Finansal Yönetim Uygulamalarinin Mikro ve Küçük İşletmelerin Büyüme ve Gelişmeleri Üzerine Etkisi. (Addis Ketema Belediyesi, Addis Ababa, Etiyopya)

Celal Hakan KAĞNICIOĞLU [1], Seyfedin Mohammed SEYFEDIN [2]

Özet

Yapılan çalışmalar finans eksikliğinin gelişmekte olan ülkelerde Mikro ve Küçük İşletmeler'in (MKİ) en baskın kısıtı olduğunu göstermektedir. Bu nedenle, finansal kaynakların yönetimi küçük işletmelerin gelişimi için kritik öneme sahiptir. Bu çalışma finansal yönetim uygulamalarının MKI'lerin büyümesi ve gelişmesi üzerindeki etkisini değerlendirmeyi amaçlamıştır. Veriler, 146 MKİ sahibinden anket yoluyla elde edilmiştir. Olasılık dışı bir örnekleme tekniği olan kolayda örneklem yöntemi kullanılmıştır. Veri toplandıktan sonra, *Betimsel* ve *Açıklayıcı* bir veri analizi yöntemi uygulanmıştır. Buna göre, finansal yönetim ile büyüme ve gelişme arasında güçlü bir ilişki bulunmasına rağmen, MKİ'lerin performansını güçlü bir şekilde etkileyen zayıf finansal yönetim uygulaması gözlenmiştir.

Anahtar Kelimeler: MKİ, Finansal Yönetim, Büyüme ve Gelişme

The Impact of Financial Management Practices on Growth and Development of Micro and Small Enterprise. (The Case of Addis Ketema Sub-City, Addis Ababa, Ethiopia)

Abstract

According to the studies, lack of finance is the most dominant constraint of MSEs in developing countries. Hence, management of financial resource is critical for small business development. This study aimed in assessing the impact of financial management practice on growth and development of MSEs. Survey data was obtained from 146 MSE owners through questioner. Sample units were selected using convenience sampling method. Once data is collected, a *Descriptive* and *Explanatory* method of data analysis was implemented. Accordingly, despite strong relationship found between financial management and growth & development, poor financial management practice which strongly affect performance of MSEs was observed.

Keywords: MSE, Financial Management, Growth & Development

---

[1] Prof. Dr., Anadolu Üniversitesi, chkagnic@anadolu.edu.tr

[2] Seyfedin_m@yahoo.com

INTRODUCTION

Many of the developing world, with their huge number of unemployed populations and poor economic conditions, development of micro and small enterprises (*MSE*s) is essential. These *MSE*s takes the lion share business format of developing economies and hence has been identified as major support and development assistances areas by various stakeholders (Carl and Donald, 1998, p, 134-136). Over the past few years, *MSE*s stared to play an important role providing solutions to major contemporary developmental problems. This was because of several factors but mainly due to a cumulative wealth of experiences and evaluations of a great variety of promotional efforts and projects. Researches done previously in this area exhibits that the effectiveness of micro-level efforts can be improved by addressing sectoral/regional and macro-economic factors. Thus, there is a greater disposition to consider the wider policy framework for *MSE*s development (Stewart *et al.,* 1990 cited in Helmsing and Kolstee, 1993).

Although this, start-up and development of such businesses has never been easy. In spite of the fact that relatively low capital is required to start up and develop *MSE*s, businesses path towards finding the capital needed, which is the epicentre problem of most developing countries, is full of obstacles. This factor usually plays the main role in discouraging entrepreneurs and thereby hampering the development of *MSE*s. (Sargent and Young, 1998: cited in Gashahun, 2004, p. 13). In fact, among other reasons, lack of financial support from various financial institutions, which has attributed to the underdevelopment of *MSE*s can be better manifested in their minimal contributions to the overall economy. (Thorsten and Demirguc k., 2006, p 2935). In addition, (Chittenden et al., 1999, Broembsen, 2003 & Hashim and Wafa, 2002: cited in Solomon T. 2017 p. 19-20) stated that, the main reason for the failure of small businesses resides in their poor financial management applications. (Gaskill and Van Auken, 1993, 18-31) added that, most of the prominent problems that are causing small businesses failures in US and UK is related with internal problems like insufficient capital, poor working capital management and inadequate long-term financing, poor cash flow management, inventory control and generally absence of sound financial management practices. Also, according to (Tushabomwe K, 2006, p. 27-35), the main reason for Poor performance of small businesses in Africa is absence of well managed recordkeeping system and owners/ managers lack basic business management skills like inventory management, financial management, human resource management and marketing). This leads in to a complex and confusing work environment where tracing appropriate cost and profit of the business becomes difficult. Given these, the possibility of business failure due to lack of sound financial management practices became a serious issue that seeks special attentions. Hence, we can consider financial management as success or failure factor of a business depending on how well it is carried on.

Finance and related issues are considered as a heartbeat with in most of business enterprises. Over the years, there has been a significant increase in government efforts to promote the financing of businesses by initiating policies which help small and medium scale businesses to source funds for business operations. While trying to define financial

management, (Massie, 1986: cited in Svetlana S & Svetlana S. 2016 p. 50-51) put financial management as a tool that help businesses to effectively and efficiently utilize business operations through modulating the acquisition of assets necessary. (Brealey, 2008: cited in Svetlana S & Svetlana S. 2016 p. 50-51) see financial management as a long-term process to best utilize funds available for best achievement of business objectives. As for (Howard & Upton, 1953) financial management is an application of general managerial principles to the area of financial decision-making. It focuses and highlights the use of information systems like financial management records and reports as a foundation for financial management (Barrow, 1988: cited in Regina G. 2012 p. 1905).

Business owners need to have good know how of financial management activities like working capital management, budgeting and financial planning to help them make the right decision when it comes to financial issues that affect the overall performance of their business. Inability of performing these functions properly has the capacity that leads to the failure of not only small businesses, but it can have a worldwide effect as witnessed in 2007s global financial crisis (Osisioma, 2010, p. 159). Similarly, careless or poor execution of financial management practice has been identified as one of the root causes for small business failures (McMahon and Holmes, 1991; p 19-29).

Taking all these importance of financial management practices in to account, this study, therefore, would like to see the current financial management practice situation of MSEs located in *Addis ketema* sub city of *Addis Ababa, Ethiopia*. Literatures show the existence of strong relationship between various financial management practices and growth and development of small businesses. Hence, the study would like also to measure the magnitude, relationship and effect that financial management practice has on the growth and development of MSEs located in this sub city.

In this context, this study has identified three crucial variables that were closely monitored to see their influence on MSEs growth and development. These are, overall financial management approach, financial management skill and financial data usage and application.

Methods and materials

This section discusses procedures and activities under taken, focusing on the study's research design, questionnaire design, data collection, sampling strategy, data processing and analysis and instrument development.

Research Design

"Research design is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data" (Kothari C.R. 2004: p. 31). Taking this, the researcher has used a descriptive and explanatory research method to best conduct the study. The use of Descriptive type of research was aimed to understand the current situation of MSEs in relation with financial management practice and applications. Whereas the major purpose of using explanatory research was in order to estimate & explain the various relationship that exist between variables that affect the growth and development of MSEs. Thus, using these research designs, the study

describes and critically assesses the impact of financial management practices on growth and development of MSEs. Moreover, in this study, a quantitative approach, that addresses research objectives through empirical assessments involving numerical measurement and analysis, of doing research was employed.

To realize the study target, the study used well-designed questionnaire as best instrument to collect the necessary data required. The questioner was designed first in English language but was translated in to Amharic language (which is the national language of Ethiopia) and strictly forwarded to the owners or managers of the micro and small business enterprises. The reason behind choosing business owners or managers is the assumption that, business owners or managers have an overall view of the business including, but not limited to, the financial area of the business and that they usually are directly responsible for financial decisions in MSEs. The questionnaire collected data from MSEs owners/ managers through physically addressing them.

The questionnaire was developed by taking in to consideration research problem the study wants to address supported by literature reviews made. The data instrument used by the study was structured and closed questionnaire. 13 close ended questions were developed to avoid complexity for respondents and ease coding that follows data collection process. These close ended questioners involve demographic and business-related sections which are multiple choice and dichotomous in nature. In addition, a Likert scale, which is the most widely used approach, questioner was designed. It measures financial management practice application rates of MSE business owners/ managers. The Likert scale consisted four sections which are: general financial management approach section (policies, rules and regulations, recording, reporting, follow ups and work in capital management), financial management skill section (training, financial management knowhow, professional service), financial data usage and application (Fund sourcing, planning sales, budgeting, investment decision, control mechanism, AIS) and growth and development (performance) sections. In doing this, A test of reliability measurement called "Cronbach Alpha" is applied to measure if the instrument used provides consistent result. Accordingly, a 0.939 reliability result which is nearly always acceptable result is obtained for the instrument used.

Sampling strategy and procedures

The target population area selected for this study was Addis Ketema sub-*city.* It is one of the 10 sub cities found in Addis Ababa city. The purpose of choosing this area, among others, is mainly due its proximity and convenience nature of the population for the researcher to collect the necessary data for the study.

MSEs in this sub-city are engaged in different developmental oriented sectors which include textile and garment, construction, food processing, cobble stone, metal and wood works, municipal services, urban agriculture, and others. Among these sectors, the researcher confined the target population for the study in to: textile and garment, food processing and metal and wood work sectors. The reason behind drawing this sampling frame lies on, first, these three sectors take the lion share of micro and small businesses operating in the sub city, absorbing significant number of operators, which helped the

researcher to easily access and collect the data required. Second, some of the sectors are so minimal and are widely distributed throughout the sub city that makes accessibility difficult (Tegegne and Meheret (2010:36-37).

Determination of sample size usually depends on the nature of the population to be sampled. Here in this study, the total population of this study is 896 enterprises which is a finite population. It includes food processing (375), textile and garment (314) and wood and metal work (207) according to Addis Ababa city up to August 2015 (AAMSEDA, 2015). Taking this in to account, the researcher used the commonly preferred and frequently used approach of determining the sample size necessary by specifying the precision of estimation desired (C.R. Kothari 2004 p. 175- 180).

Hence, the following formula was implemented taking the researchers interest to estimate a sample size with 95 percent confidence level ($z^{\propto}$/2=1.75 from z-distribution table) and accepted 7 percent tolerable error (e). In addition, the researcher used the most conservative sample size i.e.: 50 percent success proportion (p) and hence estimation proportion of failure will be (q=1-p). Then, substituting this value in formula:

$$n = \frac{z^2.N.p.q}{(N-1)e^2 + z^2.p.q}$$

Where, n = sample size required

N = number of population = 896

p = estimated success proportion = 50%

q = estimated failure proportion = 50%

e = margin of error = 7%

Z = confidence level = 1.96 for 95% confidence

Hence, Applying the formula:

$$n = \frac{1.96^2.896.0.5.0.5}{(896-1)0.07^2 + 1.96^2.0.5.0.5}$$

n= 160.96 $\approx$ **161**

Since the above sample size is more than 5% of the total population and that samples are taken once without replacement in addition to over or under estimation, the researcher wants to check its objectivity by applying the concept of finite population correction factor (formula) as follows:

$$N = (\ (z \propto/2)2\ pq)/e^2) \times \sqrt{\frac{N-n}{N-1}}$$

$$= 161 \times \sqrt{\frac{896-161}{896-1}}$$

$$= 145.9 \approx 146$$

Therefore, as shown in table 1 here below, 146 MSEs were selected proportionally from the total population according to size of each stratum. Then the sample units from each sub sector were taken using a non-probability sampling method called convenience method.

Table 1 MSE Sample size to be taken

MSE Sector	Total Number	Percentage %	Sample Units
Food processing	375	42	61
Textile and garment	314	35	51
Wood and metal work	207	23	34
Total	896	100	146

Data analysis and presentation

Once the raw data is collected through the questionnaire, quantitative methods of data analysis is used. A descriptive statistical analysis method was used first followed by inferential analysis. In descriptive analysis, data obtained via the questionnaire were tallied and frequencies, percentages, mean, median and standard deviation values were applied and presented. In addition, according to (Abdulah R. 2010 p. 465) the following performance grading criteria, in table 2 here below, was applied to Likert scale questions forwarded.

Table 2 Performance grading criteria

Performance Grading	Criteria		
	Mean	Median	Cumulative
High	3.6 & Above	4 & 5	80% & Above
Acceptable	2.6 - 3.6	3	60% - 80%
Improvement required	less than 2.6	1 & 2	Less than 60%

Source: *Abdulah R. (2010)*

On the other hand, according to (Zikmund et al ,2010 P 415), inferential statistics help us to deduce the characteristics that exists between various variables from the data through providing various tools of analyzing the relationship among them i.e. how several independent variables might explain the variance in a dependent variable. Hence, this study employed Pearson correlation, which is used to show the association among

variables (dependent and independent) and regression analyses is used to explain the relationship between variables. In our context, it is implemented to examine the impact relationship among three independent variables with MSEs growth and development in terms of employment growth, market share and profit growth. The researcher used statistical analysis program called statistical package for the social sciences SPSS in applying the above-mentioned methods.

Variable measurement

This section specifically deals with as to why the researcher took certain variables than others in order to determine or analyze the impact of financial management practices on MSEs.

Dependent variable

The study used MSEs growth and development measured in terms of profits, market and number of employee's growth as the dependent variable. This is according to (Walker and Brown (2004) cited in Tiruneh 2011 p. 13), although there are various measurement tools for growth, traditional measures of business performance have been based on employee numbers or financial performance, such as profit and market share.

Independent variables

The study took financial management approach, financial management skill and financial data usage and application as an independent variable. This is, according to (Solomon T., 2014, P 19-20) among the important activities that affect financial performance are, the availability financial management control and reporting mechanism. Meanwhile, (Savina & Saksonova 2016, p. 50-51) states that, in order for businesses to achieve their goals, financial management practices of planning, implementation, control and management decision-making activities are crucial. In addition, according to (Irena Jindrichovska I. 2013, p. 79) a business will never be successful in the long term if it does not have the right policies, rules and regulations for activities like liquidity management and cash flow management, funding and capital structure while finding a way of systematic approach and comprehend the use of modern financial instruments and technologies. On the other hand, (Yusnidah I 2000, p. 284) states that lack of application of some essential financial management tools constrain the firm's through having a wrong concept and assumption of 'return', 'wealth', 'profit' and generally the business performance. Plus, absence of deep and real financial management skills in small businesses hampers the growth and development of these businesses in a sustainable way. Similarly, according to Hatten (2006, p. 218) the laxity, negligence and lack of attention to financial management practices by business owners is that usually tend to become deadly at the end of the day.

Model specification

The regression model to associate and identify the impact of financial management approach, financial management skill and financial data usage and application on MSE

growth and development (growth in profit, market share and employment) use linear regression model as presented below:

$$\Delta Y_i = a + \beta_i X_i + \epsilon$$

Growth & Development in (profit, market share & employment growth) =

$$a + \beta 1 X_1 + \beta 2 X_2 + \beta 3 X_3$$

Where by β1, β2, β3 and x1, x2, x3 were represent parameters of estimation of coefficient financial management approach, financial management skill and financial data usage and application respectively, while *a* and € were the constant and error terms for variables, respectively. ΔY_i was also growth and development of MSE measured in profit, market share and employment growth.

Results of the study

Data was collected from business owners or managers of MSEs found in the sub city. One hundred forty-six (146) questionnaires were distributed across the three sectors found in the sub-city, out of which 139 were completed and retrieved successfully, representing 95% response rate.

General financial management approach of MSEs

The table 3 below presents the descriptive results of general financial management approach of MSEs from the sample of respondents of textile and garment, food processing and metal and wood works.

Table 3 General financial management approach of MSEs

General financial management application	Never Applied	Not Applied	Somewhat Applied	Applied	Strictly Applied	Median	Mean	Std. Deviation
MSEs degree of giving the required attention for financial management	16.40%	28.10%	37%	10.30%	3.40%	3	2.54	1.016
MSEs degree of having financial management rules and regulations	13.7%	35.60%	28.10%	17.80%	0.00%	2	2.53	0.958
MSEs degree of observing finance rules with in the business	11.00%	54.80%	23.30%	6.20%	0.00%	2	2.26	0.745

MSEs degree of developing sound financial policy using financial information	7.50%	43.20%	27.40%	15.80%	1.40%	2	2.58	0.908
MSEs degree of recording financial transaction activity	13.70%	35.60%	38.40%	7.50%	0.00%	2	2.42	0.833
MSEs degree of developing and applying financial reporting mechanism	0.00%	43.20%	36.30%	15.80%	0.00%	3	2.71	0.735
MSEs degree of following up and managing working capital	2.70%	48.60%	35.60%	8.20%	0.00%	2	2.52	0.695

Source: Sample Survey

The survey conducted regarding financial management approach showed that, those MSEs that give the required attention for financial management activities were found to be low (13.7%). Also, MSEs that have financial management rules and regulations were limited with 17.8% of application. In addition, only 6.2% of MSEs were found observing finance rules with in the business. Whereas, there was only 17.2% them that have developed sound financial policy using financial information. Another important aspect of financial management was, recording financial transaction activity where, 45.9% of them were found. Developing and applying financial reporting mechanism & degree of following up and managing working capital were also found both limited with 15.8% and 8.2% respectively.

Financial management skill and related factors of MSEs

Poor execution of financial management practice has been identified as one of the root causes for small business failures (McMahon and Holmes, 1991; p 19-29). Depending on this, the study has identified financial management skill as a crucial factor that affects the financial management practice of MSEs thereby affecting growth development. As a

result, financial management skill related questions were forwarded to the respondents and results of were disclosed in table here below.

Table 4 Financial management skill related factors of MSEs

Financial Management Skill related factors	Never Applied	Not Applied	Somewhat Applied	Applied	Strictly Applied	Median	Mean	Std. Deviation
MSEs degree of using a skilled manpower in finance area to manage finances	3.40%	40.40%	27.40%	21.90%	2.10%	3	2.78	0.917
MSEs degree of using professional financial service from external institutions	3.40%	28.10%	55.50%	8.20%	0.00%	3	2.72	0.671
MSEs degree of engaging in financial management skill development activities	17.1%	61.60%	9.60%	6.8%	0.00%	2	2.06	0.754

Source: Sample Survey (2018)

Results of survey regarding financial management skill related factors of MSE showed that, only 24% MSEs use a skilled manpower in finance area to manage finances. Meanwhile, only 8.2% of MSEs were found to use professional financial service from external institutions. In addition, financial management skill development activities were limited to 6%.

Financial data usage and application of MSEs

Financial data is generated from businesses day to day transactions. These generated data's, once analyzed properly, serve as a primary input for reviewing and measuring current financial performance of businesses thereby helping business owners or decision makers to draw various future course of actions necessary. MSEs were presented with some of the essential financial management tools and asked to evaluate the usage extent of these tools for managing their finances in the table 5 here below.

Table 5 Financial data usage and application of MSEs

Financial data usage and application of MSEs	Never Applied	Not Applied	Somewhat Applied	Applied	Strictly Applied	Median	Mean	Std. Deviation
MSEs degree of using financial data for fund sourcing	23.3%	45.20%	12.3%	13%	1.4%	2	2.2	1.009
MSEs degree of use financial data for planning sales and expenditure	0.00%	67.80%	27.40%	0.00%	0.00%	2	2.29	.454
MSEs degree of using financial data as a control mechanism of financial status of the business	4.80%	63.00%	17.80%	9.60%	0.00%	2	2.34	.728
MSEs degree of using financial data for budgeting activity	6.20%	68.50%	14.40%	6.20%	0.00%	2	2.22	.657
MSEs degree of using financial data for managing cash payables and receivables	6.80%	57.50%	19.90%	11.00%	0.00%	2	2.37	.782
MSEs degree of using financial data for long term investment decisions	0.00%	67.80%	26.00%	1.40%	0.00%	2	2.01	.577
MSEs degree of using accounting information system	15.1%	63.70%	16.4%	0.00%	0.00%	2	2.3	.491

Source: Sample Survey (2018)

Business were only limited to 9.6% while, using financial data for budgeting activity is also limited to 6.2%. In addition, the study found that 64.3% of MSEs do not use financial data for managing cash payables and receivables and that 67.8% of MSEs also do not use financial data for long term investment decisions. This is including 78.8% of MSEs who do not implement accounting information system in their businesses.

Pearson's product moment correlation coefficient

According to (Kothari, 2010, p. 139), Pearson's product moment correlation coefficient is the most widely used method of measuring how strong variables are related to one another keeping one is dependent and the other is independent. The table 6 below indicates that the correlation coefficients for the relationships between performance and its independent variables are linear and positive ranging from moderate to strong correlation coefficients.

Table 6 The correlation of performance (growth & development) with financial management approach, skill & usage and application in MSEs

		Financial Management Approach	*Financial Management Skill*	*Financial data usage and application*	Performance (Growth and development)
Performance (Growth and Development)	Pearson Correlation	.788**	.759**	.768**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	139	139	139	139

**. Correlation is significant at the 0.01 level (2-tailed).

Source: *Sample Survey (2018)*

The result indicated above in table 6 reveals the existence of a strong positive relationship between performance (growth and development) and financial management usage and application (r = 0.768, P < 0.01) which means it is statistically significant at 99% confidence level. This implies at 1% level of significance, it was shown that financial management usage and application is strongly associated with the performance of MSEs in Addis Ketema sub-city. Similarly, a strong positive correlation was observed between financial management skill and performance (r = 0.759, P < 0.01) at 99% confidence level. Hence, financial management skill is also significantly related with growth and development of MSEs. Moreover, a remarkably strong positive relationship was found between financial management attitude and performance with (r = 0.788, P < 0.01) which is also significant at 99% confidence level.

Regression analysis

In this section the result of multiple regression analysis was presented. In Multiple regression, determination of the degree to which multiple explanatory variables explain the variance in dependent (explained) variable.

Table 7 Regress financial management approach, skill & data usage and application of MSE as independent variable on performance (growth & development) as dependent variable.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.854[a]	.729	.723	.20303

a. Predictors: (Constant), *Financial Management Approach, Financial Management Skill, Financial Data usage and application*

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta	T	Sig.	Tolerance	VIF
1 (Constant)	.877	.094		9.289	.000		
Financial Management Approach	.232	.056	.343	4.159	.000	.295	3.388
Financial Management Skill	.132	.048	.222	2.760	.004	.310	3.224
Financial Data Usage and Application	.342	.059	.378	5.835	.000	.478	2.094

a. Dependent variable: *Performance (Growth & Development)*

Source: *Sample Survey (2018)*

Table 7 above reveals the estimates of the multiple regression of performance against its variables for the sample of 146 operators. The multi collinearity test value, which measures the degree of relationship between independent variables, shown in the variance inflation factor VIF reveals that the relationship between the independent

variables is acceptable since it has a value less than 7 and at the same time, tolerance values are >0.1. In addition, the result shows that all variables are significant with value < 0.05. Given these, the correlation between the observed value of performance and the optimal linear combination of the independent variables (Financial management approach, Skill & Data usage and application factors) is 0.854, as indicated by multiple R. Besides, given the R Square value of 0.729 and adjusted R square value of 0.723, it may be realized that 72.3% of the variation in performance can be explained by the independent variables. The remaining 27.7 % of the variance is explained by other variables not included in this study. The unstandardized coefficients B column gives us the coefficients of the independent variables in the regression equation including all the predictor variables as indicated below.

Predicted performance score = .877 + .232 (F.M Approach) + .0132 (F.M Skill) +

.342 (F.M data usage and application)

Table 7 above further shows that; the standardized beta coefficient column shows the contribution that an individual variable makes to the model. The beta weight is the average amount the dependent variable increases when the independent variable increases by one standard deviation (all other independent variables are held constant). As these are standardized, where metric dilemmas are avoided, they can be compared easily. Thus, the highest influence on the performance of MSEs is from the financial management data usage and application (.378) followed by financial management approach factor (0.343). On the other hand, financial management skill with the beta value of .132 is the poorest predictor of performance when it is compared with the other explanatory variables under study.

Discussion of the results

Taking the above results in to consideration, MSEs approach towards financial management activities like financial transaction recording, finance policy with in the business, observing finance rules and regulations and others were found unsatisfactory. Keeping their strong association with the dependent variable, growth and development, the existence of poor performance in these areas has strongly affected growth and development of MSEs. In other words, MSEs in *Addis Ketema* sub-city of Addis Ababa has poor approach towards financial management activities which significantly affected its performance. That is, there is a notable gap in management and administration activities of finance, which are important part and parcel of overall management. This can be attributed to various factors, including but not limited to, lack of proper understanding about financial management, negligence of these administrative activities, owners reluctance to adopt financial management and lack of motivation to change traditional way of doing business. Reaffirming this result, Hatten (2006, P. 218) stated that, it is laxity, negligence and lack of attention to financial management practices by business owners that usually tend to have negative implications on the performance of the business at the end of the day.

Results of survey regarding financial management skill factors of MSEs located in Addis Ketema Sub-city of Addis Ababa showed, the presence of a wide gap in using skilled manpower that handles the financial management activities, where neither skilled financial manager were allocated with in the business nor external professional financial service providers were approached to handle their finance. This implies the existence of high possibility, for MSEs, to inefficiently manage financial resources which are limited by their nature and scarce in developing countries. It can also be inferred that financial management in these MSEs is usually run by "common sense". This poor financial management skill performance therefore has a negative impact towards growth and development of MSEs. In relation to this, (Yusnidah I 2000, P284) was also mentioned that absence of deep and real financial management skills in small businesses hampers the growth and development of these businesses in a sustainable way.

The other important aspect shown in the study was, the degree of financial management data usage and application. The study showed the presence of strong association between development of MSEs and financial management data usage and application variables. In addition, the magnitude of impact, financial management usage and application exerts, on growth and development is significant. Keeping this, the usage and application of financial data for planning sales and expenditure, fund raising, finance controlling, investment decisions and others were poorly executed in MSEs. Hence, it can be easily derived that inability to apply and use financial management tools for these and other activities has significantly contributed to the stagnation of profit and market share thereby affecting their overall performance of MSEs. One evidence showing the effect of poor application of financial data in raising fund could be, according to (Gebrehiwot and Wolday, 2004:55), the low tendency of Ethiopian commercial banks to provide loan for small businesses due to absence of formal financial management tools.

From Pearson correlation analysis and regression analysis, it can be inferred that Financial management practice has a significant impact and positive relationship with the growth and development of *MSEs* in Addis ketema sub-city.

Therefore, MSEs especially, business owners/ managers need to take the lion share steps towards changing the poor financial management performance residing in their business through, recognizing the impact that absence of good financial management has on the growth and development, changing the long standing traditional and common-sense way of managing finance, engaging in financial management skill training and development activities, develop the trend and culture of generating financial management reports thereby using those reports to assess the performance of the business, plan and forecast sales and expenditure, determine cash flow and working capital needs, take short, medium and long term investment decisions.

REFERENCES

Abdulah Al Rubaish (2010), On the Contribution of Student Experience Survey RegardingQuality Management in Higher Education: An Institutional Study in Saudi Arabia, *J. Service Science & Management*, 2010, 3, 464-469.

Addis Ababa City Administration Micro and Small Enterprise Development Agency. (AACMSEDA) (2015). 'Inception Report on Micro and Small Enterprise Development in Addis Ababa', Unpublished Report. Available At: Http://Www.Aamicrosmall.Gov.Et/Index.Php/En/Documentation. (Accessed September 2017).

Alwadaei, S.A. (2010). Employee's perception of, and satisfaction, of performance appraisal:a case of electricity and water authority (EWA) in Kingdom Of Bahrain .*Unpublished Research Report*. Kuala Lumpur: Open University Malaysia.

Carl L. And Donald C., (1998). The Dynamics of Micro and Small Enterprise, 1st Edition Mc Grow Hill London. (134-136).

Gebrehiwot Ageba And Wolday Amha (2006). Micro and Small Enterprises Finance inEthiopia: Empirical Evidence, Eastern Africa Social Science Research Review, Michigan State University, Volume 22, Number 1, Jan., Pp. 63-86

Gashahun, E. (2004). The Impact of Gender on Financing of Small Enterprises. Addis Ababa, Ethiopia.

Gaskill, L. R., Van Auken, H. E., (1993). A Factor Analytic Study of The Perceived Causes Of Small Business Failure. *Journal of Small Business Management, 31(4): 18-31.*

Helmsing, A. And Kolstee, T. (1993). Small Enterprises and Challenging Policies:Structural Adjustment, Financial Policy and Assistance Programmes in Africa. Intermediate Technology Publications, London.

Howard, B. & Upton, M. (1953). *Introduction to Business Finance*. USA: Mcgraw-Hill Inc.

Howard M. Armitage, Alan Webb, John Glynn 2016, The Use of Management Accounting Techniques by Small and Medium-Sized Enterprises: A Field Study of Canadian And Australian Practice, Accounting Perspectives / Perspectives Compatibles, Ap Vol. 15 No. 1 — Pc Vol. 15, No 1

Irena Jindrichovska 2013, Financial Management in SMEs, European Research Studies, Volume Xvi, Special Issue on SMEs, 2013

Kothari C.R. (2004). Research Methodology Methods and Techniques, 2nd Revised Edition, New Age International Publishers, New Delhi. (35-39)

Köklü, N., Büyüköztürk, Ş. & Çokluk-Bökeoğlu, Ö. (2006). *Sosyal bilimler için istatistik.* Ankara: Pegem Akademi.

Parris, S. R., Fisher, D. & Headley, K. (2009). *Adloescent literacy: Field tested effective solutions for every classroom.* Newark: International Reading Assocation.

McMahon, R. G. P and Stanger, A. M. *(1995),* "Understanding the Small Enterprise Financial   objective Function", Entrepreneurship Theory and Practice, Summer, 2134.

McMahon R.G.P, Holmes S., (1991). "Small Business Financial Management PracticesTheory and Practice, Harcourt Brace, Sydney P. 19-29.

McMahon, R. G.P. And Holmes S. (1991), "Small Business Financial Management Practices In North America: A Literature Review," Journal of Small Business Management 29(2):19- 029.

Osisioma, B.C. (2010), "Global Financial Crisis: Impact on The Changing Face of Accountancy Profession" Frontier Lecture Series 1. Nnamdi Azikiwe University Awka. Cited from Dr. (Mrs) Regina G. Okafor, (2012). Financial Management   Practices of Small Firms In Nigeria: Emerging Tasks For The Accountant,   European Journal Of Business And Management, Vol 4, No.19, Department Of Accountancy, University Of Nigeria, Enugu Campus: P. 159

Regina G. Okafor 2012, Financial Management Practices of Small Firms In Nigeria: Emerging Tasks For The Accountant European Journal Of Business And Management, Vol 4, No.19, 2012, ISSN 2222-1905 (Paper) ISSN 2222-2839   (Accessible Online At www.Iiste.Org)

Solomon Terfasa Dinka 2017, Assessment of Financial Management Practices: A Case Study on Small Businesses in Sokoru District, Ethiopia, Research Journal Of   Finance And Accounting, Vol.8, No.19, 2017   ISSN 2222-1697 (Paper) ISSN   2222-2847 (Available Online At: www.Iiste.Org)

Svetlana Saksonova & Svetlana Savina 2016, Financial Management as A Tool forAchieving Stable Firm Growth, Doi: 10.1515/Eb-2016-0021, University of   Latvia, 2 Higher School of Social Technologies.

Tegegne Gebre-Egziabher & Meheret Ayenew (2010). Micro and Small Enterprises asVehicles for Poverty Reduction, Employment Creation and Business Development: The Ethiopian Experience. Forum for Social Studies, Research   Report No. 6, Addis Ababa, Ethiopia. (36-37).

Timothy S. Hatten (2006), Small Business Management Entrepreneurship and Beyond,Houghton Mifflin Company New York. P. (218-19)

Tiruneh Abebe (2011), Analysis of the Success Factors of Micro and Small Business Enterprises in Addis Ababa, Ethiopia page P 13.

Thorsten Beck, Asli Demirguc K. (2006). Small and Medium-Size Enterprises: Access toFinance as A Growth Constraint. Journal of Banking & Finance 30 (2006)   2931–2943, The World Bank, 1818 H Street N.W., Mail Stop Mc 3-300,   Washington,   Dc20433, United States, (2935)

Winstead Fry, S. & Griffin, S. (2010). Fourth graders as models for teachers: teaching and learning 6+1 trait writing as a collaborative experience. *Literacy Research and Instruction, 49*(4), 283-298.

Tushabomwe-Kazooba, C. (2006), "Causes of Small Business Failure in Uganda: A CaseStudy from Bushenyi And Mbarara Town" African Studies Quarterly Vol. 8 No. 4, 27-35.

William G. Zikmund; Barry L. Babin; Jon C. Carr; Mitch Griffin (2010), Business Research Methods, 8th edition, South-Western College Pub, 2009

Yusnidah Ibrahim 2000, An Examination of Financial Management Approaches Within Growth Oriented Malaysian Small Businesses: The Focus on Investment and Financing Decision-Making, A Thesis Submitted in Partial Fulfilment of the Requirements of The De Montfort University for The Degree of Doctor of Philosophy.