

## Financial Management Practices of Micro and Small Enterprises in Addis Ababa, Ethiopia

<sup>1</sup> Abenet Yohannes Hailu, <sup>2</sup> P Venkateswarlu

<sup>1</sup> Research Scholar, Department of Commerce and Management Studies Andhra University, Visakhapatnam, Andhra Pradesh, India.

<sup>2</sup> Professor, Department of Commerce and Management Studies, Andhra University, Visakhapatnam, Andhra Pradesh, India.

### Abstract

Ethiopia has been one of Africa's fastest growing economies over the last two decades. Micro and small enterprises (MSEs) play an important role in the economic growth in Ethiopia. SMEs contribute to economic development in various ways: by creating employment for rural and urban growing labour force, providing desirable sustainability and innovation in the economy as a whole. This study was done to determine the extent of financial management practices in Small and Medium Enterprises (SMEs) in Addis Ababa city administration. The objectives of the study were; to determine the extent of financial management employed by MSEs as to these dimensions: This study focuses on five practices of financial management: accounting information system, working capital management, financial reporting and analysis, fixed asset management, financial planning.

**Keywords:** Financial Management, Micro and Small Enterprises (MSEs)

### 1. Introduction

The importance of small and medium enterprise (SMEs) is a recently appreciated phenomenon. In both advanced and developing economies. SMEs are regarded as the "engines of growth" and key source of dynamism, innovation and flexibility" (OECD, 2010) [36] due to their large share within total Enterprise and significant contribution to real GDP growth, new job creation, and reduction of poverty. The main factor behind this vital role is the large share of these economic units among total businesses. SMEs form a large part of economy. Over 95% of all enterprise falls in Micro, Small or Medium business category. While over 50% of the private sector employment is supplied by SMEs in OECD countries (Lukace, 2005) [25]

Despite the fact that most of the enterprises in every economy are small or medium amounting to 99.9% in some developing countries, the focus on SMEs both among business circles and academia is interestingly quite novel. After a research studies indicating "a robust, positive relationship between the relative size of the small and medium sized enterprise and economic growth, even when controlling for other growth determinants (Adic, Mylenko, & Saltane, 2011; Beck, 2010) [5], small and medium companies started to attract a growing attention both from policy makers and scholars.

Since the Ethiopian People Revolutionary Democratic Front (EPRDF) led government introduced a series of economic reforms in 1992, the private sector in Ethiopia has rapidly grown in terms of the number of businesses, capital and employees. The number of private businesses and limited companies had quickly risen and the majorities are micro and small enterprises. (Alemayehu & Tadele, 2004) [2]. These micro and small enterprises has become an important contributor to Ethiopia's economy. The sector contributes to the national objective of creating employment opportunities, training entrepreneurs, generating income and providing a source of livelihood for the majority of low-income households

in the country and accounting for material amount of GDP (Eshetu and Mammo, 2009) [15].

Despite the positive outlook and growth trend of the sector, micro and small enterprises are faced with a number of challenges, including insufficient managerial skills, lack of trained personnel, poor access to financial resources, and low utilization of new technologies. Among these lack of an efficient and effective financial management system is a core problem area. (Feten, 2010). A majority of small and medium enterprises fail in their early years due to poor financial management, turning the dreams of many business owners and novice entrepreneurs in to nightmares (Karadag, 2015) [19]

As reported in a wealth of studies, most problems of SMEs have a financial nature (Jindrichovska, 2013) [18]. Particularly lack of financial management knowledge combined with uncertainty of the business environment often leads small and medium businesses to face serious problems regarding financial and overall performances, which can even threaten the survival of the enterprise. Financial management is the center of the overall management system in small business (Meredith, 1986) [33, 34] and the ineffectiveness and inefficiency of financial conduct can have detrimental effects on the longevity and performance of a small business or new venture. Profitability is one of the most important objectives of financial management because one goal of financial management is to maximize the owner's wealth (McMahon, 1995) [28]. Growth, profitability, cash flow for short-term are important for the survival of enterprises, while all these may at times be critical performance goals for organizations, the drive for profitability may be most important in smaller owner-operated firms. Financial management is one of the several functional areas of management but it is the center to the success of any business. According to Kawame (2010), careless financial management practices are the main cause of failure for SMEs in Ghana. Regardless, of whether an owner-manager or hired-manager, if

The financial decisions are wrong, profitability of the company will be adversely affected. Consequently, a SME's profitability could be damaged because of inefficient financial management. Most small and medium enterprises have often failed due to lack of knowledge of efficient financial management. Moreover, the uncertainty of the business environment causes SMEs to rely excessively on equity and maintain high liquidity and these financial characteristics affect profitability.

Inefficient financial management practices are assumed to prevail in micro and small businesses found in Ethiopia. To own knowledge, there has not been any research conducted in relation on financial management practice of MSEs in Ethiopia. This study is aimed at investigating the extent of financial management practices employed by MSEs as to these dimensions: accounting information systems, working capital management (cash management, accounts receivable management, inventory management practices), financial

reporting and analysis, fixed asset management practices, financial planning practices of the micro and small enterprises in Ethiopia are investigated.

Inefficient financial management may damage MSE's profitability and, as a result, the difficulties of MSEs will become greater. Conversely, efficient financial management will help business organizations to strengthen their profitability and, as a result, these difficulties can partly be overcome. This study is considered a contribution to improvement of financial management practices and profitability of SMEs in Ethiopia. It investigates financial management practices of MSEs

## 2. Literature Review

### 2.1. Definitions of MSEs in Ethiopia

According to the new Micro & Small Enterprises Development Strategy of Ethiopia (Fe MSED, 2011) the working definition of MSEs is based on capital and Labor. Table 1 demonstrates the definition of micro and small enterprise in Ethiopia.

**Table 1:** Definition of Micro and Small Enterprise (MSEs) Ethiopia

Enterprise level	Sector	Hired labor	Capital
Micro enterprise	Industry	≤ 5	≤ 100000(\$6000 or £4500)
	Service	≤ 5	≤ 50,000(\$3000 or £2200)
Small enterprise	Industry	6-30	≤ birr 1.5 million (\$9000 or £70000)
	Service	6-30	≤ birr 500,000(\$30000 or £ 23000)

### 2.2. Financial Management

Financial Management is an essential part of the economic activities which leads to decide the efficient procurement and utilization of finance with profitable manner. The main objective of this study is to find out the effect of financial management practice and characteristics on profitability of SMEs. Before reviewing the relations between financial management and firm's profitability, the concept of financial management needs to be clarified.

According to Paramasivan & Subramanian (2009) <sup>[37]</sup>, financial management is an integral part of overall management. It is concerned with the duties of the financial managers in the business firm. Financial Management deals with procurement of funds and their effective utilization in the business. Financial Management is mainly concerned with the effective funds management in the business. Financial management, sometimes called business finance, is the specialty area of finance concerned with financial decision-making within a business entity. Often, financial management is referred as corporate finance (Frank & Pamela, 2009) <sup>[16]</sup>. Financial managers are primarily concerned with investment decisions and financing decisions within business organizations, whether that organization is a sole proprietorship, a partnership, a limited liability company, a corporation, or a governmental entity.

Financial management means the management and control of money and money related operations within a business. Companies have finance departments that are responsible for these functions. The term "financial management" refers to the things the finance department do. These activities include keeping records, paying employees and vendors, receiving payments from customers, borrowing, purchasing assets, selling stock, paying dividends, and a numbers of others

(William, 2003) <sup>[42]</sup>. In the research about financial management and analysis, Fabozzi & Peterson (2003) bring out the definition of financial management. According to them, financial management sometimes called corporate finance or business finance, this area of finance is concerned primarily with financial decision-making within a business entity. Financial management decisions include maintaining cash balances, extending credit, acquiring other firms, borrowing from banks, and issuing stocks and bonds. Financial management is an integrated decision-making process concerned with acquiring, financing, and managing assets to accomplish some overall goal within a business entity. Other names for financial management include managerial finance, corporate finance, and business finance. Making financial decisions is an integral part of all forms and sizes of business organizations from small privately held firms to large publicly traded corporations. Virtually every decision that a business makes has financial implications. Thus, financial decisions are not limited to the chief executive officer (CEO) and a handful of finance specialists. Managers involved in many areas within an organization such as production, marketing, engineering, and human resources among others make or participate in financial decisions at least occasionally (Baker & Powell, 2005). However, according to Meredith (1986) <sup>[33, 34]</sup> financial management is concerned with all areas of management, which involve finance not only the sources, and uses of finance in the enterprises but also the financial implications of investment, production, marketing or personnel decisions and the total performance of the enterprise. English (1990) <sup>[14]</sup> argues financial management is concerned with what is going to happen in the future. Its purpose is to look for ways to maximize the effectiveness of financial resources.

### 2.3. Financial management practices

The strong points of financial management practices in the SME sector have long attracted the attention of researchers. Depending on different objectives, researchers emphasize different aspects of financial management practices.

McMahon, Holmes, Hutchinson and Forsaith (1993)<sup>[30, 31, 32]</sup> and McMahon (1998) summarize their review of financial management practices in Australia, the UK and the USA. Kieu (2001)<sup>[21, 22]</sup> and, Chung & Chuang (2010), have investigated the relationship between financial management practices and characteristics on SMEs profitability in Vietnam. In their review the context of financial management practices includes the following areas:

1. **Accounting information systems** – the nature and purpose of financial records, bookkeeping, cost accounting, and use of computers in financial record keeping and financial management
2. **Financial reporting and analysis** – the nature, frequency and purpose of financial reporting, auditing, analysis and interpretation of financial performance
3. **Working capital management** – non-financial and financial considerations in asset acquisition, quantitative techniques for capital project evaluation, investment hurdle rate determination and handling risk and uncertainty in this context
4. **Financial structure management** – financial leverage or gearing, accounting to lenders, knowledge of sources and uses of finance, non-financial and financial considerations in financial structure decisions and non-financial and financial considerations in profit distribution decisions
5. **Financial planning and control** – financial objectives and targets, cost-volume profit analysis, pricing, financial budgeting and control, and management responsibility centers
6. **Financial advice** – internal and external sources and types of financial advice and use of public accounting services
7. **Financial management expertise** – informal and formal education, training and experience in financial management, relevant qualifications, and overall financial management expertise.

However, the purpose of this study is not to cover all the contexts of financial management practices as indicated above but to review selected financial management practices that effect on or are related to SME profitability. These include accounting information systems, working capital management, financial reporting and analysis, fixed asset management, and financial planning. These five contexts are explained in detail in the following sections

#### 2.3.1. Accounting information systems

Accounting information system is the nature and purpose of financial records, bookkeeping, cost accounting, and use of computers in financial record keeping and financial management Kieu, (2001)<sup>[21, 22]</sup>and, Chung & Chuang (2010). AIS assist in the analysis of accounting information provided by the financial statements. Romney *et al* (2012)<sup>[39]</sup> purport that the biggest advantage of computer -based accounting information systems is that they automate and make more efficient reporting. Reporting is a major tool for organizations to accurately see summarized, timely information used for decision-making and financial reporting. McMahon (2001), for

example, suggested that financial accounting has remained the principle source of information for internal management in SMEs. Marriot & Marriot (2000)<sup>[26]</sup> also suggested that financial awareness among managers of SMEs varies considerably and that the use of computers for the preparation of management accounting information is not at its full potential. For computer software applications in accounting, Raymond and Magnenat-Thalmann (1982) conducted a survey of 129 small manufacturing businesses, whose number of employees totaled between 20 and 250 and sales varied from \$0.5 to \$ 25 million, in 1982. Another survey of 464 small businesses was carried out by Raymond in 1985 in the province of Quebec. Chen (1993) found that accounting still was the most important and widely software in the small business studied.

#### 2.3.2. Working capital management

Working capital management is important because of its effects on the firm's profitability and risk, and consequently its value (Smith, 1980). On the one hand, maintaining high inventory levels reduces the cost of possible interruptions in the production process or of loss of business due to the scarcity of products, reduces supply costs, and protects against price fluctuations, among other advantages (Blinder & Manccini, 1991)<sup>[6]</sup>. On the other, granting trade credit favors the firm's sales in various ways. Trade credit can act as an effective price cut (Brennan, Maksimovic & Zechner, 1988; Petersen & Rajan, 1997)<sup>[7]</sup>, incentivizes customers to acquire merchandise at times of low demand (Emery, 1987)<sup>[12]</sup>, allows customers to check that the merchandise they receive is as agreed (quantity and quality) and to ensure that the services contracted are carried out (Smith, 1987), and helps firms to strengthen long term relationships with their customers (Smith, 1999). However, firms that obtain more inventory and trade credit can have smaller profitability. Thus, if enterprises invest more in current assets, they will have the lower risk, but also obtain the lower profitability. In summary, working capital management practices have long attracted the attention of previous researchers. The main research areas related to these practices included cash, receivable and inventory management. Summarized in management practices and profitability have not been investigated. To date there almost are no tests of associations between working capital management practices and profitability.

#### 2.3.3. Financial reporting and analysis

Bookkeeping alone without preparing reports is likely not to be fundamental in aiding decision making unless proper reports are prepared and analyzed to attach a meaning so as to help decision makers. D'Amboise and Gasse (1980) studied the use of financial statement analysis by small manufacturers in Quebec, Canada and found that small manufacturers in shoe and plastic industries formally undertook the analyses based on financial statements and the findings revealed that manufacturing firms managerial decisions were largely based on the financial reports prepared.

Financial reporting is utilization of financial statements and associated information to facilitate managerial decisions, types of financial statements in use, statements useful to particular forms of business, techniques of financial analysis used (McMahon, 1991)<sup>[29]</sup>. As pertains to Financial Reporting

Analysis (FRA), recording and organizing the accounting information systems will not meet objectives unless reports from systems are analyzed and used for making managerial decisions. Financial statements usually provide the information required for planning and decision making. Information from financial statements can also be used as part of the evaluation, planning and decision making by making historical comparisons.

#### **2.3.4. Fixed asset management**

Capital budgeting (fixed assets management) is the process of identifying and selecting investments in long-lived assets, or asset expected to produce benefits over more than one year. Capital budgeting consists in planning development of available capital for the purpose of maximizing the long-term profitability of the concern (Fabozzi & Pamela, 2003). Unlike working capital decisions, capital budgeting decisions commit funds for a time period longer than one year and may have an impact of a company's strategic position within its industry... Capital budgeting decisions, also known as capital investment or capital expenditure decision, remain critical to the success of any firm. Brigham and Ehrhardt (2008)<sup>[8]</sup> argue that capital budgeting decisions are vital to a firm's financial well-being and are among the most important decisions that owners or managers of firms must make. Their rationale for that belief is that capital budgeting decisions often involve a significant capital outlay to acquire land, buildings, or equipment. Additionally, the acquisition of these assets often comes with long-lasting and recurring financial obligations. Thus, financial constraints such as loan payments, lease payments, or interest payments can create a financial hardship for firms that undertake a project whose expected stream of future cash flows does not materialize or is insufficient to provide the required return on investment. Given the importance of capital budgeting decisions, it is crucial that decision-makers understand how to evaluate projects correctly so that they can make informed decisions concerning which projects to accept and which projects to reject.

#### **2.3.5. Financial planning practices**

Financial Planning and Control, this includes financial objectives and targets, cost-volume-profit analysis, pricing, short term financial budgeting and control, and management of responsibility centers. Lakew and Rao (2013) find a significant positive relation between a profitability and financial planning practices of SMEs. McMahon (1998) examined financial planning and control including financial objectives and targets, cost-volume-profit analysis, pricing, financial budgeting and control, and managerial responsibility centers. Companies typically prepare a wide array of plans and budgets. Some of which include sales plan, production plan, cost plan and expense budget and budgeted income statement and balance sheet. These budgets are very important to anticipate the future in advance. This will in turn help to minimize risks and because of the tradeoff between risk and return, profitability increases. Therefore, preparing detailed financial plan or budgets will

have a positive effect on profitability of the firm (Horngreen, Datar & Foster, 2006)<sup>[17]</sup>.

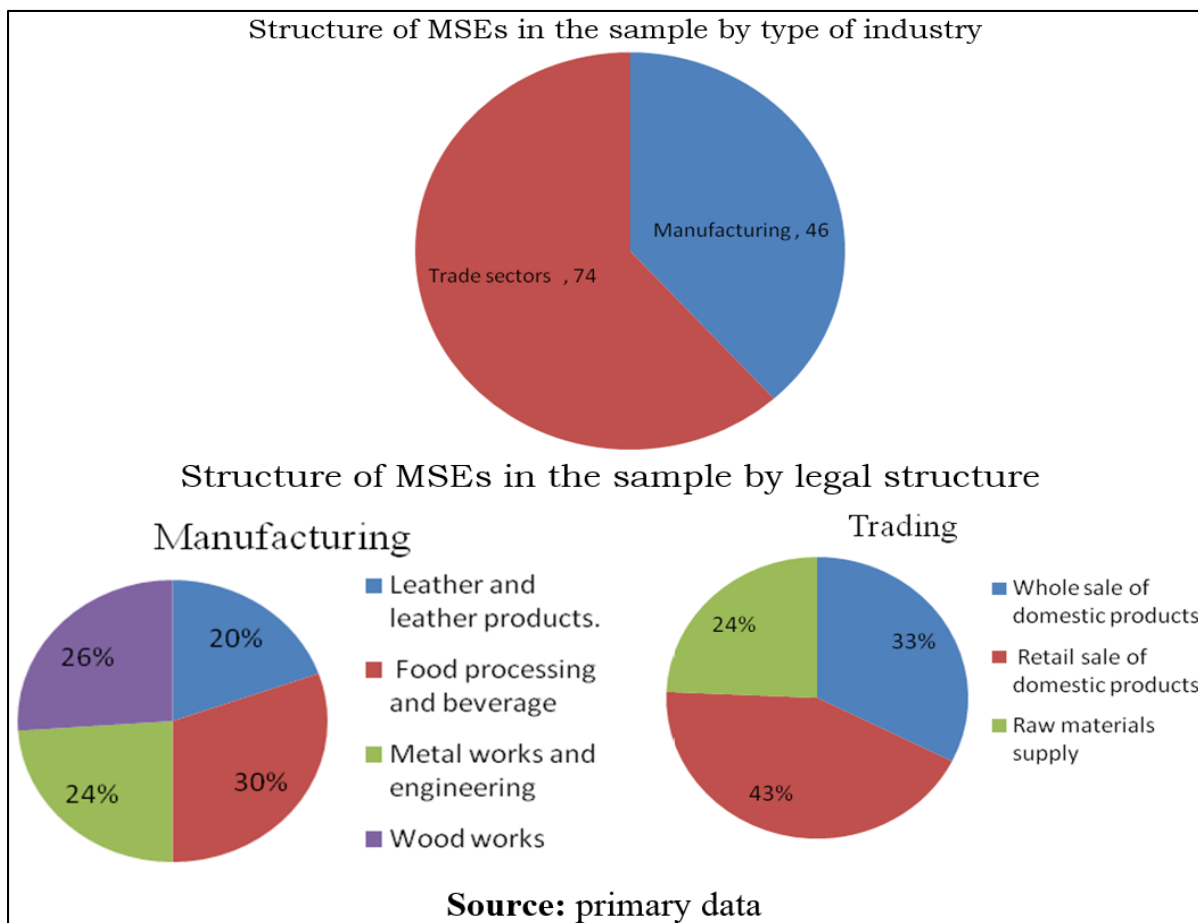
### **3. Methodology**

This research study is designed to describe financial management practices of micro and small enterprises in Addis Ababa Ethiopia. Thus, "descriptive" is viewed as an appropriate research type. Survey was chosen as a research technique in this study to investigate and describe financial management practices of small and medium enterprises in Ethiopia. Questionnaires were designed and directly delivered to companies to collect data related to financial management practices. To select sample size of 120 MSEs' Stratified sampling techniques is applied to select sample from target population. Gathered data are processed by computer and the Statistical Package for Social Science (SPSS version 20) is the main computer software utilized in data analysis. In term of data analysis, this study applies descriptive statistics. Descriptive statistical techniques are applied to describe characteristics of financial management practices of MSEs in the sample. A finding of this study is to be applied to increase efficiency of financial management practices and improve profitability of MSEs in Ethiopia.

This research study used the stratified sampling technique with the fraction of 60 to select the sample and the plan procedure for selecting sampling units was presented, in Table 4.1 Based on the list of businesses provided by the federal micro and small enterprise development agency (Fe MSED, 2014), 8,100 MSEs operating in Addis Ababa city administration consisting of 3,300 manufacturing (accounting for 41%) and 4,800 trading (accounting for 59 %). Using a random digit table, a sample of 300 MSEs was randomly selected from the list for personal interview aiming at obtaining a sample size of 135 MSEs as described by Table 4.1. Ten interviewers were recruited and trained to contact and interview MSEs selected. One hundred thirty eight of 300 MSEs contacted (a response rate of 46 percent) participated in the survey. After data editing, eighteen cases were not usable because of important data omission, and thus eliminated from the data set. As a result, a sample of 120 MSEs was used for data analysis in this study.

### **4. Findings**

Figure 1 reports the distribution of the sample of responding firms in terms of type of industry and legal structure. Sixty-two percent of businesses in the study sample are trading enterprises, 38 percent are manufacturing, while other industries are beyond the research study. Figure 1 also represents the business structure of manufacturing MSEs by legal structure of which 30 percent of businesses in the sample are food processing and beverage companies, 26 percent are wood work, 24 percent are metal works and engineering and, leather and leather products companies (20%). It also provides Sample distribution by legal structure within trading industry of which 43 percent businesses in the sample are Retail sale of domestic products, 33 percent are Whole sale of domestic products companies, and, 24 percent are engaged in raw material supply.



**Fig 1:** Structure of MSEs in the sample by type of industry and legal structure

**MSE characteristics**

Table 1 provides an insight/review of business characteristics of MSEs in the sample. Ninety-three percent of MSEs reported the age of the business as less than 6 years, only 7 percent

operating for more than 6 years. In term of size, 90 percent of businesses had not more than 20 employees and 68 percent had total assets less than 3 million ETB. Additionally, 88 percent of MSEs had annual sales less than 5 million ETB.

**Table 1:** Business characteristics of MSEs in the sample

		<b>No. of firms</b>	<b>Percentage</b>
Age of business	Less than 2 years	34	28%
	2 – 4 years	46	38%
	4 – 6 years	32	27%
	More than 6 years	8	7%
	Total	120	100%
Total assets	Less than 1 million ETB	28	23%
	1 to 3 million ETB	54	45%
	More than million 3 ETB	38	32%
	Total	120	100%
Labor	less than 5 employees	40	33%
	5 to 10 employees	54	45%
	10 to 20 employees	14	12%
	20 to 25 employees	8	7%
	More than 25 employees	4	3%
	Total	120	100%
Total sales	Less than 1 million ETB	29	24%
	1 – 3 million ETB	44	37%
	3 – 5 million ETB	32	27%
	More than 5 million ETB	14	12%
	Total	120	100%

Source: primary data

In summary, Table 1 indicates that most MSEs in Ethiopia are very young in term of number of business operating years and small in terms of total assets, number of employees, and annual sales compared with MSEs in other countries. The next section will consider whether these business characteristics of MSEs Affect financial characteristics and financial management practices.

**Descriptive findings of financial management practices**

**I. Accounting information system practices**

This section respectively presents descriptive findings of accounting information system practices of MSEs in the sample. All MSEs are found to have accounting information systems organized formally (Table 2).

**Table 2:** Characteristics of accounting system organization

		No. of firms	Percentage
Characteristics of accounting system organization	Formal	120	100%
	Informal	0	0
	Total	120	100%

Source: primary data

Regarding the responsibility for accounting information systems, Table 3 reveals that 85 percent of MSEs in the sample used an employed or in-house accountant to record business transactions whereas 2 percent used an external accountant and 3% the owner himself or herself. “Chief-accountant” was often used for the more complicated responsibilities, for example, 15 percent of MSEs required the chief accountant to prepare accounting reports whereas only 7 percent used the chief accountant in preparing accounting reports. For enterprise reporting, up to 43 percent of MSEs used the chief-accountant in interpreting and using the accounting information for decision-making. Additionally, 2 percent of respondents answered that they used external (or outside) accountants to record business transactions, prepare accounting reports or interpret accounting information. MSEs in Ethiopia appear to be unfamiliar with using external accountants in their

accounting information systems. This finding is similar to DeThomas and Fredenberger’s (1985) <sup>[11]</sup> findings in a survey of over 360 MSEs in Georgia (USA), which revealed that only 4 percent of responding firms used external accountants.

**Table 3:** Responsibility – Accounting information system

		No. of firms	Percentage
Recording business transactions	Owner	4	3%
	Manager	4	3%
	Chief-accountant	8	7%
	Employed accountant	102	85%
	External accountant	2	2%
	Total	120	100%
Preparing accounting reports	Owner	2	2%
	Manager	4	3%
	Chief-accountant	18	15%
	Employed accountant	94	78%
	External accountant	2	2%
	Total	120	100%
Interpreting and using accounting information	Owner	4	3%
	Manager	4	3%
	Chief-accountant	52	43%
	Employed accountant	59	49%
	External accountant	2	2%
	Total	120	100%

Source: primary data

In examining the application of computers in accounting information system, Table 4 shows that 50 percent of respondents “often”, 31.7 percent “always”, and only 1.7 percent “never” use computers in their accounting systems. However, while about 83.3% apply computers to the production of accounting reports, only a small percentage of MSEs in the sample apply computers to related fields such as payroll, cash flows, asset management and business transaction recording.

**Table 4:** Using computer in accounting information system

		No. of firms	Percentage
Frequency of computer application	Never	2	1.7%
	Rarely	8	6.7%
	Sometimes	12	10%
	Often	60	50%
	Always	38	31.7%
	Total	120	100%
Computer application	Recording business transactions	6	5.0%
	Preparing accounting reports	106	88.3%
	Managing assets	3	2.5%
	Controlling payroll	2	1.7%
	Controlling cash flows	2	1.7%
	Others	1	0.8%
	Total	120	100%

Source: primary data

After analyzing the results of respondent’s questions concerning accounting information system practices, the typical characteristics of accounting information systems of MSEs in the sample are summarized as follows:

All MSEs in a sample have systems of accounting information organized formally and employed accountants and chief-accountant still play an important role in carrying out most accounting responsibilities whereas external accountants have

not frequently been used. Meanwhile, most MSEs have applied computers to their accounting information systems and the most frequent application of computers is to prepare accounting reports.

## II. Financial reporting and analysis practices

Financial reporting and analysis practices of MSEs in the sample are respectively analyzed and presented in this subsection. The first finding is that over 91 percent of Mses Focus on two traditionally main types of financial statements, balance sheets and income statements, which are prepared regularly (Table 5). This demonstrates that MSEs strongly favor organizing financial information systems, which produce reports to help the owner/managers control financial position and performance of the business.

**Table 5:** Kinds of financial statements prepared

	No. of firms	Percentage
Balance sheet	110	91.7%
Income statement (Profit and loss statement)	116	96.7%
Statement of cash flows	78	65.0%
Statement of funds	66	55.0%

Source: primary data

Analyzing financial statements are frequently conducted with MSEs. About 70 percent of respondents have financial statements prepared and analyzed monthly, while only 3 percent of MSEs have analyzed financial statements annually (Table 6).

**Table 6:** Frequency of preparing and analyzing financial statements

		No. of firms	Percentage
Preparing financial statements	Monthly	83	69%
	Quarterly	16	13%
	Semiannually	7	12%
	Annually	14	6%
	Total	120	100%
Analyzing financial statements	Monthly	82	68%
	Quarterly	29	24%
	Semiannually	6	5%
	Annually	4	3%
	Total	120	100%

Source: primary data

Like accounting information system practices, responsibility for preparing and analyzing financial statements is often left to the chief-accountant and/or employed accountants (Table 7). Nineteen of 120 respondents (75%) reported that employed accountants were in charge of preparing financial statements

compared with nearly 2 percent of respondents who said that the owner or external accountants were responsible. This finding is similar to De Thomas and Fredenberger's (1985) <sup>[11]</sup> findings in the MSEs have rarely asked the external accountants to analyze and interpret financial statements.

**Table 7:** Responsibility – preparing and analyzing financial statements

		No. of firms	Percentage
Preparing financial statements	Owner	2	2%
	Manager	1	1%
	Chief-accountant	25	21%
	Employed accountant	90	75%
	External accountant	2	2%
	Total	120	100%
Analyzing financial statements	Owner	2	2%
	Manager	3	3%
	Chief-accountant	45	38%
	Employed accountant	63	53%
	External accountant	2	2%
	Never Do it	4	4%
	Total	120	100%

Source: primary data

When conducting financial analysis, more than half of the MSEs in the sample apply two types of financial analysis techniques (trend and ratio analysis), while only 5 percent answered that they have never applied any analysis technique. When asked what kinds of financial ratio they have ever used,

about 50 of respondents replied they have used the short-term debt ratio, current ratio, total asset turnover, and fixed asset turnover whereas only 9 percent used the long-term debt ratio (Table.8).

**Table 8:** Kinds of financial analysis and ratios used

		No. of firms	percentage
Kinds of financial analysis used	Ratio analysis	44	37%
	Trend analysis	8	7%
	Both ratio and trend analysis	66	55%
	Never	5	5%
Kinds of financial ratios used	Current ratio	58	48%
	Quick ratio	41	34%
	Debt ratio	50	42%
	Debt-to-equity ratio	44	37%
	Short-term debt ratio	66	55%
	Long-term debt ratio	11	9%
	Receivable turnover	76	63%
	Inventory turnover	74	62%
	Fixed asset turnover	54	45%
	Total asset turnover	64	53%
	Return on sales	36	30%
	Return on assets	26	22%
	Return on equity	22	18%

Source: primary data

In summary, after conducting the survey and data analysis, this study has provided insight into financial reporting and analysis practices of MSEs with empirical evidence from Ethiopia. Descriptive findings of financial reporting and analysis are summarized as follows:

About 95 percent of MSEs have frequently and regularly prepared and analyzed financial statements including balance sheets and income (profit and loss) statements. And about 70 percent) have prepared and analyzed their financial statements based on monthly periods. Nevertheless, about 5 percent of MSEs have never analyzed financial statements. It is also found out about a half of MSEs in the sample have frequently applied both trend and ratio analyses. At the same time the analysis shows Ratios of activity such as receivable turnover, inventory turnover, and total asset turnover are most frequently used, followed by ratios of liquidity and the least used are ratios of long-term debt, and profitability of sales, assets and equity.

### III. Cash management practices

As indicated in chapter 3, examination of cash management practices by previous researchers have mainly focused on examining areas such as cash budgets, cash balance and cash surplus or shortage. This subsection presents descriptive findings of cash management practices of the sample of 74 trading and 46 manufacturing MSEs in Ethiopia. Table.9 indicates 37 percent of respondents always prepare cash budgets, whereas about 6 percent never prepare the cash budgets. On the other hand, Table 9 reveals that 74 percent of MSEs prepare cash budgets monthly, 11 percent weekly, about 5 percent by quarterly periods and the balance prepares cash budgets by semiannually and annually periods. As such, the monthly period is most frequently used by MSEs in preparing cash budgets.

**Table 9:** Preparing cash budgets

		No. of firms	Percentage
Frequency of preparing cash budgets	Never	7	6%
	Rarely	6	5%
	Sometimes	16	13%
	Often	47	39%
	Always	44	37%
	Total	120	100%
Period for preparing cash budget	Never	8	7%
	Weekly	13	11%
	Monthly	89	74%
	Quarterly	6	5%
	Semiannually	2	2%
	Annually	2	2%
	Total	120	100%

Source: primary data

On cash balance determination, Table 10 reveals that only 14 percent of responding firms “often or always”, while about 41 percent “rarely or never” determine the target cash balance. This finding is consistent with the common trend that MSEs

rarely pay attention to setting up a cash-balance policy. Most MSEs simply consider cash-balance as the result of differences in cash inflows and outflows without any policies.

**Table 10:** Cash balance determination

		No. of firms	Percentage
Determining the target cash balance	Never	8	7%
	Rarely	37	31%
	Sometimes	58	48%
	Often	12	10%
	Always	5	4%
	Total	120	100%
Cash balance determination	Based on theories of cash management	2	2%
	Based on historical data	14	12%
	Based on owner/manger 's experience	101	84%
	No answer	2	2%
	Total	120	100%

Source: primary data

Additionally, Table 10 indicates that 84 percent of MSEs that often or always set up their cash balance policy were based on the owner/manger's experience in determining the target cash balance. Percentage of MSEs applying theories of cash management in determining the target cash balance is not significant. This reveals that theories of cash management have not been popularly implemented in practices in Ethiopia. For cash shortage phenomena, 22 percent of enterprises never

or rarely have been short of cash, only 3 percent of responding MSEs often or always have insufficient cash for expenditure (Table 11). Conversely, about 37 percent of MSEs in the sample reported that they have a surplus of cash "sometimes or often or always". This finding is consistent with Kack and Lindgren (1999), and Vuong Quan Hoang (1998) findings, which indicated SMEs in Vietnam seems likely to reserve cash and maintain relatively high current ratios

**Table 11:** Cash surplus or shortage

		No. of firms	Percentage
Occurring cash surplus	Never	6	5%
	Rarely	66	55%
	Sometimes	6	5%
	Often	38	32%
	Always	4	3%
	Total	120	100%
Occurring cash shortage	Never	11	9%
	Rarely	16	13%
	Sometimes	90	75%
	Often	2	2%
	Always	1	1%
	Total	120	100%
Cash surplus investment	Bank deposit	24	20%
	Treasury bill purchase		0
	No investment	89	75%
	Not cash surplus	7	5%
	Total	120	100%

Source: primary data

Regarding cash surplus investment, it is surprising that up to 75 percent of responding MSEs did not invest cash surplus for profit purposes. About 20 percent deposit cash surplus in bank accounts for interest and almost no firms used the cash surplus to invest in some other profitable areas (Table 11). This can be explained, because the money market in Ethiopia has not developed, therefore, firms could not use cash surplus to purchase short-term investment instruments for profit purposes. Below is a summary of descriptive findings related to cash management practices that MSEs in the sample: In general, about 76 percent of MSEs always or often prepare cash budgets, and preparing and reviewing cash budgets are frequently based on monthly periods. And Only 3 percent of responding MSEs always or often have shortage of cash while about 37 percent always or often have a surplus of cash. Nevertheless, only 20 percent of MSEs deposit their cash

surplus into bank accounts while up to 74 percent did not invest the temporarily cash surplus for profitable purposes.

#### IV. Receivable management practices

On receivable management practices, respondents were asked questions concerned with credit sales and policies, reviewing levels of receivables and bad debts, and percentage of bad debts compared with sales. Below are descriptive findings of receivable management practices of MSEs in the sample. Table 12 demonstrates 70 percent of respondents "always or often" sell their products or services on credit, only 8 percent "never" use credit sales. However, only 62 percent of MSEs which always or often sell products on credit answered that they "always or often" set up a credit policy for the customers. Eight percent never have credit policies for the customers but they tend to sell on credit to anyone who wishes to buy.

**Table 12:** Sales on credit and credit policies

		No. of firms	Percentage
Sell products or services on credit	Never	3	8%
	Rarely	6	9%
	Sometimes	17	23%
	Often	59	40%
	Always	35	20%
	Total	119	100%
Set up credit policy to the customers	Never	10	10%
	Rarely	13	11%
	Sometimes	23	17%
	Often	47	39%
	Always	28	23%
	Total	120	100%

Source: primary data

In reviewing receivable levels and bad debts, a relatively high percentage of MSEs (about 83%) in the sample review their receivable levels and bad debts based on monthly periods. However, 5 percent answered that they never review their bad debts (Table 13). As such, like cash management practices, monthly periods are still popularly used by MSEs in reviewing receivable levels and bad debts.

**Table 13:** Frequency of reviewing receivable levels and bad debts

		No. of firms	Percentage
Review levels of receivables	Weekly	13	11%
	Monthly	100	83%
	Quarterly	4	3%
	Annually	3	2%
	No answer	1	0.8%
	Total	120	100%
Review bad debts	Never	6	5%
	Weekly	8	7%
	Monthly	94	78%
	Quarterly	6	5%
	Semiannually	2	2%
	Annually	2	2%
	No answer	1	1%
	Total	120	100%

Source: primary data

**Table 15:** Frequency of reviewing inventory levels and preparing inventory budgets

		No. of firms	Percentage
Review inventory levels	Never	2	2%
	Rarely	7	6%
	Sometimes	8	7%
	Often	40	33%
	Always	62	52%
	Total	120	100%
Prepare inventory budgets	Never	7	6%
	Rarely	8	7%
	Sometimes	11	9%
	Often	41	34%
	Always	53	44%
	Total	2	100%

Source: primary data

When asked how they determined the level of inventory in preparing inventory budgets, 89 percent of responding firms answered they determine inventory level based on owner/manager's experience, only 2 percent used theories of inventory management (Table 16). On the other hand, MSEs

When analyzing the percentage of bad debts to sales, 91 percent of responding firms indicated that their bad debts have not exceeded 10 percent of sales (Table 14). This figure is not high under given conditions of financing source shortages and shows that MSEs are relatively good in managing receivables. However, a few MSEs answered that they did not know their percentage of bad debts to sales, and others did not answer this question.

**Table 14:** Percentage of bad debts compared to sales

		No. of firms	Percentage
Bad debt percentages	Less than 5 % of sales	54	45%
	5 -10% of sales	55	46%
	10 -20% of sales	8	7%
	More than 20% of sales	1	1%
	Don't know	1	1%
	Total	120	100%

Source: primary data

In general, descriptive findings of receivable management practices of MSEs in the sample revealed that 70 percent of MSEs always or often sell their products or services on credit and 62 percent always or often set up credit policies for the customers. However, there are still 10 percent of MSEs that tend to sell on credit to anyone who wishes to buy. And, Most MSEs review their levels of receivables and bad debts monthly. As a result, the percentage of bad debts is controllable and maintained at a relatively low level.

#### V. Inventory management practices

On inventory management practices, respondents were asked questions related to preparing and reviewing inventory budgets, determining inventory levels, and using the economic order quantity (EOQ) model. Below are descriptive findings of inventory management practices of MSEs in the sample. Table 15 shows a relatively high percentage (85%) of MSEs in the sample always or often review inventory levels and 78 percent always or often prepare inventory budgets. Only about 6 percent never prepare inventory budgets.

very rarely use the "Economic Order Quantity Model" in inventory management. About 87 percent of MSEs revealed that they had never known of the model, 7 percent know of it but never use it, while only 2 percent often used the model.

**Table 16:** Basis of determining inventory levels and using EOQ Model

		No. of firms	Percentage
Inventory level determination	Based on theories of inventory management	3	2%
	Based on historical data	5	7%
	Based on owner/management's experience	109	89%
	Others	3	2%
	Total	120	100%
Economic Order Quantity Model application	Do not know this model	104	87%
	Know but never use	9	7%
	Sometimes use	4	4%
	Often use	3	2%
	Total	120	100%

Source: primary data

Practices of inventory management as reviewed above demonstrate that MSEs have a very low level of management expertise regarding inventory. They often review inventory levels and prepare inventory budgets but the ability to applying theories of inventory management to inventory budgeting is very limited.

#### VI. Fixed asset management practices

On fixed asset management practices, respondents were asked questions related to frequency of evaluating investment projects and reviewing efficiency in use of fixed assets after investing, and methods used to evaluate an investment project. Below are the descriptive findings of fixed asset management

practices of MSEs in the sample. Seventy-seven percent of respondents claimed that they “always or often” evaluated projects before making capital investment decisions. However, there were also 7 percent respondents who claimed that they had made decisions on capital investment without project evaluation (Table 17). For these firms, it seems that they are not concerned about evaluating projects but are willing to buy fixed assets whenever needed. On the quality of utilizing fixed assets after investing, 76 percent of responding firms stated that they always or often review the efficiency of utilizing fixed assets after investing. Only about 6 percent have never reviewed fixed assets utilization after making decisions of investment.

**Table 17:** Frequency of evaluating investment projects and reviewing efficiency of using fixed assets after investing

		No. of firms	Percentage
Evaluate projects before making capital investment decisions	Never	8.4	7%
	Rarely	8.4	7%
	Sometimes	10.8	9%
	Often	25.2	21%
	Always	67.2	56%
	Total	120	100%
Review efficiency of using fixed assets after investing	Never	7.2	6%
	Rarely	9.6	8%
	Sometimes	13.2	11%
	Often	25.2	21%
	Always	64.8	54%
	Total	120	100%

Source: primary data

Regarding methods used to evaluate investment projects or capital budgeting techniques used by the firms in the sample, Table 18 shows the proportion of firms using the various techniques. Table 18 reveals that 84 percent of firms in the sample claimed to use the payback method, falling to 32 percent for discounted payback period. Only 18 percent stated that they use the more sophisticated discounted cash flows; that

is, the net present value (NPV), internal rate of return (IRR) and modified internal rate of return (MIRR). These results are similar to those of the studies conducted by Luama (1967), and Peel and Wilson (1996) in that payback period method are the most popular technique used by small firms while more sophisticated techniques such as NPV, IRR or MIRR seem to be less frequently used.

**Table 18:** Methods used to evaluate investment projects

		No. of firms	percentage
Methods used to evaluate investment projects	Payback period	101	84%
	Discounted payback period	38	32%
	Net present value	26	12%
	Internal rate of return	5	4%
	Modified internal rate of return	2	2%
	No answer	4	3%

Source: primary data

In summary, Descriptive findings of fixed asset management practices of a sample of MSEs in Ethiopia showed about 75 percent of MSEs always or often evaluate capital projects before making decisions on investment and review the efficiency of utilizing fixed assets after acquisitions and 84 percent of MSEs stated that they use payback period technique in capital budgeting; only 18 percent use the more sophisticated discounted cash flows; that is, the net present value (NPV), internal rate of return (IRR) and modified internal rate of return (MIRR). These findings reveal that MSEs have a relatively strong regard for fixed asset management.

### VII. Financial planning practices

To investigate financial planning practices, respondents were asked questions related to frequency of preparing and reviewing financial budgets, kinds of financial budgets prepared; responsibility for preparing financial budgets, and frequency of comparing budgeted and actual results. Listed below are the results of response to the questions that interviewers raised with MSEs in the sample. Table 19 reports the frequency of preparing financial budgets. In line with prior expectations, only 6 percent of MSEs in the sample “never”

prepare any kind of financial budgets. About half of MSEs in the sample (54%) “Always or often” prepared financial budgets during business operations. The remainder “rarely or sometimes” prepared budgets.

**Table 19:** Frequency of preparing and reviewing financial budgets

		No. of firms	Percentage
Preparing financial budgets	Never	7	6%
	Rarely	7	16%
	Sometimes	17	24%
	Often	48	30%
	Always	41	24%
	Total	120	100%

Source: primary data

Table 5.20 reports the percentages of MSEs in the sample that prepared types of budgets. One hundred two of 120 MSEs asked (85%) had prepared sales budgets, representing the highest percentage, while only 35 and 40 percent had ever prepared budget balance sheets and budget profit and loss statements respectively.

**Table 20:** Kinds of financial budgets prepared

		No. of firms	Percentage
Kinds of budget prepared	Sales budget	102	85%
	Manufacturing budget	38	32%
	Purchase budget	54	45%
	Labour budget	74	62%
	Overhead cost budget	70	58%
	Selling and administration expense budget	86	72%
	Cash budget	65	54%
	Budgeted profit and loss account	48	40%
	Budgeted balance sheet	42	35%

Source: primary data

It may be explained that MSEs in Ethiopia are unfamiliar with preparing budget balance sheets and income statements. In contrast, they are relatively familiar with preparing other kinds of budgets such as sales budgets, selling and administration expense budgets, labour budgets, overhead cost budgets, and cash budgets.

Regarding the responsibility for preparing financial budgets, Table 21 reveals that 60 percent of responding MSEs have employed or internal accountants prepare financial budgets, falling to 35 percent using chief-accountants and 16 percent using owners or managers. Once again, employed accountants are recognized as playing very important roles in financial management practices while external accountants are rarely used by MSEs (3).

**Table 21:** Responsibility – preparing financial budgets

		No. of firms	percentage
Responsibility for preparing budgets	Owner	19	16%
	Manager	8	7%
	Chief-accountant	42	35%
	Employed accountant	72	60%
	External accountant	4	3%

Source: primary data

In addition to preparing financial budgets, up to 84 percent of MSEs in the sample frequently compared between budget and actual results, only 3 percent rarely conduct this comparison (Table 22). Furthermore, budget periods for comparing budget

and actual results tend to be relatively short. Over seventy-four percent of MSEs carry out comparisons of budget/actual

results in monthly periods. This helps MSEs quickly to respond to in achieving budgeted objectives.

**Table 22:** Frequency of comparing between budgeted and actual results

		No. of firms	Percentage
Frequency of actual/budgeted comparison	Rarely	4	3%
	Sometimes	16	13%
	Often	38	32%
	Always	62	52%
	Total	120	100%
Periods of actual/budgeted comparison	Weekly	8	7%
	Monthly	89	74%
	Quarterly	14	12%
	Semiannually	5	4%
	Annually	4	3%
	Total	120	100%

Source: primary data

In summary, related to financial planning practices of MSEs in the sample, about (54%) of MSEs in the sample “Always or often” prepared financial budgets in the process of business operation. And, Types of budgets such as sales, selling and administration expenses, labour and cash budgets are prepared by a majority of MSEs whereas fewer MSEs prepare budget

balance sheets and income statements. The result also showed a majority of MSEs has employed accountants and chief-accountants prepare budgets whereas the number of MSEs using external accountants to prepare financial budgets is not significant. Finally, up to 84 percent of MSEs in the sample frequently compare budget and actual results monthly.

## 5. Conclusion

**Table 6.1:** Summary of conclusions related to financial management practices

Items	Conclusions
Accounting information system	<ol style="list-style-type: none"> <li>1) One hundred percent of MSEs have systems of accounting information organized formally.</li> <li>2) Employed accountants and chief-accountants play an important role in carrying out most accounting responsibilities whereas external accountants have been extensively engaged.</li> <li>3) Most MSEs have applied computers in their accounting information systems and the most frequent application of computers is preparing accounting reports.</li> </ol>
Financial reporting and analysis	<ol style="list-style-type: none"> <li>1) About 95 percent of MSEs have financial statements including balance sheets and income (profit and loss) statements prepared and analyzed frequently.</li> <li>2) Most MSEs (about 69 percent) prepare and analyze their financial statements based on the monthly periods. Nevertheless, about 5 percent of MSEs have never analyzed financial statements.</li> <li>3) In financial analysis, about 55% MSEs in the sample have frequently applied both trend and ratio analyses.</li> <li>4) Ratios of activity such as receivable turnover, inventory turnover, and total asset turnover are most frequently used, followed by ratios of liquidity and finally ratios of profitability.</li> </ol>
Working capital management	<ol style="list-style-type: none"> <li>1) In general, about 74 percent of MSEs always or often prepare and review cash budgets based on monthly periods.</li> <li>2) Only 3 percent of responding MSEs always or often face cash shortages for spending while about 35 percent always or often have a surplus of cash. Nevertheless, only 20 percent of MSEs deposit cash surpluses into bank accounts while up to 75 percent did not know how or where to invest the temporary cash surplus for profit.</li> <li>3) Eighty percent of MSEs always or often sell their products or services on credit and 62 percent always or often set up their credit policies for the customers. In addition, 10 percent of MSEs tend to sell on credit to anyone who wishes to buy, without reviews.</li> <li>4) Most MSEs review their levels of receivables and bad debts monthly. As a result, the percentage of bad debts is controllable and maintained at a relatively appropriate level.</li> <li>5) MSEs lack management knowledge. For example, although they often review inventory levels and prepare inventory budgets, the ability to apply theories of inventory management to inventory budgeting is limited.</li> </ol>
Fixed asset management	<ol style="list-style-type: none"> <li>1) About 77 percent of MSEs always or often evaluate capital projects before making decisions on investment and review the efficiency of utilizing fixed assets after acquisitions.</li> <li>2) Eighty-four percent of MSEs stated that they used payback period techniques in capital budgeting; only 18 percent use the more sophisticated discounted cash flows; that is, the net present value (NPV), internal rate of return (IRR) and modified internal rate of return (MIRR). These findings reveal SMEs</li> </ol>

	relatively strongly regard to fixed asset management although their knowledge of sophistication management is not so high.
Financial planning	<ol style="list-style-type: none"> <li>1) A majority of MSEs in the sample (54%) always or often prepares financial budgets in the process of business operation.</li> <li>2) Budgets such as sales, selling and administration expenses, labor and cash budgets are prepared by a majority of MSEs whereas few MSEs prepare the budgeted balance sheets and income statements.</li> <li>3) A majority of MSEs let employed accountants and chief-accountants prepare whereas few MSEs engage external accountants to prepare financial budgets. Up to 74 percent of MSEs in the sample frequently compare budgeted and actual results monthly.</li> </ol>

## 6. Recommendation

Based on the descriptive findings of financial management practices of MSEs in the survey, this study recommends the following issues to be considered by government policy-makers.

- Develop the financial market including both capital and money markets.
- Provide training programs in financial management skills for the owners and managers of business organizations.

## 7. References

1. Alemayehu Fentaw, Kefene Gurmu. Law of Traders and Business Organizations, Justice and Legal System Research Institute, Ethiopia, 2009.
2. Alemayehu ST, Tadele F. The Structure of the Ethiopian Economy - A SAM-based Characterization, a background paper for the Ethiopia Country Economic Memorandum: World Bank, "Ethiopia-A Strategy to Balance and Stimulate Growth" 2004.
3. Ardic O, Mylenko N, Saltan V. Small and medium enterprise a cross-country analysis with a new data set. World Bank policy research, 2001, 55-38.
4. Baker, Powell. Understanding Financial Management: A Practical Guide, Blackwell publishing, 2005.
5. Beck T. SME Finance: What Have We Learned and What Do We Need to Learn? The financial development report CCH Australia. 2010, 187-195.
6. Blinder AS, Maccini LJ. The Resurgence of Inventory Research: WhatHave We Learned? Journal of Economic Survey. 1991; 5:291-328.
7. Brennan M, Maksimovic V, Zechner J. Vendor financing, Journal of Finance, 1988; 43:1127-1141.
8. Brigham EF, Ehrhardt MC. Financial management: Theory and Practice. (1 st).Thomson Learning, 2008.
9. Chung SH, Chuang JH. The effect of financial management practices on profitability of small and medium enterprises in Veitnam, Meiho University, 2009.
10. DAmboise G, Gasse Y. Performance in small firms and utilization of formal management techniques, proceeding of the Joint National meeting TIMS/ORSA, Washington, 1980.
11. DeThomas AR, Fredenberger WB. Accounting needs of very small business, CPA Journal. 1985; 55(10):15-22.
12. Emery GW. An Optimal Financial Response to Variable Demand, Journal of Financial and Quantitative Analysis. 1987; 22:209-225.
13. Empire Government of Ethiopia, Commercial Code Proclamation No 166, Berhanena Selam Printing Enterprise, 1960.
14. English JW. Small Business Financial Management in Australia, Allen & Unwin, Sydney, 1990.
15. Eshetu B, Mammo M. Promoting micro, small and medium Enterprises (MSMEs) for sustainable ruralLivelihood. Development, Innovation and International Political Economy Research (DIIPER) Aalborg University, Denmark, DIIPER Research Series, Working, 2009, 11.
16. Fabozzi FJ, Pamela PD. Capital Markets, Financial Management, and Investment Management. Capital Markets, Financial Management, and Investment Management (1st ed). John Wiley & Sons, Inc., Hoboken, New Jersey, Canada, 2009.
17. Horngren CT, Datar SM, Foster G. Cost Accounting: A managerial Emphasis, 12th edition, USA, Prentice Hall 2006.
18. Jindrichovska I. Financial Management in SMEs. European Research Studies Journal. 2013; 16(4):79-96
19. Karadag H. Financial Management Challenges In Small And Medium-Sized Enterprises: A Strategic Management Approach, Emerging Markets Journal. 02/ 2015, 5(1).
20. Kasse. Access to finance and challenges of small and medium scale enterprise, addia Ababa University, master's thesis 2010.
21. Kieu MN. Financial Management and Profitability of SME in Vetinam, DBA thesis, Southern Cross University, Australia, 2001.
22. Kieu MN. Financial Management and Profitability of SME in Vetinam, DBA thesis, Southern Cross University, Australia Sydney, 2001.
23. Kwame B, Financial Management Practices of Small Firms in Ghana: An Empirical Study, 2010.
24. Lakew, Rao. Effect of Financial Management Practices and Characteristics on Profitability: A Study on Business Enterprises in Jimma Town, Ethiopia. National Monthly Refereed Journal Of Research In Commerce & Management. 2013; 2(5)
25. lukács e. The economic role of SMEs in the world economy, especially in Europe. European integration studies, 2005; 1(4):3-12.
26. Marriot N, Marriot P. Professional accountants and the development of a management accounting service for the small firm: Barriers and possibilities, Management Accounting Research, 2000; 11:475-492.
27. McDonald J, The determinants on firm profitability in Australia manufacturing, The Economic Record, 1999; 75(229):115-126.
28. McMahan RGP. Financial Management for Small Business, 2nd edition, 1995.
29. McMahan RGP, Holmes S. Small business financial management practices in North America: A literature review, Journal of Small Business Management, 1991, 19 -28.

30. McMahon RGP, Holmes S, Hutchinson PJ, Forsaith DM. Small Enterprise Financial Management: Theory and Practice, Harcourt Brace, 1993.
31. McMahon RGP, Holmes S, Hutchinson PJ, Forsaith DM. Small Enterprise Financial Management: Theory and Practice, Harcourt Brace, 1993.
32. McMahon RGP, Holmes S, Hutchinson PJ, Forsaith DM. Small Enterprise Financial Management: Theory and Practice, Harcourt Brace, Sydney, 1993.
33. Meredith GG. Financial Management of the Small Enterprise, McGraw- Hill, Sydney, New South Wales, 1986.
34. Meredith GG. Financial Management of the Small Enterprise, McGraw- Hill, Sydney, New South Wales, 1986.
35. Ministry of Trade and Industry, Micro and small enterprises Development strategy, Federal Democratic Republic of Ethiopia, 2011.
36. OECD. SMEs entrepreneurship and innovation. OECD studies on SMEs and entrepreneurship, Paris: OECD publishing 2010.
37. Paramasivan C, Subramanian T. Financial management (1st). New Age International (P) Ltd., Publishers, 2009.
38. Raymond L. Organizational characteristics and MIS success in the context of small business, MIS Quarterly, 1985; 9(1):37-52.
39. Romney, Marshall B, dan Steinbart, paul J. Accounting Information Systems. Global Edition. Twelfth Edition. England: Pearson Education Limited, 2012.
40. Smith K. Profitability versus Liquidity Tradeoffs in Working Capital Management, Readings on the Management of Working Capital, West Publishing Company, 1980; 549-562.
41. Vuong QH, SMEs to play a large role in private sector, Vietnam Investment, 1998.
42. William Petty Financial Management, Pearson Education Australia, 2003.