

WOLKITEUNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

ASSESMENT OF FINANCIAL MANAGEMENT PRACTICE IN SMALL SCALE ENTERPRISE (IN CASE OF WOLKITE TOWN)

A RESEARCH PAPER SUMBITED TO DEPARTEMENT OF MANAGEMENT FOR PARTIAL FULFILLMENT OF BA DEGREE IN MANAGEMENT

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ABSTRACT

This study is conducted on micro small enterprise in wolkite town. The research focus on identifying and clarifying the main problems associated with the financial management in micro and small enterprises. In order to achieve its objectives the researcher has targeted The researcher use sample survey because there are 39 employees in wolkite town MSEs. The primary data obtained from the owner of micro and small enterprise through observation and questioner. The data for study was analyzed qualitative and quantitative means of analysis. Finally the researcher made conclusion and recommendation was forwarded for raised problems. The study was able to bridge the gaps that were not covered by the previous studies since none of the studies had looked into financial management practice of MSE apply financial management practice and the weakness that were found out in their current operations hindering their efficiency in terms of profitability and business growth.

CHAPTER ONE

INTRODUCTION

1.1Back ground of the study

Financial management means planning, orgarinizsing directing and controlling the financial activity such as procurement and utilization of funds of enterprise. it means applying general management rules to finance report of enterprise. One of the greatest changes the need for financial management the 0verview of finance for the change may good to start getting a handle on a good picture financial activity. Business always assumes that the wader of the financial statement and other information in their financial reports are fairly knowledgeable about business in general and under start basic account terminology and measurement method in particular. Don't expect to find thirdly hand holding and helpful explanation in financial reports you need and realize that drafting a financial report yourself tasks a lot of accounting know how financial report is governed by stator and common law and it should be done according to ethical standard. Unfortunately, financial reporting sometimes falls short of both and ethical standard . those standard and requirement for accounting and financial reporting often charge(source) the price of dealing with those situation has been another step increase in the range and rabidity change in accounting and financial reporting standards and current rule and regulation (GREUNIG,2006).

Small scale industry is not being to contribute substantial economic development as they are needed particular because financial prods and marketing problems. this problems are still measure handicaps' to their development lack of adequate finance and credit has always been a measure problem of Ethiopia small business , small scale unit don't access to industries source of finance , partly because of their size and party because of fact that their surpluses. Which can be utilized to replay loan are negligible. Because of their size and because of the fact limited profit they search fund for investment purpose. Consequently, the approach money lender who change high rate of interest hence small scale enterprise find it difficult to get how material of good quality and at cheaper rates

in the field of production very often fail to produce goods in request quantity and goods of quality of low cost. Furthermore the technique for production which those enterprise have adopted are usually outdated, because of their poor financial position they not able to buy new equipment course quaintly, this productivity. Besides many entrepreneurs can hope to make their enterprise successful (hailin G/tisen 2013).

Ethiopia does not have national united registry of the enterprise . On the scale sector in full of pars until late 2004 the government is not particularly enters in the small scale sector and there are not attempt to quality its nature while the need for such date base has been emphasis by a no, of international agency. There is currently, however all classification system of enterprise by size of firm entry, survival and grow in rate of the first comprehensive efforts (fissile, 2006).

In SNNP regional state during the concluded statement of the problem budget year , the state micro and small scale enterprise agency, said, according to general manager of the enterprise financial management or small enterprise . those financial include prods, marketing and personal management each of their financial provide the enterprise with fund for purchasing inputs and for general expression (SNNP economic study project office(2005).

The objective of this research is to monitor the effect of the financial reporting system on informational delivery and user need. Extensive research in to the involving state of the arts in financial reporting by state and local government will provides the board with base of or evaluating the need to develop standard for financial reports intended for this medium.

1.2 Statement of the problem

The study concern on financial management micro and small enterprise are considered as one of the principal driving force in the Economic development of given country. They stimulate private ownership and entrepreneur skill. They are also flexible and can adapt to changing market demand supply situation. Further they are the main ground for the generation of employment opportunity. Besides their Growing contribution there are so many problems that affect their growth and expansion would include, there is no Effective financial management and continuous supply management of raw material for their input. Lack of initial capital, Lack of business development, Lack of access to market and Lack of row material, Delay of credit are some of them but, the main problem is financial management practice in the area so with presence of the above problem, it's very difficult for the sector to achieve their primary goal of including poverty for on employment micro and small enterprises supposed to be faced with the above listed problems (Varubare, 2009).

1.3 Research questions

Under this study the researcher will try to answer the following research questions.

1. What are the factor that affecting the financial management of micro and small scale enterprise in wolkite town?
2. What are the sufficient demands for the product of micro and small scale enterprise towards the attainment of their effective objective?
3. What are the challenges of the micro and small enterprise during financial management practice?

1.4 Objectives of the study

1.4.1 General objectives

The general objective of the study is to make an assessment of financial management practice in small scale enterprise in case of wolkite town.

1.4.2 Specific objectives

The study has also the following specific objectives

1. To identify the factor that affect financial management of micro and small scale enterprise in wolkite town.
2. To assess the sufficiency of demands for the product of micro and small scale enterprise towards the attainment of their effective objective.
3. To assess the main challenge for financial management practice in small scale enterprise in the town.

1.5 Significance of the study

The finding of the study will be significant in identifying the various problems of micro and small scale enterprise that hinder their growth.

- ✓ The researcher believes that the suggestion and recommendation of the study will help to the financial management practice of the sector.
- ✓ Provide valuable information for government practice of the micro and small scale enterprise.
- ✓ The finding of the study would be important to academics and researchers also who can use it as spring board researcher/studies

1.6 Scope of the study

The study would cover the assessment of financial management practice of micro and small scale enterprises in wolkite town encompassing are 58 small scale business enterprise. From this research will try to recognize only four those are UREM wood & metal product manufacturing, SHEMENE cement factory, REMA pool manufacturing and EDIGET BETSRET are selected because of they have long through their experiences

1.8. Organization of the Paper

The research paper contains three chapters the first chapter included, back ground of the study statement of the problem, objective of the study, significance of the study. Second chapter; review of literature; third chapter deal, with research methodology such as research design and approach, target population and sample size, data source and data analysis techniques .The fourth chapter deals about interpretation and data analysis and chapter five, covers about finding and recommendations.

CHAPTER TWO

2. LITERATURE REVIEW

2.1. INTRODUCTION

This chapter review work on MSEs in Ethiopia and other countries in general and Wolkite town in particular works on financial management practice were also reviewed. This is of help to under stared the state of MSEs and its determinants of financial management practices, this chapter comprises of six section this are definition of MSEs,the role of MSEs in poverty reduction, the MSEs sector in Ethiopia, the concept of business performance and financial management practice, empirical studies and conceptual framework.

2.2. Definition of Micro and Small Enterprises

The MSEs Sector everywhere is characterized by highly diversified activity which can create employment opportunity for substantial segment of the population. This implies that the sector quick remedy for UN employment and poverty problem. Realization of the modest standard of living through curbing UN employment and facilitating the environment for new top sackers and self- employment requires a direct involvement and support of the government and or other consideration [Emma I.et al-2009] this differ in their level of capitalization sales and employment hence definition that employee measure of size [number of employee, turn over ,profitability net worth etc.].When applied to a one sector could lead to all firms being classified as small, while the same size definition when applied a different could lead to different result. The absence of such uniform definition of MSEs has created difficulty.

[Tegene and Meheret 2010]. Argued that the absence of single that are globally applicable definition has made the task of accounting. The number of MSEs and assessing their impact extremely difficult decors count l lies through the national four most government to make .such definition categorization is mainly for durational and promotional purpose to achieve the disliked levels of development of sector .incondite nation industrial development organization UNIOU] gives alternative definition for

developing countries ,accordingly .it defines micro enterprise as business of firms with less than five employed small experience as the business of firm with 5-9 employed UNIDO,2002].the united state of America the small business act issued in 1953 started that small business in one which is independently owned and operated that ,number of employees and sales volume as guideline indenting small business [MAJOO-L.S AND Radroan N.S,2010.2.H].in the same countries ,a committee for economic development [GED]has explained that small business is characterized by at least two of the key features.

Management is independent [equally the managers are owners], capital is supplied and on individual or small group holds ownership and the area of operation is mainly local [works and owners are in one home country.

2.3 .Micro and small enterprises

Micro and small enterprises are considered are as one of the principal driving force in the economics development of the given country. They stimulated private ownership skills. They also flexible and can adopt quality to charging market demand and supply situation further; they are the main ground for the generation of employment opportunity. Besides their growth contribution, there are so many problems that affect their growth and expansion which included lack of access to market, lack of raw material, delay of credit and etc are some of them. But, the main problem is financial management practice in the area Micro and small business enterprises in wolkite town are also one of the enterprises supposed to be faced with the above listed problems.

2.4. Historical Background of SMEs in Ethiopia

Historical back ground of SMEs in Ethiopia is not the same with substantial economic development, as they need. Additionally, because of financial and market problems .these problems are still major handicaps to their development. Lack of adequate finance and credit has always been major problem of Ethiopia micro and small business. Micro and small business units do not access to industrial source of finance partly because of their size and because of the fact that their supplies ,which can be utilized to replay loan ,are negligible .the again because of the fact limited profit search fund of investment purpose

consequently ,the approach money leaders charge high rate of interest hence small scale enterprise find it difficult to get raw materials of quality and cheaper rates in field of production very often ,they do not get row materials in time.

As a result these enterprise, very often fail to produce goods in request quantity and good of quality of low cost. Furthermore, the techniques of production, which these micro and small enterprise have adapted, are usually outdated, because of their poor financial position they are not able to buy how equipment consequently their productivity suffer.

Ethiopia does not have national unified registry of enterprise sufficient data on the micro and small business sector of pans until late egos the government was not particularly interest in the small business sector and there were no attempt quality its nature while the need for such data base has been emphasized by a number of interracial agencies. There is currency to over all classification system of micro and small business enterprise by the size of the final entry survival and growth rate of the first comprehensive effort.

2.5 The role of SMEs in economic growth in Ethiopia

Economic growth in Ethiopia is widespread and remains a major challenge of substantial development and stabision (Lutheran world federation of Ethiopia, 2006 listed in Eshetu and Mamo, 2009). The role of micro and small enterprise is all about lack of basic needs, low or inadequate level of income and consumption, poor command over resource and height level of Social exclusion, in equality and vulnerability. The role played by MSEs, through the various social-economic benefit emanating for the sector was found to be eminent in the overall development effort and process of nation . In the other words, by generating larger volume of employment as well as higher level of income, the MSEs will not only have contributed towards economic growth reduction, but they will also have enhanced the well fare and standard of living of the many in the society (MUKRS, 2003). Current international thinking is in tune with a view that acknowledges MSEs as at owl to fight row economic grow in long none,

The economic grow reduction is simply not going to happen by government flat but only through private sector dynamism. The evidence directly linking MSEs and economic growth reduction is considered ably less robust than that linking them to economic

vitality, even in the most developed economics poverty production strategies (PRSs) currently being formulated in many developing countries place a more pronounced emphasis on the contribution that the private sector will have to make compared to the over reliance on the social a gender that characterized earlier PRSs (perumal K & prased , d;2-29). Paroling and a study conducted in urban centers of four western ashen courtiers namely BENIN, BURKINA FASO, NIGER and TOGO to indentify they factor shaping the micro enterprise sector, explore the needs, character. Motivation and success factors for micro entrepreneurship in the region, together with some of the impediment to the growth and success or micro enterprise vent users (ROY and wheeler, 2006;404)Roy and wheeler indicated the MSEs provide a substantial source of employment, there by contributing to get rid of poverty to the urban poor. According to them, the main reason for the urban poor to be absorbed in the MSEs in due to the fact that the formal sector does not the capacity to absorb this growing demand for jobs and for this reason may have to look for alternative means to generate a livelihood.

2.6. Conceptual overview of financial management

Financial management is one of several functional areas of management but its central to the success of any small business financial management is the management of finances of business in order to achieve the financial objectives of the business.

(McMahon, etc./19993) define financial management based on mobilizing and using source of funds: financial management is concerned with raising the funds between competing uses, and with ensuring that the funds are used effectively and efficiently in achieving the enterprise goal. The content of financial/ management practice include: - the following areas these are accounting information system, financing decision, and investing decisions. However, these previous researcher looked through into financial management. Financial management as used in this study in composed of live (J) contracts and these include; working management which is also subdivided into case management receivables management and inventory management other construct under financial management include; investment, financing, accounting information system and financial reporting and analysis Koss et al (1999) indicated three kinds of decision the financial manager of a firm must make in business.

2.7. Financial management practices in SMEs

Financial management is one of several functional areas of management but it is central to the success of any small business. Financial management it is the management of finances of a business in order to achieve the financial of the business. MC MAHON et al (1993) define financial management based on mobilizing and using sources of funds. Financial management is concerned raising the funds needed to finance the enterprises assets and activities the allocation of this score funds between competing uses, and with enduring that the funds are used effectively and efficiently in achieving the enterprise goal. The context of financial management practices includes the following areas accounting information systems financing decision, investing decision. However, the previous researchers looked through into financial management. They did not include other key areas like working capital management which would include accounts receivable, inventory, cash management account payable management. (Meredith, 1986).

Financial management as used in this study as composed of five (5) construct these includes working management which is also subdivide into cash management, receivable management and inventory management other constructs under financial management includes; investment, financing, accounting information system and financial reporting and analysis . ROSSET AT (1992) indicate three kinds of decision , the financial manager of a firm must make in business ; there include the financing decision , and decision involving short term finance and concerned with the net working capital , investment and financial reporting . Similarly Ang (1992) also indicated three main financial decisions including the investment decisions and divided decision.

Small companies frequently suffer from a particular financial position problem of a lack a capital base. Small business are usually managed by their owners and a viable capital is limited to access to equity market and in the early stages of their existence owners find it difficult in building up revenue reserves if the owner manger are to survive. Rosset al, (1992)

2.8 challenges of financial management in SMEs

Financial challenges: as in most developing economics financial difficulties are very common for most of the SSMEs in due to in collateral personal and financial statement related problems in utilizing bank loans and low level of equity, SME credits are still at a low level of around 25% which is an important factor behind the low technological capacity and less modernized production facilities of SMEs. Alternative source of finance such as angles investors, credit guarantee funds and venture capital companies are sufficient and most of the time increasable, for SMEs , in Ethiopia in additional to that background and knowledge level of SMEs owners play an important role financial problems of SMEs as most SMEs owners/ manager comes from a technical or engineering back ground, their knowledge about finance and accounting is most costs is significantly limited. That most SMEs owner/managers refrain from hiring professional finance managers for not delegating their “managerial power” which causes their financial problems to growth and even threaten the survival of their enterprise.

CHAPTER THREE

3. Research Methodology

This study is based on principles of a case study research method with the assessment of finance management practice to the expansion of small business enterprise.

3.1 Research Design and Approach

Since the main purpose of this study would be make an assessment on the financial management practice to the expansion of small business enterprise, the researcher will be used descriptive way of research design and followed by qualitative and quantitative approach.

3.2 Target population and Sample size

The target population of the study would be micro and small scale enterprises of wolkite town. There are 58 micro and small scale enterprises in the town among those 4 micro and small scale enterprises purposively selected, which have a total population of 39 employees were taken as a sample to gather tangible information concerning to financial management practice small scale business and current financial management practice.

Table 1: sample size

S.NO	Name of MSE	Number of employee	
1.	Urem wood and metal manufacturing	7	
2.	Rema pool product manufacturing	11	
3.	Shemene cement factory	18	
4.	Edget bestret furniture	3	
	Total	39	

3.3. Sampling techniques

The sampling technique the researcher used to carry out this study is stratified random sampling based on the basis of their experience and the volume of worker. The main reason for using stratified random sampling is small and micro enterprise of Wolkite four has different income, budget and sector under its supervision from all the micro and small enterprise the researcher would take 4 samples from 58 micro and small scale enterprise in Wolkite town .as indicate the above four micro and small scale enterprise purposely selected due to having large number of employee and work experience.

3.4 Data source and data collecting tools

The study has used both primary and secondary data. Primary data source of the study would collect from employee by questioners. The secondary also collected from official documents

3.5 Data analysis techniques

The responses which obtain from the questionnaires would be edited, analyzed and presented through percentage and table. The descriptive methods would be employed to describe the result that would be obtained. Participant response to all items in the questionnaires would be organized into groups according to their frequency. Then the response was tabulated and described in terms of their frequency and percentage.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4. Introduction

This chapter deals with analysis, presentation and interpretation of data collected through questionnaire and interview from Wolkite Town concerning with financial management. For this study the questionnaires were distributed for 39 in micro and small scale enterprise employee at wolkite town.

Table 4.1 Characteristics of respondents by sex, age, education level marital status.

Item		No of respondents	Percentage (%)
Sex	Male	28	72
	Female	11	38
	Total	39	100%
Age	18-25	18	46
	26-30	13	33
	31-40	5	13
	Above 40	3	8
	Total	39	100%
Level of education	Diploma	9	23
	Degree	5	13
	Primary	14	36
	Secondary	11	28
	Total	39	100%
Marital status	Married	13	33
	Single	19	49
	Divorced	7	18

	Total	39	100%

(Source own survey, 2011)

From the above table it has been shown that from the total of respondents about sex distribution 72% were male and 28% of the respondent were females. Therefore, it implies that the majority of the employees in micro and small enterprise were male. Regarding to age distribution from above table it shows that 46% of the respondents are in the age of 18-25 years, 33% of the respondents are in the age of 26-30 years, 13% of the respondents were in the age of 31-40 years,8% of respondents were above the age of 40. Therefore the majority that engages in micro and small scall enterprise were in the age of 18-25 years.

On the other education level the above table shows that 23% of respondents were diploma holders, 13% of respondents were degree holders, 36% of the respondents were primary education, and 28% of respondents were secondary. From these the majority percent engage micro and small enterprise were primary education.

The above table 4.1shows 33% that engage micro and small scale enterprise were married, 49 % were single and 18% were divorce. From these the researcher concludes that the majority engages in micro and small enterprise was single.

4.2. Financial management

Table 4.2 SME resource are used in effective and efficient manner

Question	Items	Response	Frequency	Percentage
No. 1	Do you believe that you SME resource are used in effective and efficient manner	Yes	8	21%
		No	31	79%
		Total	39	100%

(Source own survey, 2011)

As shown in the above table 21%, of the respondents the micro and small scale enterprises were use their resource in effective and efficient manner and 79% of respondent were use their resource effective and efficient manner.

Table 4.3. Major factors that hindered the MSE resource to use in effective and efficient manner

Question	Items	Response	Frequency	Percentage
NO.2	If your answer for question no1 is No what is the major factor which hindered your micro to use its resource?	Shortage of skilled man power	13	33.33%
		Lack of good training	8	20.51%
		Lack of modern machinery	10	25.64%
		Lack of financial management system	8	20.51%
		Total	39	100%

(Source own survey, 2011)

The study reveals that (33.33%) of the total respondents responded that the major factor is lack of skilled man power ,20.51%the respondents said that lack of good training and lack of financial management system and the other 25.64% of the total respondents responded that lack of modern machinery due to shortage of capital. From this we can conclude that there are different major factor which hindered the micro and small scale enterprises resource to use ineffective and efficient manner .among this shortage of

skilled man power is the major factors one to shortage of analysis their financial management practice.

Table4.4. Sufficient marketing opportunity

Question	Items	Response	Frequency	Percentage
No.3	Do your micro and small scale enterprises have sufficient marketing opportunity?	Yes	13	33.33%
		No	26	66.66%
		Total	39	100%

(Source own survey, 2011)

As show in the above table 66.66% of the respondent said that there is no sufficient marketing opportunity and 33.33% of the total respondents said there is sufficient opportunity. From this it is clear that the micro and small scale have no sufficient marketing opportunity.

Table4.5. Major factors that makes insufficient marketing opportunity

Question	Items	Response	frequency	Percentage
No.4	If your answer for question No 3 is no would you explain the major factor	Remoteness from the center	14	35.89%
		Shortage of their stores in central marketing	11	28.20 %
		Shortage of facility to send their product	9	23.07%
		Quality of their products	5	12.82%
		Total	39	100%

(Source own survey 2011)

According to the result observed from table, 35.89% of the total respondents are said remoteness from the center, 28.20% of them said shorted of their stores in central

marketing , 23.07% of the total respondent responded shortage of facility to send their product to the market and 12.82% are said quality problem of their products. This shows the major factors which makes insufficient marketing opportunity is remoteness from the center, shortage of store in central marketing and shortage of facility to send their products to the central market.

Table 4.6 .Mechanism used to identify factors that affect financial management

Question	Items	Response	Frequency	Percentage
NO.1	Is there any mechanism used to your MSE to identify the factor that affect financial management practice	Yes	28	71.79%
		No	11	28.20%
		Total	39	100%

(Source own survey, 2011)

From the above table 4.6 shows that 71.79 %of respondents were there is mechanism used to identify factors that affect financial management practice, 28.20 %of respondents were there is no mechanism used to identify factors that affect financial management practice. So the researcher concluded that were there is mechanism used to identify factors that affect financial management practice.

Table 4.7. The availability of financial document

Question	Items	Response	Frequency	percentage
NO .1	Does your micro and small scale enterprise have all financial documents?	Yes	8	21%
		Not	31	79%
		Total	39	100%

(Source own survey, 2011)

As shown in the above table 21%, of the respondents said that the micro and small scale enterprise have full financial documents even if they have not well used on it and the remaining 79% respondents said that these micro and small scale enterprises do not have

material or full financial documents. This shows as a shareholder or members have not given attention to manage its business through financial management systems.

Table 4.8. The economic benefits of micro and small scale enterprises it is well know that micro and small scale enterprises do have economic benefits to its member as well as to the general community. Table below indicate the economic advantage of micro and small scale enterprise to its members.

Table 4.8. The availability of financial document

Question	Items	Response	Frequency	Percentage
NO .2	Does being a member has economic advantage	Yes	35	89.74%
		Not	4	10.25%
		Total	39	100%

Source own survey, 2011

Total shows 89.74%of respondents agree that micro and small scale enterprise can benefit successfully the economic performance of respondents out of the total percents respondents also agree that setting up MSE in their area can bring them income generation. economic advantage of saving habits and source of investment . This implies MSE have vital advantage of upgrade the position respondents about the important of MSE in promoting the economic performance of citizen.

Table4.9. Income level of respondents after join to MS enterprise

Question	Items	Response	Percentage
NO .3	Very good	10	25.64
	Good	28	71.79
	No change	1	2.56
	Total	39	100%

(Source own survey, 2011)

As indicated in the above table, 25.64% of the respondents state that there is very good level of income increment after joining to this activity beside this, 71.79% of the

respondent conclude that their level of income increment is good after joining to this enterprise and 2.56 respondent said that there is no differs in their level of income after joining to this enterprises.

Table 4.10. The role of MSE creating Employment opportunity.

Category	No of respondent	Percentage
High	16	41
Medium	21	54
Low	2	5
Total	39	100%

(Source own survey 2011)

As indicated the above table 41% respondent are respondent to high employment opportunity of MSE, beside this 54% of respondent are response to medium employment opportunity of MSE, and 7% of response low employment opportunity in MSE . In general micro and small scale enterprises are medium opportunity for employment.

Table 4.11.Information about adequate financial management

Question	Items	Response	Frequency	percentage
NO.1	Do you get adequate financial management Information on time?	Yes	10	25.64%
		No	29	74.35%
		Total	39	100%

(Source own survey, 2011)

Based on this table 10(25.64%) of the total respondent responded that micro and small scale enterprises have get an adequate financial management information on time and 29(74.35%) responded as they have not gate an adequate financial management information on time. As we can see from the above table the greater percentage of the respondent answer shows us they have no good activities on giving services of financial management information on time.

Table4.12 Problem related to lack of financial management information

Question	Items	Response	frequency	percentage
No.2	If your answer for question no 1 is no would you please discuses briefly the problem for you lack FMI?	Shortage of skilled man power	21	53.84%
		Shortage of funds	10	25,64%
		Lack of support from government	8	20.51%
		Total	39	100%

(Source own survey, 2011)

According to the above table (table 4) out of the total respondent 53.84% replied that as the micro and small scale enterprises has shortage of skilled man power, 25.64% of the respondent responded that shortage funds and 20.51% of the respondents said there is a problem of lack of support from government office .as we can see from the above table the respondents who said "no" suggest that due to shortage skilled man power of especially who have good training on financial management. Shortage of funds to cover all over activity of financial cloth and report ,lack of government support like training and awareness creation on benefit of financial management practice.

Table 4.13. How to follow financial management

Question	Items	Response	Frequency	Percentage
No. 3	Does your micro and small scale enterprises have followed the financial management system and cloths its finance on time	Yes	7	18%
		No	32	82%
		Total	39	100%

(Source own survey, 2011)

As shows in the above table 82% of the respondents said that there have no monthly cloths their financial and 18% of the total respondents said that there have follow and cloths their financial activities. From this it is clear that the micro and small scale have no follow the financial management system and have no cloth their financial on time.

Table 14. Problem related to lack of monthly cloths financial activities

Question	Items	Response	Frequency	Percentage
No .4	If your answer for question no 3 is would you identify the main problem	Lack of knowledge about financial	10	25.64%
		Shortage of training	26	66.66%
		Lack of support from government	3	7.69
		Total	39	100%

(Source own survey, 2011)

As shown on the above table (table 6) out of the total respondent 66.66% replied that as the micro and small enterprises has lack of knowledge about financial , 25.64% of the respondents responded that shortage of training about how to cloth financial activity and 7.69% of the respondents said there is a problem of lack of support from government office. As we can see from the above table the respondents who said "NO "suggest that due to lack of knowledge about financial especially who have good training financial management practice , shortage of training how to follow financial activity, lack of government support like experience sharing and awareness on profit of financial management practice.

CHAPTER FIVE

FINDING, CONCLUSION AND RECOMMENDATION

5.1. Finding

The finding of the study was identifying the various problems of micro and small enterprises that hinder their growth in wolkite town.

The study was able to bridge the gaps that were not covered by the previous studies since none of the studies had looked into financial management practice of MSE apply financial management practice and the weakness that were found out in their current operations hindering their efficiency in terms of profitability and business growth.

5.2. Conclusion

The concluding point in relation to the data from the case in wolkite town which has been analyzed and interpreted below

- Conclusion drawn from the research indicated that major of the micro and small scale enterprise do not prepare financial reports as a result of poor records keeping, fear of exposing the business to danger if business information is made public , high cost associated with financial reporting and lack of education on the importance of financial reporting to the business. This therefore, affects the ability of micro and small enterprise in access financial assistance both from the government and private institutions and in most cases a major cause of business failure.
- The research further revealed high level of illiteracy, in terms of basic financial record keeping and financial reporting, on the part of small business owners.

5.3. Recommendation

The government and the owners of small scale enterprises are recommended to do the following in order to develop small scale enterprises and to bring promising contribution to the economic development of the town by small scale enterprises.

- Due to the immense contribution of small scale enterprises to the socio economic development of the country much attention should be given to proper financial reporting procedures in small scale enterprises.
- The government of Ethiopia is doing a lot to promote and sustain small business in the country yet little is done in terms of financial management especially financial reporting. it is the best way that the government of Ethiopia , through its revenue collection agency in collaboration with different supporting bodies financial reporting education and training for the small business owner and help prepare their financial reports at a minimal fee if not for fee.
- The financial institution should adjust their policy towards small scale enterprise and make the financial environment conducive for easy accessibility of funds to small scale-enterprise.
- It is better if government should give awareness oriented information about financial management.
- The financial institutions should adjust their policy towards small scale-industries and make the financial environment conducive for easy accessibility of funds to

  Small scale-industry

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WOLKITE UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

Questionnaire (papered to collect data from micro and small enterprise in Wolkite town

Dear Respondents

These questionnaires are used to obtain information to carry out research on financial management practice, micro and small enterprise in Wolkite. The research work is used for the fulfillment of BA Degree in Management. Therefore, you are honest and accuracy on responding to all items of the questionnaires is very important to determine the validity to this research.

Direction

Read the following question carefully and answer them by circling the right and write your opinion for question with open ended (Don't write your name)

Part One Demographic Information

- Sex : male ☐ female ☐
- Age: 18-25 ☐ 26-30 ☐ 31-40 ☐ above 40 ☐
- Level of education:

  Diploma ☐ degree ☐ master ☐ PHD ☐

- Marital status: married ☐ single ☐ divorce ☐

Questionnaires Related to the study

Part One:- To identify the factor that affect financial management of micro and small scale enterprise in Wolkite town.

1. Do you believe that your MSE resources are used in effective and efficient manner?

   1. Yes ☐ B. no ☐

2. If your answer for question number 1 is no, what is the major factors which hindered your MSE to use its resources

   ……

   ……

   _____

3.Do your micro and small scale enterprises have sufficient marketing?

   1. Yes ☐ B. no ☐

4. If your answer for question number 3 is no, would explain the major factors?

   2. _____

      _____

      _____

5. Is there Any Mechanism used to your MSE to identify the factor hat affect financial Management practice?

   A. yes ☐ B. No ☐

Part Two: - To assess the sufficient demands for the product of micro and small scale enterprise towards the attainment of their effective objective.

1. Does your micro and small scale enterprise have all financial documents related to their demand?

   A. Yes ☐ B. no ☐

2. If your answer is yes in question 1 Mention, the types of these documents

_____

_____

3. Does being a member of MSE have an economic advantage?

A. Yes ☐ B. No ☐

4. Indicate your income level after join the MSE?

Very good ☐ good ☐ no change ☐

5. The role of MSE in creating employment opportunity

High ☐ medium ☐ low ☐

Part Three: - To assess the main challenge for financial management practice in small scale enterprise in the town.

1. Do you get adequate financial management information on time?

A. Yes ☐ B. No ☐

2.If your answer for question number 1 is No, please discuss briefly the problem for you crack financial management information?

_____

_____

____

3. Does your micro and small scale enterprise have followed the financial management system and close its finance on time?

A. Yes ☐ B. no ☐

4. If your answer for question number 4 is no, will you identify the main problem for it?

_____

_____