Southeast Asia. In addition to academic databases, reports and publications from reputable financial institutions, such as the World Bank, Asian Development Bank (ADB), and International Finance Corporation (IFC), were also included in the review to gain insights into the practical challenges faced by micro businesses and the strategies they employ to overcome financial hurdles.

The search was carried out using a set of carefully selected keywords and phrases, including “financial management,” “micro businesses,” “Southeast Asia,” “financial literacy,” “financial inclusion,” “access to finance,” and “small businesses.” These terms were combined

using Boolean operators to ensure that the search captured a broad range of relevant articles. The inclusion of terms like “Southeast Asia” and “micro businesses” helped narrow the focus of the review to the specific context of the region and its unique financial challenges.

Inclusion and Exclusion Criteria

To ensure the relevance and quality of the literature included in the review, a set of inclusion and exclusion criteria was applied. The inclusion criteria were as follows: (1) studies that specifically focused on financial management in micro businesses, (2) research that addressed the context of Southeast Asia, (3) articles published in reputable academic journals or by established financial institutions, (4) studies that examined the challenges of financial management, financial literacy, and access to finance for micro businesses, and (5) literature that provided insights into strategies or solutions aimed at overcoming these challenges.

The exclusion criteria included: (1) studies that focused exclusively on large or medium-sized enterprises (SMEs), (2) articles that were not related to financial management or did not address the key issues faced by micro businesses, (3) publications that were not peer-reviewed or lacked credibility, and (4) literature that was not published in the last ten years, unless it made a significant contribution to the understanding of the topic.

Data Extraction and Categorization

Once the relevant literature was identified, the next step was data extraction and categorization. The key findings from each study were extracted and organized according to thematic categories. These categories were based on the main financial management challenges faced by micro businesses in Southeast Asia, such as financial literacy, access to finance, cash flow management, budgeting, and record-keeping. Each category was further divided into sub-themes to highlight specific issues or solutions proposed in the literature. For example, the category of “financial literacy” included sub-themes such as the lack of basic financial knowledge among micro business owners, the impact of financial literacy on decision-making, and the role of financial education in improving business outcomes. Similarly, the category of “access to finance” included sub-themes such as the challenges of securing formal credit, the role of microfinance institutions, and the reliance on informal lending sources. This thematic categorization allowed for a more organized and comprehensive analysis of the literature.

Thematic Synthesis

The next phase of the review involved thematic synthesis, where the extracted data from different studies were combined and analyzed to identify recurring patterns, trends, and gaps in the literature. Thematic synthesis involves analyzing the literature in terms of the key themes and sub-themes that emerged from the data extraction process, with a focus on understanding the underlying causes of financial management challenges and the solutions that have been proposed to address these issues. This approach allowed the review to draw connections between different studies and highlight areas of consensus as well as divergence in the existing literature. For example, a common finding across several studies was the lack of formal financial management systems in micro businesses, which often leads to poor financial planning and cash flow management. At the same time, studies also highlighted the importance of financial education and training programs in improving financial literacy and helping micro business owners make better financial decisions. By synthesizing these findings, the review was able to provide a comprehensive understanding of the key financial management challenges and the strategies that have been proposed to overcome them.

Critical Evaluation of the Literature

A critical aspect of the review methodology was the evaluation of the quality and

credibility of the literature. This involved assessing the methodology, sample size, and relevance of the studies included in the review. For example, studies that used rigorous research designs, such as longitudinal studies or large-scale surveys, were given more weight in the analysis compared to studies with smaller sample sizes or weaker research designs. Additionally, the review considered the geographical context of each study, as the financial management challenges faced by micro businesses in Southeast Asia may differ from those experienced in other regions due to cultural, economic, and institutional factors. By critically evaluating the quality and relevance of the literature, the review was able to identify gaps in the existing research and highlight areas where further investigation is needed. For instance, while much of the literature focuses on the challenges of access to finance, there is a lack of research on how micro businesses in Southeast Asia manage their cash flows and make investment decisions in the absence of formal financial systems. This gap in the literature presents an opportunity for future research to explore alternative financial practices that micro businesses may adopt to overcome these challenges.

Limitations of the Methodology

While the systematic approach adopted in this review allowed for a comprehensive examination of the literature, it is important to acknowledge the limitations of the methodology. One limitation is the reliance on secondary data sources, which may be subject to publication bias. Studies that report significant or positive results may be more likely to be published, while studies with negative or inconclusive findings may be underrepresented. Additionally, the focus on peer-reviewed articles and reputable reports means that the review may have missed out on insights from informal sources, such as case studies, interviews, or reports from local business owners. Despite these limitations, the review provides valuable insights into the financial management challenges faced by micro businesses in Southeast Asia and offers a foundation for future research on the topic.

Result and Discussion

1. Financial Management Challenges in Southeast Asian Micro Businesses

Micro businesses in Southeast Asia are crucial to the region's economic framework, representing over 90% of all enterprises and significantly contributing to employment and poverty alleviation (Budiasa et al., 2022). Despite their importance, these enterprises face various financial management challenges that impede their growth and sustainability. One of the most significant issues is the low level of financial literacy among micro business owners. Many of these entrepreneurs, especially in rural areas, lack formal education in financial management, which inhibits their understanding of fundamental financial concepts, including budgeting and cash flow management (Li & Qian, 2019). This deficiency in knowledge results in poorly maintained financial records and difficulty in tracking financial performance, undermining their decision-making capabilities regarding operations (Li & Qian, 2019). The implications of low financial literacy extend to long-term financial planning. Entrepreneurs who are not well-versed in financial concepts find it challenging to forecast future revenues and manage expenses efficiently (Li & Qian, 2019). This lack of foresight can lead to severe financial consequences including cash flow problems and an increased likelihood of business failure. Numerous studies underline that financial literacy is a critical determinant of sound financial decision-making. For example, Yeboah highlights that individuals with robust financial acumen are better positioned to make informed decisions about their financial needs, reinforcing their business's sustainability (Yeboah, 2018). Moreover, the World Bank emphasizes that many Southeast Asian entrepreneurs lack the essential knowledge required to evaluate financial risks adequately (Rohayati & Qolbi, 2022). In addition to inadequate

educational background and poor financial literacy, external factors play a significant role. The influence of the community and family environment, as indicated by Rohayati and Qolbi, suggests that entrepreneurial interest in creating businesses is affected by variables including self-motivation and available business capital (Rohayati & Qolbi, 2022). Furthermore, the importance of digital financial literacy is emerging as crucial in enhancing the financial behavior and well-being of micro business owners in Indonesia (Gosal & Nainggolan, 2023). The rising importance of technology in financial literacy training presents a potential avenue for improvement, particularly in rural settings where traditional financial education resources are limited.

2. Challenges in Access to Finance

Access to finance is a critical challenge faced by micro businesses in Southeast Asia, significantly hindering their growth and sustainability. These enterprises frequently encounter difficulties in securing loans or lines of credit from formal financial institutions, primarily due to their lack of collateral, insufficient credit histories, and inadequate financial documentation. Financial institutions often categorize these micro businesses as high-risk ventures, further complicating their ability to obtain necessary capital for expansion or investment in growth opportunities (Hirawati et al., 2021). The Asian Development Bank (ADB) reports that micro businesses in the region often rely heavily on microfinance institutions (MFIs) and informal lending sources due to limited access to formal financial services (Hirawati et al., 2021). While MFIs can provide essential micro loans, their offerings are usually limited in scope and often come with high-interest rates, which can exacerbate the financial challenges faced by micro businesses (Kimari et al., 2022). Many micro entrepreneurs resort to informal lending methods, such as borrowing from family, friends, or local moneylenders. Although these methods may offer quicker access to funds, they typically impose higher interest rates and unfavorable repayment terms, leading to potential cycles of debt that hinder long-term financial stability and growth (Kimari et al., 2022). Moreover, the lack of access to affordable financing further limits these businesses' capabilities to invest in critical areas such as technology, equipment, and infrastructure, which are essential for enhancing productivity and competitiveness in an increasingly globalized market (Nugraha et al., 2022). The inability to secure favorable financial services perpetuates a cycle of financial exclusion, limiting the growth potential for micro businesses. This challenge is compounded by low financial literacy levels among many micro business owners, which discourages them from engaging with formal financial institutions and understanding their financial management options (Hirawati et al., 2021). As highlighted by numerous studies, improved access to financing is essential for business growth; firms that are credit-constrained tend to experience slower growth compared to those with better access to financial resources (Kimari et al., 2022). A lack of investment opportunities leads micro businesses to continue operating with outdated technologies, relying on labor-intensive processes that impede growth and scalability (Rivai & Fernando, 2019).

3. Cash Flow Management and Financial Planning

Effective cash flow management is vital for micro businesses in Southeast Asia, especially considering their limited working capital and reliance on consistent cash inflows to cover operational expenses, pay employees, and invest in growth opportunities. However, many of these businesses struggle significantly with cash flow management due to inadequate financial planning and an inability to effectively predict their income and expenses (Budiasa et al., 2022)(Mendo et al., 2021). Cash flow challenges frequently arise when businesses fail to maintain accurate records of their financial transactions or adequately track their expenses (Mendo et al., 2021). This deficit in financial oversight results in business owners lacking a clear understanding of their financial position, which can lead to difficulties in meeting short-

term financial obligations, such as paying suppliers or employees. Delayed payments can create strained relationships with stakeholders, leading to a further deterioration of financial conditions (Pulungan et al., 2023). Many micro businesses resort to taking on debt to manage cash shortfalls, exacerbating their financial instability (Budiasa et al., 2022). The absence of formal financial management systems, such as accounting software or proper bookkeeping practices, further compounds these cash flow issues and makes it harder for business owners to monitor their financial health and make informed operational decisions (Athia et al., 2023; . Effective cash flow management necessitates a comprehensive understanding of revenue streams, expenses, and financial obligations. Unfortunately, micro businesses often lack the necessary tools and knowledge to navigate these financial requirements effectively (Mendo et al., 2021). Consequently, they often operate with minimal financial buffers, leaving them particularly vulnerable to external shocks such as market fluctuations, supply chain disruptions, or economic downturns (Wiatt et al., 2020)Zocco, 2021). Addressing these cash flow management challenges is crucial for the financial stability and sustainability of micro businesses in Southeast Asia. Previous research highlights that successful cash flow management is closely related to the overall solvency and long-term viability of a business (Athia et al., 2023; Dzingirai & Ndava, 2022). Moreover, studies indicate that improved cash management practices can significantly enhance a business's ability to adapt to changes and uncertainties, promoting resilience amidst challenges (Wiatt et al., 2020). Therefore, it is imperative for stakeholders, including policymakers and financial institutions, to provide the needed support and resources to empower micro businesses in attaining better cash flow management practices. This will ultimately contribute to strengthening the economic landscape and promoting sustainable growth in the region.

4. The Role of Technology in Financial Management

Technology has the potential to significantly improve financial management practices among micro businesses in Southeast Asia, particularly through the increasing adoption of digital financial services. These improvements stem from the utilization of mobile banking, cloud-based accounting software, and online payment systems, which provide micro businesses with tools to manage their finances more effectively and efficiently. According to Sudrajad et al., fintech adoption is flourishing across Southeast Asia, with many micro businesses leveraging mobile applications and digital platforms to optimize their financial management and access credit Sudrajad et al. (2023). The emergence of digital financial services, including mobile money and e-wallets, has transformed the way micro businesses can access secure and affordable financial products, including savings accounts, micro loans, and insurance (Ming & Soon, 2023; Dhungana et al., 2023). Digital financial tools facilitate streamlined financial processes, enhancing cash flow management and consequently reducing these businesses' reliance on informal credit sources (Neeka et al., 2023). Moreover, these tools assist business owners in augmenting their financial literacy by providing easy access to educational resources, financial instruments, and real-time insights into their financial standings (Putra et al., 2023). The growing body of literature indicates that digital literacy plays an instrumental role in the financial performance of micro enterprises. Research by Putra et al. indicates that improving digital literacy among micro entrepreneurs can yield significant benefits in terms of perceived financial performance and overall business sustainability (Putra et al., 2023). Nevertheless, the adoption of digital financial services is accompanied by several challenges. A notable hurdle is the limited access to reliable internet connections and digital devices, particularly for micro businesses situated in rural areas (Hirawati et al., 2021). Moreover, many micro business owners may lack familiarity with digital tools or may have insufficient skills to utilize them proficiently (Kimari et al., 2022). According to Yanto et al., targeted digital literacy training and infrastructure support are

essential measures to equip micro businesses with the capabilities required to effectively embrace and benefit from digital financial tools (Yanto et al., 2022).

5. Government and Institutional Support

Government policies and institutional support are essential in addressing the various financial management challenges faced by micro businesses in Southeast Asia. Initiatives such as microfinance programs, government-backed loans, and financial education frameworks aim to enhance financial inclusion and provide micro businesses with access to affordable credit. These programs have been shown to improve financial literacy, helping entrepreneurs manage their finances effectively Rahayu et al. (2023)(Zahara et al., 2023). Despite these efforts, significant barriers persist, particularly in rural and underserved areas. The lack of a supportive regulatory environment, bureaucratic obstacles, and limited access to financial institutions in these regions often impede micro businesses from fully utilizing government programs (Prasetyo & Dwianto, 2018). Additionally, many micro business owners remain unaware of available financial support due to inadequate outreach and communication from government agencies and financial institutions (Anwar et al., 2021). To effectively address these challenges, collaboration between governments and financial institutions is crucial to create more inclusive financial systems tailored to the unique needs of micro businesses. Simplifying the application process for micro loans, reducing interest rates, and expanding financial education initiatives can significantly enhance micro businesses' capabilities to navigate their financial challenges successfully (Zahara et al., 2023; Mas'udah et al., 2022). Furthermore, targeted interventions that improve the understanding and use of innovative financial products can democratize access to finance for micro business owners (Barus et al., 2023). A critical element of these interventions is ensuring that financial literacy among micro entrepreneurs is sufficiently elevated, as this is fundamental for improving their financial management practices (Jofanka et al., 2023). Training programs focused on financial literacy, record-keeping, and budgeting can empower these business owners, contributing to long-term business resilience (Jati & Astuti, 2022).

Identified Gaps in The Literature

Despite the growing body of research on financial management in small businesses, particularly in Southeast Asia, several key gaps remain in the literature that need to be addressed in future studies. These gaps reflect the complexities of managing micro businesses, particularly in the context of developing economies where financial systems are still evolving and access to resources is often limited. Below are some of the most significant gaps identified in the literature.

Limited Focus on Micro Businesses Specifically

While much of the existing literature on financial management in developing countries focuses on small and medium-sized enterprises (SMEs), there is a limited body of work that specifically addresses the unique financial challenges faced by micro businesses. Micro enterprises differ significantly from SMEs in terms of size, resources, formalization, and access to financial services. Many studies on financial management and business growth in Southeast Asia tend to group micro businesses with SMEs, which overlooks the specific constraints and challenges that micro enterprises face.

For example, the financial resources available to micro businesses are generally much more limited, and their management practices are often informal, relying heavily on personal judgment rather than structured financial planning. Therefore, it is essential to conduct more research that explicitly focuses on micro businesses to understand their unique financial

management challenges and the specific support they require to thrive. Future studies should provide a deeper exploration of micro businesses' access to capital, financial literacy, and the barriers they face in adopting formal financial management practices.

Geographical and Contextual Gaps

While there is a significant amount of research on micro businesses in Southeast Asia, much of it is either too generalized or lacks specific insights into the diverse economic environments within the region. Southeast Asia is a highly diverse region, comprising countries with varying economic conditions, levels of financial development, and institutional frameworks. However, most studies on financial management in micro businesses are not region-specific or do not account for the nuanced differences between countries in Southeast Asia.

For instance, financial management practices in countries like Singapore or Malaysia, which have relatively well-developed financial systems and regulatory frameworks, may differ significantly from practices in countries such as Cambodia or Laos, where micro businesses often operate in more informal markets and face greater barriers to accessing financial services. Additionally, regional differences in culture, social norms, and the role of family businesses can significantly influence financial management practices, yet these factors are often overlooked in the literature. Further research should focus on understanding the financial management challenges faced by micro businesses within specific Southeast Asian countries, taking into account local economic, social, and institutional factors.

Lack of Longitudinal Studies on the Impact of Financial Management Practices

Another major gap in the literature is the lack of longitudinal studies that examine the long-term impact of financial management practices on the growth and sustainability of micro businesses. Most studies on financial management challenges in micro businesses are cross-sectional, offering only a snapshot of business operations at a single point in time. While these studies are valuable for identifying the challenges micro businesses face, they do not provide insights into how financial practices evolve over time or the long-term effects of poor financial management.

Longitudinal studies could provide a deeper understanding of how financial management practices in micro businesses impact their ability to scale, secure financing, and remain resilient to external shocks. For example, a longitudinal study could track the financial health of micro businesses over several years to determine how financial management behaviors, such as budgeting, cash flow management, and record-keeping, correlate with business success or failure. This type of research would help identify best practices in financial management that contribute to long-term sustainability, as well as the consequences of neglecting financial management in the early stages of business development.

Limited Research on the Role of Digital Financial Tools

The growing adoption of digital technologies, including mobile banking, digital wallets, and cloud-based accounting software, has revolutionized the way businesses manage their finances. However, there is limited research on how micro businesses in Southeast Asia are using digital financial tools to overcome their financial management challenges. Digital financial tools have the potential to simplify record-keeping, improve cash flow management, and facilitate access to financing, yet many micro business owners in Southeast Asia still rely on traditional, informal financial practices.

While studies on financial inclusion and fintech adoption in Southeast Asia have increased, the specific role of digital financial tools in improving the financial management practices of micro businesses remains underexplored. Further research is needed to examine how micro businesses in the region are adopting and utilizing digital financial tools, the barriers they face in doing so, and the benefits these tools bring in terms of efficiency, transparency, and access to finance. Understanding the challenges and opportunities associated with digital financial tools is crucial for designing targeted interventions that can enhance the financial management capabilities of micro businesses.

Underexplored Psychological and Behavioral Factors

Much of the existing research focuses on external factors, such as access to finance or institutional support, but there is limited exploration of the psychological and behavioral factors that influence financial decision-making in micro businesses. For example, business owners' attitudes toward debt, risk-taking behavior, and financial planning play a crucial role in shaping financial management practices, yet these factors are often overlooked in the literature.

Understanding the cognitive biases, financial stress, and decision-making tendencies that influence micro business owners' financial decisions is essential for developing more effective interventions. For instance, business owners with a high level of financial anxiety may avoid taking on necessary debt, even when it could support growth, while others may engage in risky borrowing behavior without fully understanding the financial consequences. Studies that examine the psychological drivers of financial decision-making could provide valuable insights into how micro business owners perceive and respond to financial challenges, which could inform the design of financial education programs and interventions aimed at improving financial behavior.

Gap in Research on Micro Business Succession and Financial Management

Another gap in the literature is the lack of research on the relationship between financial management practices and the succession of micro businesses, especially family-owned ones. Many micro businesses in Southeast Asia are family-owned and passed down from one generation to the next. However, research on how financial management practices impact business succession planning in micro businesses is scarce.

Financial management is crucial for the sustainability of family-owned businesses, yet many micro businesses fail to plan adequately for succession, which can lead to financial instability and business failure. Further research is needed to explore how financial management practices, such as asset management, record-keeping, and financial planning, influence the success of business succession. Understanding how financial management practices are linked to the long-term viability of family businesses could help policymakers and institutions design targeted interventions to support business continuity and reduce the risks associated with poor financial planning.

Directions for Future Research

While this literature review has provided valuable insights into the financial management challenges faced by micro businesses in Southeast Asia, several areas require further exploration. The financial management practices of micro businesses are influenced by various internal and external factors, and understanding how these factors interact is essential for developing effective interventions and support mechanisms. Future research should address the gaps identified in the existing literature and explore new avenues to enhance the

financial management capabilities of micro businesses in the region. The following sections outline the key directions for future research.

One of the key gaps identified in this review is the limited focus on context-specific research. While the financial management challenges faced by micro businesses in Southeast Asia have been discussed, much of the existing research lacks a deep understanding of how specific economic, cultural, and institutional factors in each country influence business practices. Southeast Asia is home to a diverse range of countries, each with its own unique economic structure, financial systems, and cultural attitudes toward entrepreneurship and financial management. Future research should focus on conducting in-depth, country-specific studies to explore the financial management practices of micro businesses in different Southeast Asian countries. For example, studies could examine how businesses in rural areas of Indonesia or Cambodia manage their finances differently from those in urban areas of Singapore or Malaysia. Such studies could identify local financial barriers, explore the role of informal financial systems, and investigate how micro business owners in different countries adapt their financial practices to local conditions. By understanding these nuances, researchers can provide more tailored recommendations for financial management training and policy interventions.

Another important direction for future research is the need for longitudinal studies that track the long-term impact of financial management practices on micro business growth and sustainability. As mentioned earlier, much of the existing literature is cross-sectional, providing only a snapshot of financial practices at a particular point in time. Longitudinal research could provide deeper insights into how financial management decisions made in the early stages of business operation influence the long-term success or failure of micro enterprises. Studies could follow micro businesses over several years to assess how their financial management practices evolve over time. For instance, how do micro business owners' financial decision-making abilities improve with experience? How does their ability to manage cash flow, secure financing, and plan for future growth change over time? Longitudinal research could also help determine the impact of poor financial management practices, such as the lack of budgeting or record-keeping, on the long-term survival of businesses. This would provide more comprehensive data to inform financial education programs and policy recommendations aimed at improving financial management practices.

Another area that requires further research is the issue of succession planning and financial sustainability in family-owned micro businesses. Family-owned businesses are common in Southeast Asia, and many micro businesses are passed down from one generation to the next. However, poor financial management practices, lack of formal financial planning, and inadequate succession planning can jeopardize the long-term sustainability of these businesses. Future research could explore the relationship between financial management practices and business succession in family-owned micro businesses. Studies could examine how financial planning, record-keeping, and asset management impact the ability of micro businesses to successfully transition between generations. This research could also investigate the financial challenges faced by micro businesses when a new generation takes over the business, as well as the strategies that can help ensure financial stability and business continuity. By addressing the financial aspects of business succession, future research could provide valuable insights into how family-owned micro businesses can maintain financial health and sustainability across generations.

Conclusion

This literature review has provided a comprehensive examination of the financial management challenges faced by micro businesses in Southeast Asia, highlighting the unique obstacles and constraints that these businesses encounter in their daily operations. Micro businesses, which are critical to the region's economy, are often plagued by poor financial literacy, limited access to finance, inadequate cash flow management, and the absence of formal financial systems. Despite their importance, these businesses often struggle to thrive due to these financial management hurdles. The findings of this review underscore the significance of addressing the financial management challenges faced by micro businesses in Southeast Asia. First and foremost, improving financial literacy among micro business owners is essential for enabling informed decision-making and promoting sound financial practices. Financial education can help micro entrepreneurs understand key financial concepts such as budgeting, cash flow management, and financial planning, all of which are crucial for sustaining and growing their businesses. Moreover, enhancing financial literacy will allow business owners to better navigate the complexities of accessing finance, which remains one of the most significant challenges for micro businesses in the region. Access to finance is another critical area that demands attention. Many micro businesses in Southeast Asia face difficulties in obtaining loans from formal financial institutions due to a lack of collateral, inadequate credit histories, and insufficient financial documentation. As a result, micro businesses often rely on informal sources of financing, which may come with high-interest rates and unfavorable terms. To overcome this barrier, it is important to improve the availability of affordable credit for micro businesses, particularly in rural and underserved areas. This could be achieved through the expansion of microfinance institutions, the development of digital financial services, and the introduction of policies that provide favorable financing options for small businesses.

In addition to financial literacy and access to finance, micro businesses in Southeast Asia also need better tools and resources for managing their finances effectively. The adoption of digital financial tools, such as mobile banking, online payment systems, and cloud-based accounting software, has the potential to improve financial management practices by streamlining processes, enhancing transparency, and facilitating access to credit. However, the uptake of these technologies is still relatively low among micro businesses, particularly in rural areas. To address this, future research should focus on understanding the barriers to digital adoption and developing strategies to promote the use of digital financial tools among micro businesses. The psychological and behavioral factors influencing financial decision-making also play a significant role in the financial management of micro businesses. Micro business owners' attitudes toward debt, risk, and financial planning can shape their financial practices and impact their ability to manage their finances effectively. For example, a business owner who is risk-averse may avoid taking on necessary debt to expand their business, while another may engage in excessive borrowing without fully understanding the long-term consequences. Research into the psychological drivers of financial decision-making can help develop targeted interventions to improve financial behavior and decision-making among micro business owners.

Furthermore, the role of government policies and institutional support cannot be overlooked. While some governments in Southeast Asia have implemented programs aimed at improving financial inclusion and providing micro loans, more needs to be done to create an enabling environment for micro businesses. Policymakers should focus on simplifying the application process for micro loans, offering lower interest rates, and providing financial education and advisory services. Additionally, institutions such as microfinance organizations and development banks should be strengthened to ensure that they can effectively serve the

needs of micro businesses and provide the necessary financial resources for growth. Finally, addressing the financial management challenges faced by micro businesses requires a holistic approach that includes not only improving financial literacy and access to finance but also enhancing the overall business environment. This includes creating an ecosystem where micro businesses can access affordable credit, receive financial education, and leverage technology to streamline financial management. By doing so, micro businesses will be better equipped to overcome the financial hurdles they face and contribute to the region's long-term economic growth and development.

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