ST. MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES

THE EFFECT OF FINANCIAL MANAGEMENT PRACTICES ON PROFITABILITY OF KIFIYA FINANCIAL TECHNOLOGY PLC

BY

YOHANNES ASSEFA

SGS/0333/2012A

A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MBA IN ACCOUNTING AND FINANCE

DECEMBER 2021

ADDIS ABABA

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APPROVED BY BOARD OF EXAMINERS:

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DECLARATION

I the undersigned, declared that the thesis entitled "THE EFFECT OF FINANCIAL MANAGEMENT PRACTICES ON PROFITABILITY OF KIFIYA FINANCIAL TECHNOLOGY PLC" is my original work, prepared under the guidance of Mohammed Seid (Asst. Prof.). All the sources of materials used for this thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher leaning institution for the purpose of earning any degree.

Name: Yohannes Assefa

Signature_________________

Advisor' s Approval

This Research paper has been submitted for examination with my approval as a university advisor.

Advisor: Mohammed Seid (Asst. Prof.)

Signature______________________

St. Mary's University

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LIST OF ACRONYMS

EVD: Electronic Voucher Distribution

FLP: Financial Literacy Practice

FMP: Financial Management Practice

FPMP: Financial Planning Management Practice

GDP: Gross Domestic Product

GOP: Gross Operating Profit

ICT: Information Communication Technology

KFT: Kifiya Financial Technology

PLC: Private Limited Company

RAP: Resource Allocation Practice

ROA: Return on Asset

ROE: Return on Equity

ROI: Return on Investment

SMEs: Small and Medium Enterprises

VAS: Value Add Service

WCMP: Working Capital Management Practice

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ABSTRACT

Improper financial management practices have proven to be a main cause of failures in companies in terms of financial difficulty, mismanagement of fund and shortage of long-term funds to meet the operating cost and capital expenditure. Accordingly, the purpose of this study is to assess the effect of financial management practice on profitability of Kifiya Financial Technology PLC. The study employed an explanatory and descriptive research design in which data was collected through primary and secondary data. Quantitative data analysis was employed. Among all employees of the company, employees with educational background of business studies were selected for response since they have an exposure for financial management. Data was analyzed descriptively and inferentially. From the correlation analysis the study revealed that financial literacy practice (r=.636), Resource allocation (r=0.439), Working capital management practice (r=.660) and financial management practice (r=.430) has a positive correlation with a dependent variable of profitability which is measured by ROA of kifiya financial technology plc. 89.8% of the variance in the dependent variable can be predicted by the independent variables. From the coefficient table, it is seen that the positive and significance relationship found at independent variables of financial literacy practice (β = .471, p= .000), resource allocation (β = .669, p= .000), working capital management practice (β = .648, p= .000) and financial management practice (β = .275, p= .000). The researcher believes that the study could contribute a lot for kifiya financial technology plc related to the implementation of financial management practices on company profitability. Improvement and interrelation in all independent variables can increase the profitability of kifiya financial technology plc and also increasing integration of financial management practices efficiency and to overcome and keep the company distinctive profitability. As indicated in the research finding there is a strong correlation between financial management practices and profitability, Kifiya financial technology plc owners and managers should pay much attention to these practices.

Key Words: Financial Literacy, Financial Planning, Resource Allocation and Working Capital Management.

CHAPTER ONE

INTRODUCTION

This chapter gives the overview of the financial management practices on company profitability. This chapter presents the background of the study, background of the company, the statement of the problem, the study objectives, and the hypotheses, significance of the study, the scope and limitations of the study.

1.1 Background of the Study

Improper financial management practices have proven to be a main cause of failures in companies in terms of financial difficulty, mismanagement of fund and shortage of long-term funds to meet the operating cost and capital expenditure (Brigham & Ehrhardt 2010).

Inclusion of financial management practices is aimed at improvement of company profitability. Firms having well aligned financial management systems are efficient and effective. The integration of the financial management practices ensures timely coordination of varies activities of the firms and correction of deficiencies and in so doing company profitability is improved.

Financial management practices such as working capital management, financial planning, financial literacy and resource allocation influences profitability of companies.

Financial management practice is termed as a discipline that deals with how organizations make decisions relating to varies financial aspects and the instruments used (Lasher, 2010). According to (Brinckmann et al. 2011), financial management practice is the process of acquiring financial resources and measures to enhance profitability in firms. Byoun (2010) defined financial management practices as all aspects dealing with money circulations and money control in all business transactions. It relates to the arrangements and optimal use of financial resources for current and future opportunities in order to improve profitability.

Typical financial management practices employed by organizations include; cash management, capital budgeting decisions, financial analysis and forecasting and portfolio management (Marembo, 2012). Working capital management constitutes managing the assets and liabilities in an organization to ensure that an organization has the required liquidity. Appropriate and realistic business expectations, their flexibility, achievability, consistency with market and business environments can be reached by proper financial planning and forecasting. Financial literacy covers

the combination of investors' understanding of financial products and concepts and their ability and confidence to appreciate financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being (Atkinson & Messy, 2005). Resource Allocation is supporting firms about the allocation of financial, physical, technological, and human resources that support firm strategies. These practices do not work as separate entities and ought to be all integrated so as to have a positive influence on companies' profitability. Financial management practices were measured cash management practices, budgeting practices and financing decisions (Byoun, 2010).

Company profitability is a measurement of efficiency and ultimately its success or failure. Return on Assets (ROA) is a type of return on investment (ROI) metric that measures the profitability of a business in relation to its total asset. This ratio indicates how well a company is performing by comparing the profit (net income) it's generating to the capital it's invested in assets. It is derived from an organization's financial statements and can be used the financial measures of performance (Bernardin & Russel, 2009). The importance that the financial management practices have on organization is imperative as most challenges facing companies may be prevented by proper financial management practices (Uluyol, 2013).

Though varies theories such as contingency, trade off and pecking order theory try to bring out how managing the financial aspects of companies will have on profitability, the simplicity in application of these theories does not seem to exist. The theories are expected to help in bringing out the importance of financial management practices, however most companies tend not to adopt them. This has resulted in subsequent researches being undertaken in that particular field.

Even if the concept of financial management broad in nature, this study would be focus on the working capital management practices, financial planning management practices, financial literacy practices and resource allocation practice.

Financial management practices are essential part of business investment which is important for continuous business operations. It is required by companies to maintain its liquidity, solvency and profitability. (Lazaridis and Tryfonidis, 2006). Financial management clearly affects both the profitability and level of desired liquidity of a business. Thus, it has both negative and positive impact on company's profitability, which in turn, affects the shareholders' wealth. (Rahman and Nasr, 2007).

Therefore, it is critical issue to know and understand the effects of financial management practice and its influence on company's profitability. In fact, a lot of research has been conducted in

different countries to show the effect of financial management practice on company profitability. However, there are few studies with reference to Ethiopia on financial management practice and company profitability especially in technology company. By looking on the importance of financial management, the researcher needs to assess the effect of it on company's profitability. Hence, the general objective of the study is to examine the effect of financial management practice on profitability of technology company in Ethiopia. The researcher selected to study Kifiya Financial Technology Plc financial management practice, because it is the largest and oldest technology company and it is operational over the past ten year in the technology sector. The study has done by looking the most important practice of the organization, which is financial management. This study will help shareholders and management of the company in addressing some of the problems related to financial management by providing possible ways for the improvement of financial management practices of the company.

1.2 Background of the company

Kifiya Financial Technology (KFT) Private Limited Company, a registered company in Ethiopia, was established in April 2010 as per the Commercial Code of Ethiopia 1960 with a registered and paid-up capital of ETB 18,000,000 which was subsequently increased to ETB 100,000,000.

The establishment objective of the company was to provide Payment Technology Infrastructure Systems to customers, including banks and microfinance institutions; development of ICT technologies and provision of services for multiple sectors and institution and; others related services.

KFT is currently engaged in the distribution of Ethio Telecom's products which is National distributor of telecom services including sell of SIM (GSM, CDMA, WCDMA) airtime vouchers (Scratch cards, Yimulu and EVD) and other telecom products in the territory of the country through eleven regional office including Addis Ababa office and two additional franchise shops. The company is also engaged in e. commerce business (buying and selling of products and services electronically) and delivery business using their own developed applications.

Moreover, KFT is employed on fund management using its Value-Add Service (VAS) license using their own technology. They have done fund management with Heiken Ethiopia; for managing and distributing cash for farmers in Oromia region, with Food for Hunger; managing and distributing cash for flood effected people in Afar region and recently with Master Card Foundation; managing and distributing cash for MSMEs so as to support small business owners to continue their business from the impact of COVID 19 in Addis Ababa.

The company has also Grant revenue from different international donors so as to develop its own applications or software for e Commerce, digital lending, digital agriculture and agricultural insurance. They have an agreement with GATES FOUNDATION, FDOV, FRP, Master Card Foundation, and G4AW.

The company's average revenue for the last three fiscal periods is over ETB 2 billion. Its registered address is in Addis Ababa Kirkos sub city woreda 06.

1.3 Statement of the Problem

Financial management is the main path to success of a business. Financial management is the way to making a profit; that helps they decide what they can afford in terms of the store or office location, inventory purchases, employees, and equipment as well as all asset of the business (Markowitz, 2003; Brigham and Ehrhardt, 2011). Both large and small firms require good management to achieve success. Private sectors that entail group effort, the manager provides direction to them by activities of management functions (McLaney, 2009). Business Owners need comprehensive financial information to set their prices and select their vendors. So, financial management gives the tools to plan for overall business growth, for diversification of their product lines, or for reaching new markets. It helps them to decide which products, services, and which markets are profitable. Effective financial management gives them tools to draw direction to the future activities, adjust their direction when needed, and help them to find their way through challenging times.

The private sector is part of the growing system of an economy and successful operation of the business can set lifelines for other industries and development of an economy. To do so the private business is expected to be financially solvent and strong through being profitable in operation O. Sunday & O. Solomon (2012). Hence, not only measuring the financial performance but also clear insight about determinants that verify profitability in the business, then the problem to be investigated. Firms' profitability attracted the interest of entrepreneur with low capital, starting businesses and institutional supervisors.

There is variance in profitability, survival, and growth of companies and each other accounts for special problems in financial management (Dumbu, 2014). And different aspects of private businesses such as legal form, size, and age of the business, the level of education of the owner/manager, location, and leverage Rathnasiri, (2015) and Getahun (2016) indicate that poor management practices one of indicating factor over whole performance. Firms generally tend to be confronted with higher interest rates, as well as credit rationing due to a shortage of collateral. The

issues that arise in financing differ, considerably between existing and new firms, as well as between those which grow slowly and those grow rapidly.

Additionally, the most studies conducted on combining private companies as well as Small & medium enterprises (SMEs); few of them are states an evaluation of the management practices and Hindrances to the Success in some of the FMP (Dumbu, 2014; Drbie & Kassahun, 2013; Mulugeta, 2008). Also, most of the studies focused only on packed in specifically affecting factors as well as deterrents of SMEs (Ngugi, 2014). There is variance in profitability, survival, and growth of private companies compared to larger firms and each account for special problems in financial management (Dumbu, 2014). Getahun (2016) indicates that poor financial management practice is one the significant factor that affects the overall performance.

Previous studies conducted by Derbie & Kassahun (2013) and Dumbu, (2014), Henok (2015), Epheram (2018), and Tamene (2017) focused on evaluation of management practices and hindrances to the success of the financial management practices. So that concerned with the basic financial management practices, most previous researchers have concentrated on examining and investigating the actions of the organizations in practicing financial management with a consideration of five specific areas of efficient financial management practices. These practices were: the capital structure management practices, working capital management practices, financial reporting and analysis management practices, capital budgeting management practices and the accounting information system management practices.

In addition to this, their findings were mainly related to these activities in consideration of existing financial management practices and they provided much descriptive statistical data and empirical evidence on these organizations existing financial management practices, but it appears that there still are some gaps in the literature, which need to be addressed.

Examination variables that represent the existing financial management practices is conduct mainly in different separate studies by providing interesting insights into each separate aspect of the selected financial management practices, the consequence of the combined variables on profitability of the companies have not been more examined and investigated. Even if many studies were conducted in relation to the financial management practice and profitability in different organizations; there is no consistent result among these studies because of different factors that exist in different organizations and countries. Thus, there is a need to investigate the existence of the financial management practice and its relationship with profitability of companies by extends existing research.

To alleviate problems facing the Company profitability, financial management practice needs to be considered as efficiency - improving approach and its effect needs investigation on financial management practice. So far there seems to exist few empirical studies that were conducted in the area of financial management practice and Company profitability (i.e., from perspectives of working capital management, financial planning management, financial literacy and Resource allocations practice on overall profitability of a firm) which incorporate upper and down streams all participants.

Business organizations in Ethiopia face a number of constraints that affect their profitability. This includes lack of proper financial management, marketing problem, production problem and cost management problem. There is scarcity of empirical evidences about the practice of financial management in Ethiopia. Moreover, there is few previous studies on the assessment of financial management practices and its effect on profitability of business organizations on technology company. While taking into consideration the inadequacy of empirical study into the effects of technology companies' profitability, the researcher attempts to fill such gaps in empirical evidence, in addition to specific factors, by financial management practices as economic factors that determine the profitability of technology companies in Ethiopia, Addis Ababa.

Therefore, the researcher believed that it is vital to conduct a study on financial management practices and its effect on company profitability of technology company, Kifiya financial technology pls.

Therefore, since the effort to achieve generalization of the Couse and Effect relationship between the financial management practices and company profitability. This paper will contribute to the debate by testing the effect of financial management practice on company profitability in the case of Kifiya Financial Technology PLC.

1.4 Objective of the Study

1.4.1 General Objective of the Study

The general objective of this study is to investigate the effect of Financial Management practices on profitability of Kifiya Financial Technology private limited company in Addis Ababa, Ethiopia.

1.4.2 Specific Objectives of the Study

The specific objectives of the study are:

- To examine the effect of working capital management practice on profitability of the company.
- To analyze the effect of financial planning management on profitability of the company.
- To explore the effect of financial literacy on profitability of the company.
- To explore the effect of resource allocation on profitability of the company.

1.5 Hypothesis of the study

In light of the objective of this study, the researcher carefully tests the following hypothesis considering the four independent variables and the dependent variable with the help of sufficient and appropriate empirical data on the effect of financial management practices on profitability of the company.

HP1: There is significant positive relationship between working capital management practice and profitability of the company

HP2: There is significant positive relationship between financial planning management practice and profitability of the company

HP3: There is significant positive relationship between financial literacy practice and profitability of the company

HP4: There is significant positive relationship between resource allocation practice and profitability of the company

1.6 Significance of the Study

The purpose of this study is to determine the effect of Financial Management practices on company profitability of private limited company in Addis Ababa. This study will help shareholders and management of the company in addressing some of the problems related to financial management by providing possible ways for the improvement of financial management practices of the company. The study has an important resource document for academicians and future researchers who may wish to investigate the profitability of companies in relation to financial management practices.

1.7 Scope of the Study

The study focuses on the effect of financial management practices on company profitability of Kifiya Financial Technology Plc in Addis Ababa. The study has done by looking the most important practice of the organization, which is financial management. Though the concept of financial management broad in nature, this study focused only on working capital management, financial planning management, financial literacy and resource allocations practice and their effects on company profitability of Kifiya Financial Technology plc, and take the sample from the total population of Kifiya Financial Technology those who have educational background on financial management. The period covered by this study is five fiscal years financial statements (2016 – 2020)

1.8 Limitation of the Study

This study is limited to noticing the relationship between financial management practices and profitability only on one company (Kifiya financial technology plc). Only financial management practices are discussed thus, other profitability factors are not discussed. In addition to this, the researcher used return on asset as profitability measure and four independent variables to measure the profitability, as a result of this it's considered as a limitation for this particular study.

1.9 Organization of the paper

This thesis consists of five chapters. Chapter one covered introduction which includes background of the study, background of the company, statement of the problem, objective of the study, research hypothesis, significance of the study, scope of the study, limitation of the study and organization of the study. Chapter two covers review of related literatures on the topic. The third chapter covered methodology of the study and the fourth chapter covered data presentation, analysis and interpretation of results of the study. The last chapter, chapter five covered with summary, conclusion, recommendation and suggestion of the study.

CHAPTER TWO

LITERATURE REVIEW

This section reviews the available literature on financial management practices and profitability of companies, the determinants of company profitability and the studies done related with financial management practices, the conceptual frame work and ends with a summary of reviewed literature.

2.1. Theoretical Literature

2.1.1. The concept of Financial Management practice

The term finance management practices are used to represent the management of funds and how the funds are used to achieve the objectives of the organization and shareholders' value maximization (Chandra, 2011; Kilonzo & Ouma, 2015). According to Kitonga (2013) typical financial management practices in organizations include an accounting information system, fixed assets management, working capital management, financial reporting and analysis, capital structure management etc. These components of financial management practices are supported by Kilonzo and Ouma (2015). Muneer, (2017) also sees accounting information systems as well as working capital management as critical components of financial management. Zietlow et al., (2007) see financial management as the creation of wealth, planning and monitoring of a business' financial assets, improving its profitability and generating the required return to capital providers. In short, financial management practices include all aspects of management that affect the finances of the company and what is needed to achieve the overall objective of the organization.

This includes working capital management, long-term financial management and capital structure management, accounting information and financial reporting practices, capital budgeting etc. Kitonga (2013) defines that an accounting information system is the recording of transactions using computers with the aid of accounting systems and techniques which are used to record and analyze business transactions for the purpose of preparing a financial statement for users. A proper accounting information system is at the heart of proper bookkeeping and financial analysis for decision making (Muneer et al. 2017). Research on Small and Medium Enterprises globally all emphasize the importance of accounting information system for their survival and growth (Lavia-Lopez & Hiebl, 2014; Chen et al. 2013; Amoako, 2013). Gitman (2011) argues that information from financial statements is useful for planning, evaluation and decision making.

The management of a firm capital structure involves the choice of the right mix of debt and equity capital that will maximize the profitability of the firm (Romney, 2009). In Ghana access to finance is a major challenge to most businesses especially for Small and Medium Enterprises and they struggle to meet the requirement of the financial institutions (Abor & Quartey, 2010). Also access to finance has been a major challenge in developing countries especially Ghana and as such can have implications for financial management practices and profitability (Muneer2017; Amoako, 2013; Abor & Quartey, 2010). This notwithstanding, the management of working capital is very critical and one of the major financial management decisions as it has serious implications on the financial performance of every company (Musah, 2017). This means that it is important for companies to take a serious look at how they manage their capital structure to reduce the burden on their cash flows. It is argued that firms in their early stages do not require so much debt capital as this will enormously burden on their cash flow which could result in liquidation challenges (Muneer, 2017) According to Kitonga (2013), fixed assets management is an important component of financial management practices as it represents the long-term investment decision of companies.

2.1.2. The purpose of Financial Management

Biki (2006) stated that the main financial objective of the managers of a business is to maximize the value of owners. To ensure for their right balance, managers set objectives in different activities of the organization, which affect the value of the business such as liquidity, profitability, efficiency, growth and return on capital. And efficient use of finance leads to proper utilization of the finance by the business concern. Financial manager considered this part and determine the basic objectives that are broadly divided into two parts such as: profit maximization and wealth maximization as stated by Paramasivan & Subramanian (2009).

Financial management is administration of finances of an organization in order to achieve the financial objectives of the organization Such as Profitability, Liquidity and Safety or Security – to overcome undue risk (William, 2007). Anderson (1967) stated that the main aim of any kind of economic activity is to generate profit. A business concern is also functioning mainly generate profit. Profit is the measuring techniques to understand the business efficiency of the concern. However, Paramasivan and Subramanian (2009) said profit maximization is the traditional approach, which aims at maximizing the profit of the concern even if there are significant features.

Based on this goal, the ultimate aim of the business concern is to generate profit; thus, considers all the possible ways to increase the profitability of the organization. It is the parameter of measuring the efficiency of the business concern. Hence, it shows the entire position of the business concern.

Profit maximization objectives help to reduce the risk of the business as Paramasivan & Subramanian (2009) concluded.

On the other side, wealth maximization (value maximization/ net present worth maximization) is not a traditional approach, involves latest innovations and improvements in the field of the business aspects.

2.1.3. The Importance of Financial Management

Finance considered as the lifeblood of business organization because meets the requirement of the business aspects. Each and every business concern must maintain adequate amount of finance for their smooth running of the business concern and also maintain the business carefully to achieve the goal of the business concern. Paramasivan and Subramanian (2009) stated that to achieve the goals it should have effective management of finances. The danger of business failure due to lack of sound financial management practices is real.

Gaskill and Van Auken (1993) have been reported the most internal problems identified by small US firms relate to provision of inadequate capital, poor cash flow management and inventory control. For that matter, we can’t neglect the importance of finance at any time. Thus, some of the importance of the financial management that stated by Paramasivan and Subramanian (2009) was as follows: financial planning, proper use of fund acquisition, improved profitability and maximize the wealth of investors. After all, the financial management helps in order to make sound financial decision in the business concern and purely depends on the end result and proper utilization of funds by the business concern.

2.1.4. Financial Management Practices

2.1.4.1. The effect of Working Capital Management Practice

Working capital management is a vital issue in financial decision making since it is a part of investment in asset and it directly affects the liquidity and profitability of the company. The way of managing working capital can have a significant impact on both the liquidity and profitability of the company as concluded by Shin and Soenen (1998).

The study of Egbide (2009) and Falope and Ajilore (2009) on the working capital management and profitability of listed companies in Nigeria, made a cross sectional survey design of some quoted companies between 2005 – 2006 and 1995 - 2005. Their data were analyzed using the ordinary least square regression analyses and panel data econometrics in a pooled regression; and the result

revealed that all the components of working capital management affect profitability at varying levels of significance with debtor's collection period having the highest and significant impact which is negative.

Samiloglu and Demirgunes (2008) analyzed the consequence of working capital management on firm profitability in Turkey for period of 1998-2007. Empirical results showed that the long account receivables, inventory and leverage significantly and negatively effect on profitability, while, the firm growth significantly and positively affect the profitability. In addition to this, they proved that the cash conversion cycle and the size of the company had no statistically significant consequence on profitability.

2.1.4.2. The effect of Financial Planning Management Practice on Profitability

Organizations depend on finance to arm the business with accurate, timely insight and planning strategies to help the business succeed (Krishnan, 2015). Appropriate and realistic business expectations, their flexibility, achievability, consistency with market and business environments can be reached by proper planning and forecasting. As firms seek profit, financial planning gains the central role in business performance, control and monitoring. In today's practice, diverse tools and methods of financial planning are exploited: from pure theoretical to advanced practical. Scientists have been proving the relevance of different econometric equations and models of financial planning, while experts of business development agencies advice to have a realistic approach with real market scenarios and business conditions and not to stick to formulas and models. Since existing discrepancies between positions of academia and business rounds are quite harsh, financial planning models of theoretical roots reflect large-scale analysis of economic condition in a country.

Managing business performance in today's complex and rapidly changing business climate is crucial for any organization's short-term and long-term success. Financial planning, a key component of managing and driving business performance, continues to be of limited value and mired with conservatism for many organizations (PwC, 2010). As a firm works for generating profit for investors, it can be said that the firm's economic impact is more important than social one, and firm's performance is measured with how it is profitable. Financial stability, profitability and development of organizations mean the business performance and, in turn, it requires an exact, precise and growth-oriented plan for long-term firm development. Structural weaknesses in economy may be avoided if a plan is complete and wide-scope. However, development strategy of

a firm cannot reflect the whole roadmap of improving the financial profile in different periods of time. Therefore, financial planning time frames and specific conditions facilitates the smooth functioning of cost and revenue management tools at firm level.

After global financial crisis, many corporations and large individual firms began making more pessimistic financial scenarios due to high market fragility and less profitability in international markets. It had a direct influence on financial planning practices and procedures in an economy at large with high level probability of spreading crossing the borders. Business environment of developing and transition economies faced further discrepancies in financial activeness and its forecasting. Because subsidiaries of multinational enterprises experienced significantly painful financial shocks from the global market and local economic conditions. Financial planning and performance analysis became even more important to keep functioning and avoid financial difficulties in a harsh economic circumstance. As a representative of transition economic grouping, Uzbekistan has been supporting the modern business practices despite abovementioned implications of global financial crisis and gradual economic transition. Business environment of the economy introduced key elements of international business practices and structures. However, performance analysis and financial planning still needs a development support from practical standpoint due to removal processes of communistic laziness and adoption of market psychology to people's mind.

2.1.4.3. The effect of Financial Literacy Practice on Profitability

Financial literacy has become of much interest among finance researchers. It covers the combination of investors' understanding of financial products and concepts and their ability and confidence to appreciate financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being (Atkinson & Messy, 2005).

However, financial literacy has got an increasing interest in both developed, and developing countries including Nigeria. Nonetheless, Matewos, (2016) carry out a review on financial literacy for developing countries in Africa and the result showed low level of financial literacy in both developed and developing countries and concludes that policymakers and academics in African developing countries need to understand the level of financial literacy in the population, in order to devise suitable financial education and other related policy interventions to improve personal financial literacy for its benefits of enhancing individual socio-economic welfare and building an inclusive financial system and sustainable economic growth. Consequently, according to Eresia-

Eke and Raath, (2013) financial literacy is about discernment and making effective decisions on utilization of financial management. With that the person can use various substitutes for instituting financial objectives which relate to an individual knowledge of financial concepts and products which in turn affects the individual's value system and behavior, consequently impacting positively on the personal decision on financial matters (Fatoki, 2014). Notably, on the increasing complication of financial markets (Miller et al., 2009, Lusardi & Mitchell, 2013b) increasing cost of business failure (Chepkemoi et al., 2017, Lusardi & Tufano, 2015) which all demand personal financial management capability in both individual and business, are among the repeatedly cited reasons behind enhancing financial literacy in both developed and developing countries (Matewos, 2016).

In the context of small businesses, financially literate entrepreneurs manage resources more widely, use financial information more astutely thereby improving the profitability and of their business enterprises (Treptow, 2014 and Morrison, 2006). Financial literacy also enhances participation in financial markets which facilitates asset accumulation and consumption smoothing and access to broader sources of funding (Van Rooij et al., 2011). Financial literacy is linked to debt and investment literacy (Lusardi, 2008). Financial literacy also influences the access and utilization of financial services (Nunoo, 2011). In a nut shell, Lusardi, (2013b) suggested that financial literacy enables individuals to process economic information and make informed decisions about financial planning, saving, debt management, and investment diversification which become progressively imperative to allow individual and business to cope with the ever-rising complexity of financial products and service in the market. Also, Miller, (2009) measured financial literacy as an active process with dual consecutive results. Besides, Fatoki, (2014a) states that financial literacy conveys knowledge and skills which enable entrepreneurs to make financial decision to improve the financial wellbeing of business. Nevertheless, entrepreneurs with financial knowledge and attitude were found to implement lesson learned from financial education and were able to decide on financial services and products that are at their best interest (Miller, 2009, Fatoki, 2014a, Lusardi, 2015 and Chepkemoi, 2017).

Indeed, the notion of financial literacy is highly significant. As a result, Lusardi, Michaud, et al., (2015) suggests that financial literacy is a useful life expectancy skill in the modern financial world where individuals are responsible for their short term and long-term financial decisions. Similarly, Engström & McKelvie, (2017) highlighted that it could also be regarded as a process where financial literacy learnt from formal and informal sources implanted in the individual financial decision-making process for the best financial results. Additionally, Matewos, (2016) argued that

financial literacy increased savings and business planning, more realistic assessments of financial knowledge by consumers, life skills and bargaining power, financial skill. Furthermore, according to Lusardi, (2015) financial literacy rises greater competition, innovation and quality products, market discipline, risk management, overcoming indebtedness. On the other hand, Sabana, (2014) emphasized that financial literacy includes knowledge on financial access, understanding government financial policies.

It was acknowledged that financially literate entrepreneurs make the best financial and economic decision together with, savings, borrowing, investment and right management of debt (Lusardi, 2015). However, the increasing number of previous studies have also evidenced the role financial literacy plays in managing business finance, both asset and liability (Jacqueline Siekei, 2013). Though, Miller, (2009) highlighted the significance of financial literacy in developing nations where the financial sector has been relating new service providers, complex financial products and service accessible to new entrepreneurs to financial market is vital. Similarly, Fatoki, (2014a) evident that, financial literacy improves understanding of investment decisions which might reduce risk and improve earning from the little financial resource of the poor in developing nations.

Moreover, Matewos, (2016) emphasized that financial literacy is not only at the benefit of individuals or business, but is equally at the paramount interest of financial service providers and soundness of the financial system. Chepkemoi, (2017) studied the effects of financial literacy training on business profitability by SMEs in the coastal region of Kwale County on a sample of 74 SMEs drawn from the Kinang, Matuga and Msambweni. The findings revealed that financial literacy positively influenced the performance of SMEs and enhanced profitability. Four variables were examined: working capital management, savings, bookkeeping and financial accessibility skills, profitability being the dependent variable. The findings concluded that financial literacy affected the profitability of SMEs. Additionally, the study was also in line with the findings of Sabana Beatrice, (2014) studied the influence of financial literacy and performance of microenterprises in Nairobi County, Kenya and the result established that financial literacy has a statistically significant influence on microenterprise performance. It is also consistent with a study carried out by Joseph, (2017) on the correlation between credit schemes and financial accessibility, and the findings establish a clear correlation between business performance and financial access.

In addition, it further confirms the findings of Jacqueline Siekei, (2013) who carried out a study on the effect of financial literacy education on performance of small businesses in Njoro, Kenya and established that training in financial awareness, budgeting and credit management improved the

performance of entrepreneurial business owners. In confirming the influence of financial literacy on the business performance of entrepreneurs, the study achieved the fourth objective of the study by founding the influence of financial literacy on entrepreneurial business performance in Bauchi metropolis Nigeria. Moreover, Njoroge, (2013) studied the relationship between financial literacy and entrepreneur success among SMEs in Nairobi City County, Kenya and the findings established that financial literacy had a statistical significance influence on entrepreneurial business performance. Similarly, Cherugong Patrick, (2015) studied the effect of financial literacy on the performance of SMEs among 85 small and medium scale enterprises in Trans Nzoia County and the findings established that financial literacy has a statistically significant effect on SMEs performance. Nevertheless, it is also consistent with that of Eniola and Entebang, (2016) who carried out a study on the financial literacy and firm performance, and the results established that financial knowledge of a firm has a significant impact on business performance. Besides, Mwithiga, (2016) also carried out a study on the relationship between financial literacy and the performance of owner- managed ICT SMEs and the findings of the study established that, financial literacy influence the performance of owner- managed ICT SMEs and concluded that the varying levels of financial literacy among ICT SME owner-managers is associated with differential levels of their enterprise performance.

2.1.4.4. The effect of Resource Allocation Practice on Profitability

Resource allocation is fundamental to strategic management. Yet, surprisingly, there is not a large body of literature specifically about the allocation of financial, physical, technological, and human resources that support firm strategies.

Few strategy scholars would take issue with the claim that resource allocation is fundamental to strategic management. For successful strategy implementation, the management needs to marshal resources behind the process of strategy execution. Too little resources will slow the process while too much funding will waste organizational resources and reduce the financial performance. Capital allocation therefore must be well distributed and thought of to promote strategy implementation. Financial resources can be a constraint on implementation of strategic plans. Management often finds it necessary to prioritize its strategies to make a judgment about which ones are most critical to implement given the finite or even scarce financial resources available (Sum & Chorlian, 2013). Schmidt (2013) asserts that an organization’s budget should reinforce its strategic plan.

Given its importance to strategic management, it is surprising to find that there is not a larger body of strategy research specifically about the allocation of financial, physical, technological, and

human resources that support firm strategies. A search of major management journals for strategic management research with resource allocation or closely related terms, such as capital allocation, capital investment, and strategic investment, in the abstract, title, or keywords yielded <50 articles that explicitly focus on studying resource allocation activity in firms.

This special issue seeks to bring renewed attention to resource allocation as an important subject for strategy research. The curated set of articles and commentaries offer conceptual and empirical contributions that assess the current state of strategic management research on the topic of resource allocation, present analyses and new insights, and propose promising directions for future research. Before proceeding with an outline of the special issue and details of the individual contributions, we first provide some background on resource allocation research.

Strategic management scholarship on resource allocation falls primarily into one of three categories: studies of the processes by which resources are allocated in a firm, research on corporate capital allocation to divisions in a multi business firm, and work that examines factors affecting specific types of resource allocation. We address each one in turn, providing illustrative examples.

Resource Allocation Process

Ganley (2010) states that resources make organizations to run, and allocating these resources to an organization should be done carefully. Allocating these resources can be tough, but an organization can acquire the resources they need appropriately through careful practice. Some examples of organizational resources are technology, people, and finances. All of these organizational resources are crucial to the success and growth of an institution. Murithi (2009) argues that resources are needed for the successful implementation of strategic plan and strategies. It is very difficult to implement a strategy when resources are not available. Resources will include the human resources, training, remuneration, finances etc. Resources have to be available for strategy implementation. In the studies, 'why do public sector organizations fail in implementing of strategic plans in Pakistan', resources limitations comprising of budget, technology, tools and Human Resource (HR) inadequacy were the biggest impediments to strategic plan implementation (Kazmi et al, 2008).

According to Kogut's (1988) organizational learning model, which is a part of the broad resource - based view, offers a refined view of alliance formation based on firm resources such as knowledge and technology. According to him, there are two possible reasons firms forge alliances: either to acquire the other's organizational know- how, or to maintain one's own know -how while benefiting from another's resources. Extending this approach to all types of firm resources, we

suggest that there are two related, but distinct, motives for firms to use strategic alliances to obtain others' resources; and to retain and develop one's own resources by combining them with others' resources. According to Gitau (2012) the organization determines the value to ensure sustainability of resources that are required during the period of strategy implementation process.

Each organization is a collection of unique resources and capabilities that provides the basis for its strategy and the primary source of its returns. In the 21st-century hyper-competitive landscape, a firm is a collection of evolving capabilities that is managed dynamically in pursuit of above-average returns. Thus, differences in firm's performances across time are driven primarily by their unique resources and capabilities rather than by an industry's structural characteristics. Resources are inputs into a firm's production process, such as capital, equipment, skills of individual employees, patents, finance, and talented managers. Resources are either tangible or intangible in nature. With increasing effectiveness, the set of resources available to the firm tends to become larger. Individual resources may not yield to a competitive advantage. It is through the synergistic combination and integration of sets of resources that competitive advantages are formed.

Corporate Capital Allocation

Like the resource allocation process literature, strategy research on corporate capital allocation also emerged as a reaction to finance models. Traditional finance research on resource allocation focused on technical aspects of valuing investments. But, in the 1980s and 1990s, finance scholars developed a stream of work that placed investment decision making in an organizational context and incorporated some features of the types of behaviors that had been observed by Bower and others (see Haka, 2006, for a review). These analytical models of capital budgeting and capital allocation apply agency theory to cast a decision-making manager in a decentralized organization with asymmetric information. Typically, the models are solved for incentive schemes that result in optimal investment or demonstrate how structural or managerial characteristics result in suboptimal allocation. There is also a related stream of empirical research based on similar agency and information arguments that examines capital allocation inefficiency in multi business firms with cross subsidization of underperforming units (e.g., Rajan, Servaes, & Zingales, 2000). Although observed practices and behaviors play a role in the framing, the models in both streams are highly stylized.

Recently, strategy scholars have responded to these finance studies and begun to examine corporate capital allocation, offering behavioral, managerial, and organizational explanations as alternatives to agency problems and information asymmetry for misallocations of capital. Bardolet, Fox, and

Lovallo (2011) bring a lens from social psychology and propose that cross subsidization of underperforming units in multi business firms is due to cognitive bias toward uniform allocation across businesses that operates even in the absence of agency problems and asymmetric information. Arrfelt, Wiseman, and Hult (2013) draw on the behavioral theory of the firm to highlight the tension between investment in businesses to correct current performance problems and investment in businesses with superior performance prospects. Other strategy research proposes a more active role for corporate management in capital allocation across businesses than the finance models incorporate. Studies offer alternative measures of allocation efficiency that take into account additional features of the individual businesses (Bardolet, Lovallo, &Rumelt, 2010; Vieregger, 2012) and therefore better represent factors considered by managers in practice. Like the resource allocation process research that preceded it, strategy research on corporate capital allocation aims to address factors that determine how allocations actually are made.

Specific Types of Resource Allocation

The third category of research includes studies that examine factors influencing specific types of resource allocations. The research may focus on allocation of financial resources to particular uses. For example, Souder and Shaver (2010) examine how current performance constrains and how managerial compensation incents or deters firms from investing in capital projects with long-horizon payoffs; Maritan (2001) compares the processes used to invest in new versus existing operational capabilities. Or, the research may focus on the allocation of particular types of resources, such as Danneels's (2007) study of organizational impediments to allocating financial, human, and technological resources to new market entry.

Studies that focus on specific types of resource allocation complement and extend research on the resource allocation process and capital allocation. Resource allocation process models have identified commonalities and patterns; focused studies can examine details of mechanisms or contingencies that exist within the broader patterns. Capital allocation research is concerned with allocation of financial resources to divisions; focused studies can bridge that corporate allocation with the ultimate purposes for which the financial resources are allocated.

2.2. Empirical findings on financial management practice

2.2.1.1. International Studies

The effects of financial management practice attributes on profitability of different organization in different countries. Hunjra et al. (2011) concluded from their study that quite beneficial for capital providers – lenders and shareholders are when they would think their funds are being utilized in

proper financial practices. On one side, capital providers will be hesitant to provide the capital to those firms which are not using appropriate financial practices and have poor disclosure. Consistent with this result, Asuquo et al. (2004) found the positive relation between existing financial reporting and analysis and Profitability of the organizations. Bent (2003) concluded farmers who conducted detailed financial analyses were substantially more profitable than those farmers who performed the calculations “in their head” or did not make the calculations at all a finding which demonstrates there are positive returns to conducting detailed financial analyses.

The study of Hutchinson and Ray (1986) also concluded that financial problems create a critical need for improved financial control which can come about through an upgrading of financial reporting and analysis systems. In addition to this, Thomas and Evanson (1987) examined possible associations between financial reporting and analysis practices and performance characteristics. Bek (2007) stated that sound financial management is essential to the success of a business. This implies, managing financial resources successfully is important for both new as well as expanding businesses. So that if the entity taken only time to develop and implement financial plans it will ensure the success of small firms.

The study of Harif et al. (2010) also showed that the range of financial management tools used by SMEs in Malaysia still low and use only predictable and often used components such as financial accounting and working capital management. This resulted in a negative effect on the performance of the SMEs in that county. Butt et al. (2010) concluded the positive consequences of financial structure practices, dividend policy, techniques of investment appraisals, working capital management and financial performance assessment on organization performance. The results reveal that the decision makers and practitioners should be well aware of and agreed on the positive contribution of financial management practices in the corporate sector.

Asuquo et al. (2004) investigated the significant effect of financial management practices on profitability of SMEs in Nigeria. They analyzed the relationship between financial Structure management practices, management of working capital, management of financial reporting and analysis, management capital budgeting and accounting information System with Profitability using the Multiple Regression analysis. In addition to they have been measured profitability with clearly stated financial ratios such as: net profit on total sales revenue, net profit on operating total assets, net profit on shareholders’ equity. Finally, they found the positive relationship between the existing practices and the profitability of the SMEs. They reason out that, because of the owner / manager regularly pay attention and review the financial activities, financial ratios, there was good practices

in these entities. After all, they summarized that, the more efficient financial management practices the higher profitability.

The study of Jaafer and Mohammad (2012) revealed the significant negative relationship between debt management and profitability. Their findings implied that an increase in debt concern is associated with a decrease in profitability; thus, if there is higher level of debt, the profitability of the firm will be adversely affected. They found also profitability increases with control variables; size and sales growth. Ikram (2011) concluded that, there was a moderate relationship between working capital management and firm's profitability from findings. Regarding to the working capital management, Asuquo et al. (2004) found a positive and significant relationship between Working capital management and Profitability. Based on the findings of the study, the survey found that SMEs was strongly supported all areas of working capital management practices even if SME owners/ managers have a low level of management knowledge and experience. This finding was consistent with the findings of many researchers in different countries like Deloof (2003), Lazaridis and Tryfonidis (2006), Raheman and Nasr (2007) and shin and Soenen (1998). These results clearly showed that the practice that shorten the cash conversion, the more profitable the firm is likely to be. The firms should also put much importance on their receivables management and payables management to derive the best out of their profitability.

Smith (1980) and Peel and Wilson (1996) concluded that Working capital management is very essential because of its positive consequences on the firm's profitability and risk, and consequently its value. Inconsistent with this, Mulualem (2011) and Ahmad et al. (2012) found the statistical significance negative relationship between profitability and working capital management. This implies companies' managers can create profits or value for their companies and shareholders by handling correctly the cash conversion cycle and keeping each different component of working capital to a possible optimum level. Consistent with finding, On the other hand the result of Alu and Owolabi (2012) indicated that each working capital component affected the company's level of profitability at different, but, these effects when pooled together are not significant. A study by Asuquo et al. (2004) didn't find a positive and significant consequence of the capital budgeting management on profitability. This was because of the differences in short-term and long-term activities of SMEs in Nigeria. Specifically, the reason was, profitability was calculated by each month, each period of three months or each year (short-term period), meanwhile capital budgeting management is the process of identifying and selecting investments in long-lived assets, or asset expected to produce benefits over more than one year. This result also supported by Pham (2010)

that there is no a positive and significant effect of capital budgeting management practice on profitability of SMEs in Vietnam

As Bent (2003) concluded that the producers who used some form of investment analysis whether it be the payback period, cash flow analysis to assess repayment, or discounted cash flow analysis were substantially more profitable than their peers. So that, who wish to improve performance may benefit from applying appropriate investment analysis techniques. Elena et al. (2011) concluded that the average returns generated by the company indicates that, firms which use AIS for the whole of their management obtain a higher and more positive result with regard to the other groups of firms which show a negative average. This implies that, the effort made by firms to apply, invest more and advance their AIS is related to their economic and financial results, since firms not using AIS obtain losses. Additionally, the study of Tourna and Germanos (2000) suggested that the use of accounting information is the most significant factors that facilitated them during the design and implementation of their strategic plans. Mitchell et al. (2000) also added that accounting information could help SMEs to manage short term problems by providing information to support monitoring and control easily. The study by Asuquo et al. (2004) was also consistent with this study by providing a result that indicates a positive effect of the existence of efficient accounting Information System management on profitability of the organizations.

In general, Davies (1994) scrutinized significant associations between these practices and achieved growth rate and financial performance. In addition to this Asuquo et al. (2004) entailed those factors of financial management of SMEs were good tools of improving enterprise's profitability. Their finding also leads to the conclusion that the efficiency of financial management practices can bring about a higher profitability for these entities. Therefore, these entities can improve their profitability by raising the efficiency of efficient financial management practices.

2.2.1.2. Local Studies

There are studies with reference to Ethiopia on Financial management and firm Profitability, especially in the manufacturing sector.

Mulualem (2011) studied impact of working capital management on firm's profitability on a sample of 13 manufacturing companies for the period of five years (2005-2009). The study was employed stratified sampling design based on nature and turnover of companies. The finding of descriptive statistics shows that, on average cash conversion cycle takes 129days and with minimum and maximum days of -25 and 343 respectively. It also took an average 97days to sell

inventory. Firms wait an average 104days to pay their purchases and receive payment against sales on an average of 58days. The results showed that there is statistical significance negative relationship between profitability and working capital management. Moreover, the study found that there is strongly significant positive relationship between size and firm profitability and there is no statistically significance negative relationship between debt and firms' profitability.

Deseta Yohannes (2017) examined the effect of Financial Management Practices on Profitability of Small-Scale Enterprise in Hawassa City Administration, Ethiopia. The researcher has taken 116 small scale enterprises for study. The study covers following business groups: Manufacturing, Construction, Service, Trade, and Urban Agriculture. The period covered by the study two fiscal year financial statement for each SSEs (2007- 2008 E.C) and their management practice attitude.

The study was taken FMP of the 116 Small-Scale Enterprise for empirical examination from the part of Fixed Asset Management practice, Accounting Information Systems practice, capital budgeting management practice, Working Capital Management practice and Capital Structure Management practice on the Small-scale enterprises of profitability or performance.

The Results revealed that good Financial Management Practices is a backbone to Small-Scale Enterprises Profitability, success and expansion. Analytical finding revealed that, Fixed asset management practices, accounting information system and financial reporting analysis, Working Capital Management Practices, and Capital Budgeting Management Practices have a positive relationship with profitability; but Capital Structure Management Practices has a negative relationship with profitability.

Accordingly, it recommended that owner managers and financial managers are advised to improve strategically update through time and give an indication to policy maker to design supportive policy to SSEs like training, legal prospects regarding gov't support like loan accessibility.

Deresse Mersha (2013) examined the effect of financial management practices and financial characteristics on profitability of business enterprises in Jimma Town, Ethiopia. Analysis of the collected data provided that; profitability was significantly affected by efficiency in financial management practices such as accounting, reporting, & analysis, working capital management, fixed asset management and financial planning and financial characteristics such as current ratio and debt ratio. Therefore, in order to increase profitability, the researchers recommend that business enterprises should continuously improve their financial management practices and financial characteristics.

Mebrahtu Girmay (2017) examined the consequences of Financial Management Practices on Profitability on Selected Private Manufacturing Companies in Mekelle City. The study has analyzed the consequences of existing financial management practices on profitability and found that there was direct relationship between profitability and financial reporting and analysis; and the accounting information system. On the other hand, profitability was inversely related with age of the company, capital budgeting and capital structure management practices. The companies should exercise to maintain suitable ratio between debt and total capital; use effective financial leverage and should review the debt level in order to use it for making finance decisions. Moreover, the companies should evaluate their future projects and fixed assets after acquisition using different capital budgeting techniques rather than a simple determination of accounting profit. The variables used in the study were not exhaustive. Thus, future research may incorporate other financial management practices such as budgeting and CVP analysis and the potential researchers may also assess the practices in different sectors.

Kenenisa Lemi, Reta Megersa & Mekonnen Bogale (2020) examined the effect of financial management practice on entrepreneurial performance on Micro, Small and Medium scale enterprises in four west Oromia major towns mainly; Jimma, Mettu, Bunno Bedele and Nekemtie towns. The logistic regression indicated that accounting information system, financial reporting practice, financial education and literacy, working capital management, field of education of the owners/managers and manner of formation of the enterprises are significant factors affecting entrepreneurial performance in west Oromia. Hence, it is recommended that financial management practice has to be improved to enhance entrepreneurial performance of the micro, medium and small-scale enterprises.

To conclude the empirical studies, a review of prior literature reveals that there exists a significant negative relationship between profitability and Financial Management by using different financial management variables selection for analysis as well by using different measurement of profitability like ROA, ROI, ROE and GOP.

The major variables used by the authors are: number of days accounts receivables, inventories and accounts payables. Almost all authors have found a negative effect of the variables on firm's profitability.

Finally; to the knowledge of the researcher the empirical studies on the area Financial Management and profitability in case of a private Financial Technology and Distribution company in Addis Ababa was not done. This study therefore, seeks to contribute to this research gap and identify

which variables of financial management have a significant effect on the profitability of a private company that is located in Addis Ababa.

2.3. Research Gap

Although lot of scholars provided much descriptive and empirical evidence on financial management practices, it appears that there are still some gaps in the literature which need to be addressed. Above all, the literature review indicates that financial management has impacts on profitability, liquidity and performance of a firm. The efficiency of a company's Financial Management has lasting impact on company profitability. Indeed, the company's inventory management policy, debtors' management policy and creditors' management policy play an important role in its profitability of accompany.

Even if, the literature review indicated that Financial Management has impact on the profitability, liquidity and performance of a firm but there still are variables going to study. There are few literatures who try to identify the impact of Financial Management on profitability of technology company. To identify this relationship those previous studies, use dependent variable like Cash conversion cycle, Accounts receivable period, inventory conversion period and accounts payable period are used as independent working capital variables.

Thus, here in this study include some additional independent variables that was not included in those previous studies but which is believed to have some impact on the company's profitability. The Variables Financial Planning Management practice, Financial Literacy practice and Resource Allocation Practice included examining the effect of financial management practice on company profitability.

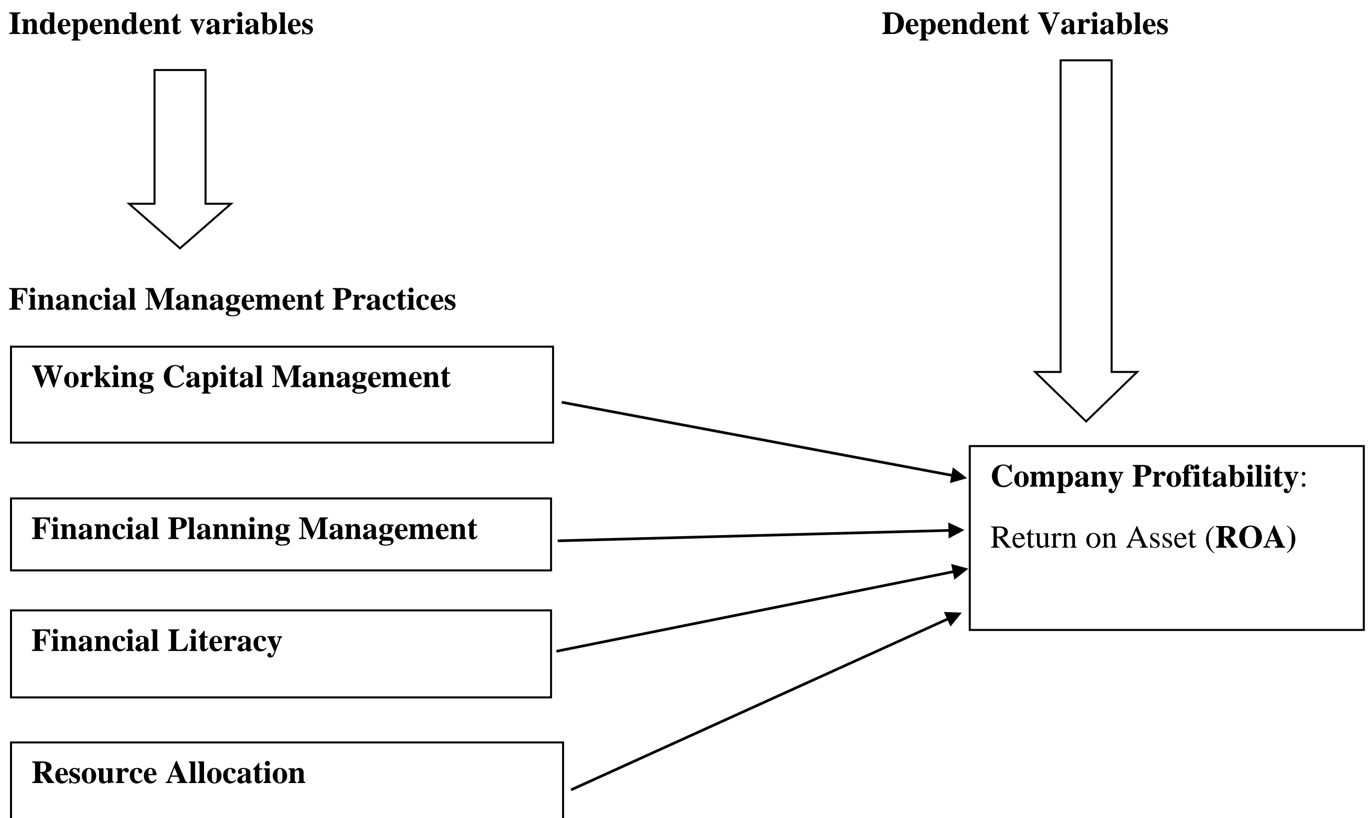
2.4. Conceptual Framework

A conceptual framework represents the researcher's synthesis of the literature on how to explain a phenomenon. It maps out the actions required in the course of the study, given his previous knowledge of other researchers' point of view and his observations on the subject of research.

In other words, the conceptual framework is the researcher understands of how the particular variables in his study connect. Thus, it identifies the variables required in the research investigation. It is the researcher's "map" in pursuing the investigation.

As McGaghie et al. (2001) put it: The conceptual framework "sets the stage" to present the particular research question that drives the investigation being reported based on the problem statement. The problem statement of a thesis gives the context and the issues that caused the researcher to conduct the study. The conceptual framework lies within a much broader framework called a theoretical framework. The latter draws support from time-tested theories that embody many researchers' findings on why and how a particular phenomenon occurs.

Figure 2. 1 Conceptual frame work



Source: Authors design

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter explains the research methodology used in carrying out the research study by describing the research process, research design, population and sampling, data collection approaches and instrument. Selection of research methods depends on the research objectives, nature of the subject and implementing facilities. The purpose of selection of research methodology is to identify an approach to find out the answer to the research questions more exactly and easily.

3.1. Research design and Approach

A research design is a set of advance decisions that makes up the master plan specifying the methods and procedures for collecting and analyzing the needed information. In order to address the study objectives, the research design of this study used explanatory type. Explanatory design will use to identify any causal links between factors or variables. This research design determines how events occur and which ones may influence a particular outcomes (Dawson.&.Bob, 2006). This design is characterized by research type that specifies the nature and direction of the relationships among variables being studied.

Therefore, this study has used explanatory method in order to explain the financial management practice on profitability. Also, this study is used quantitative research approach because the study examining the relationship among variables and used quantitative measures in order to answer the research question and thus arrive at the objective of the research.

3.2. Source of Data

For this study, both primary and secondary data were used. The period covered by this study is five fiscal years financial statements (2016 & 2020 G.C) and their management practice attitude. The primary data was gathered through questionnaire from the selected sample of respondents/ employees of Kifiya Financial Technology. The secondary data was collected from financial statements of the company.

3.3. Population and Sampling Techniques

Population is defined as the entire set of individuals or other entities to which study findings are to be generalized (Schutt, 2011). The total population of Kifiya Financial Technology plc employees

is 408, for this study the target population is KFT plc employees who have educational background of business studies located in Addis Ababa. Hence, bases on this the target population of Kifiya Financial Technology who have educational background of business studies, 92 employees were taken as a target population.

3.4. Method of Data Collection

Primary data is first-hand information, data collected directly from an original source. Primary data can be collected through observation, interviews, or the use of questionnaires (Saunders et al., 2009). The study used questionnaires to collect primary data for quantitative analysis. The data gathered through questionnaire (Closed ended) from the select sample of respondents of Kifiya Financial Technology employee who have educational back ground in business studies.

The data collected through questionnaires method analyzed through descriptive and inferential statistical method. The questionnaires have a five –point Likert-type response scale. (1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree).

For the primary data self-administer Questionnaires distributed to Kifiya Financial Technology 92 respondents.

3.5. Method of Data Analysis Techniques

Data collected from the survey were analyzed using descriptive statistical techniques. For this purpose, the computer software Statistical Package for Social Science (SPSS V.25) was used as the best options available.

The data obtained from the questionnaires was coded to present a meaningful finding. Quantitative data were analyzed using descriptive statistics which include mean, standard deviations, frequencies and percentages and presented in terms of tables, graphs and charts. This was made possible by using Statistical Package for Social Sciences (SPSS) version 25. In order to test the relationship between variables and the extent to which they are influence each other correlation analysis and inferential statistics was used which involves regression analysis. Regression analysis was used to determine whether a combined group of independent variables predicts a given dependent variable (Cooper & Schindler, 2011).

3.6. Reliability and Validity of Data

The reliability was insured by testing the instruments for the reliability of values (Alpha values) as recommended by Cronbatch, (1946). Cronbatch recommends analysis for Alpha values for each

variable under study. According to Sekaran 2001 Alpha values for each variable under study should not be less than 0.7 for the statements in the instruments to be deemed reliable. Consequently, all the statements under each variable were subjected to this test and prove to be above 0.7. A measure is reliable when it is error free and consistent across time and across various items in the instrument. The validity test of the data collection instruments was done with the help of respondents to edit the questionnaire. The researcher has forwarded the questionnaire guide to respondents in the area covered by the research for editing and reviewing. The reliability result of this study is .936 which is acceptable.

3.7. Ethical Considerations

According to Leedy et al (2010), most ethical issues in research fall into one of four categories: - protection from harm, informed consent, right to privacy and honesty with professional colleagues.

Since the propose methodology mainly utilizes questionnaires and interviews as a means of data collection, participants in this study informed in advance about the nature of the study and their participation on voluntary basis. The information treated confidentially and with anonymity of the respondents. Due respect and consideration will also be given to personal and professional opinions. A moral obligation between the researcher and the participant is to be all times honest and maintains privacy.

3.8. Description of variables

In this study, the choice of explanatory variables has been based on alternative theories related to financial management practice and profitability. The variables used in this study are based on the line as applied in previous research regarding the relationship between financial management practice and Profitability. These variables are categorized as dependent and independent variables.

3.8.1. Dependent variable

Dependent variable is variable that is used to measure the profitability of company. In order to analyze the impact of financial management practice on the profitability of a company in Ethiopia, profitability is measured by return on assets (ROA).

ROA is a widely used financial tool to determine the level and intensity of returns that a firm has generated by employing its total assets. Firms are usually considered well off when they generate returns that can attract further investors and lenders, and in trouble if they need to

raise the finance required for growth or capital needs, or if their ROA does not convince financiers. ROA reflects the earnings generated by the capital invested, and is calculated as follows:

$$ROA = \text{Net income/total assets}$$

In this study, ROA is used as dependent variable. ROA has been used by (Samiloglu and Demirgunes, 2008; Sharma and Kumar, 2011; Mogaka and Jagongo, 2013). The return on assets determines the management efficiency to use assets generates earnings. It is a better measure since it relates the profitability of the company to asset base (Padachi, 2006).

3.8.2. Independent variables

The explanatory variables to be used as proxies of financial management practice are (1) Working capital management, (2) Financial planning management, (3) Financial literacy, and (4) Resource allocation. While this study explores the impact of the aforementioned four variables on profitability, it is noted that this list of variables is not exhaustive as there are a number of financial management practice components that can affect profitability.

3.9. Model Specification

The study uses company profitability as its dependent variable and working capital management, financial planning management, financial literacy and resource allocation as explanatory variables on profitability. The general formula used for the model is:

$ROA = f\ (WCMP, FPMP, FLP, RAP)$

$\mathbf{RO}A = \boldsymbol{\beta 0} + \boldsymbol{\beta 1}(WCMP) + \boldsymbol{\beta 2}(FPMP) + \boldsymbol{\beta 3}(FLP) + \boldsymbol{\beta 4}\ (RAP) + \boldsymbol{\varepsilon}$

Where:

ROA = Profitability of KFT Plc

$\beta 0$ = constant

$\beta\ (1-4)$ = coefficient of the independent variables

ε = error term

WCMP= Working Capital Management Practice

FPMP= Financial Planning Management Practice

FLP=Financial Literacy Practice

RAP= Resource Allocation Practice

Table 3. 1 operational Definition of variables

Research Objectives	**Independent Variable**	**Level of Scale**	**Level of analysis**
To examine the effect of working capital management practice on profitability of the company.	Working Capital Management	Ordinal scale	Descriptive: Central tendency
To analyze the effect of financial planning management on profitability of the company.	Financial Planning Management	Ordinal scale	Descriptive: Central tendency
To explore the effect of financial literacy on profitability of the company.	Financial Literacy	Ordinal scale.	Descriptive: Central tendency.
To explore the effect of resource allocation on profitability of the company.	Resources allocation	Ordinal Scale.	Descriptive: Central tendency.
Dependent Variable	Profitability (ROA)	Continuous	Descriptive: Central tendency

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1. Introduction

This chapter deals with presentations, discussions and interpretations of the data collected through questionnaire, documents and provides a detailed analysis of the data collected using both quantitative and qualitative approaches. The chapter begins with the analysis of data collected from respondents in descriptive followed by inferential analysis and provide analysis of qualitative data together with the findings using SPSS V. 25.

4.2. General information of respondents

As table 4.1 shows, the questionnaires were distributed to 92 employees and management of concerned bodies in Kifiya Financial Technologies plc. Among these 90 employees (97.8%) were kindly fill the questionnaires properly and return them on time and all the returned questionnaires were completed and considered for the analysis.

Accordingly, as depicted on the following table about 66.7% employees were male and the remaining 33.3% of respondents were females. The age of majority respondents were between 41 and 50 years old that accounts 36.7%. Respondents who were between 18 to 30 years accounts 21.1% and from 31 to 40 years old were 31.1%. The rest 11.1% of respondents are more than 51 years old. This indicates that there is a potential advantage for working by young staff specially to achieve future objectives of the organization and the young employees are more eager to work. Although, in relation to marital status of the respondents, from the table it is observed that 68.9% of the respondents were married while 27.8% were single. 3.3% of the respondents were responded as they were divorced.

When we notice the level of education, 7.8% of the respondents were certificate and Diploma holders and 67.8% were first degree whereas 24.4% were second degree and above holders. Here, we may conclude that all the respondents are educated and more than Diploma holders. This implies that it is a good advantage for understanding things easily and gives the organization a competitive advantage.

Table 4. 1: General information of respondents

Items	Measurement	Frequency	Percentage
Gender	Male	60	66.7%
	Female	30	33.3%
	Total	**90**	**100%**
Age	Between 18-30	19	21.1%
	Between 31-40	28	31.1%
	Between 41-50	33	36.7%
	51 and above	10	11.1%
	Total	**90**	**100%**
Marital status	Single	25	27.8%
	Married	62	68.9%
	Divorced	3	3.3%
	Total	**90**	**100%**
Level of education	Certificate and diploma	7	7.8%
	First Degree	61	67.8%
	Second Degree and above	22	24.4%
	Total	**90**	**100%**
Work experience	1-5 years	12	13.3%
	6-10 years	39	43.3%
	11-15 Years	38	42.2%
	Above 15 years	1	1.1%
	Total	**90**	**100%**
Educational qualification of the respondents	Accounting and Finance	25	27.8%
	Management	20	22.2%
	Marketing Management	14	15.6%
	Economics	11	12.2%
	Public Admin and Dev't mgt	20	22.2%
	Total	**90**	**100%**

Source: Own survey (2021)

With respect to the work experience of respondents the highest number of respondents 43.3% have experience of 6 to 10 years in the organization. 13.3% of the respondents had 1 to 5 years of experience, 42.2% of respondents had between 11-15 years of experience and the rest 1.1% had more than 15 years of experience in the organization. Here from this data, it is seen that majority of the respondents had an experience of 6-15 years aggregately. Long years of experience shows that there is a relatively low employee turnover as a result it reduces cost of hiring new employees and saves time. As a result, the company can achieve its objectives and can retain experienced employees. Generally, senior staffs are knowledgeable about the practices and activities of the company strictly.

In relation with the educational qualification of the respondents, 27.8% of staff was accounting and finance graduates, 22.2% were graduates of Management, 15.6% of staff was marketing management graduates, 22.2% of the respondents were graduates of public administration and development management and the lowest numbers 12.2% were Economics graduates.

4.3. Descriptive Analysis

In this section data collected from respondents were analyzed descriptively by employing frequency/percentage of agreement level to the given statement, mean and standard deviation. The analysis was conducted on the current financial management practiced in the Kifiya financial technology plc, working capital management practice; financial planning management practice, financial literacy practice and resource allocation practice were considered. The question was distributed to respondents to confirm their level of agreements to the statements asked for them according to five level likert scale question (strongly disagree = 1, disagree = 2, neutral = 3, agree = 4, strongly agree = 5).

4.3.1. Working Capital Management Practices

In relation with the working capital management practice the respondents were requested to show their level of agreement in relation with the proposed premises related with the subject matter. The first statement asked to respondents was whether the company maintains inventory records which are updated regularly, 63.3% were strongly agreed while 36.7% of the respondents were agree. The other statement was whether the company's receivables management system is fully programmed 80% of the respondents were strongly agree and 20% of them were agree. Although, 60% of respondents strongly agree to the company's payables management system is fully programmed and 40% of them are agree. There is a statement asked for respondents whether the company's optimal cash balances to meet daily needs maintained by the company at all times and accordingly, 80% strongly agree as well as 20% are agree. Also, 60% of respondents are strongly agree to the statement said the company's cash flow to meet daily needs maintained by the company at all times and 40% of them are agree. The other issue seen as a measurement of working capital management practice was whether the company's WCM adequately maximizes return on equity or not 60% of the respondents agree and 40% of the was strongly agree.

Table 4. 2 Factors related with Working capital management practice

No	Variable	Measurement				Mean	Std. deviation
		Agree		Strongly Agree			
		Freq	%	Freq	%		
1.	The company maintains inventory records which are updated regularly	33	36.7 %	57	63.3%	4.63	.4846
2.	The company's receivables management system is fully programmed	18	20%	72	80%	4.80	.4022
3.	The company's payables management system is fully programmed	36	40%	54	60%	4.60	.4926
4.	The company's optimal cash balances to meet daily needs maintained by the company at all times	18	20%	72	80%	4.80	.4022
5.	The company's cash flow to meet daily needs maintained by the company at all times	36	40%	54	60%	4.60	.4926
6.	The company's WCM adequately maximizes return on equity.	54	60%	36	40%	4.40	.4926
7.	The company prepares an appropriate cash flow forecasts to identify future surpluses and deficits and prioritize payments	54	60%	36	40%	4.40	.4926
8.	The company's working capital is a measure of company's efficiency.	18	20%	72	80%	4.80	.4022
9.	The company's working capital is a measure of company's short-term financial health.	36	40%	54	60%	4.60	.4926

Source: Own survey (2021)

The respondents were also asked to measure company preparation of an appropriate cash flow forecasts to identify future surpluses and deficits and prioritize payments and 60% are agreed while 40% were strongly agree. Also, there is an intension to know the respondents' agreement on the company's working capital is a measure of company's efficiency and 80% of them are strongly agree and 20% of them were agree. Lastly, respondents were requested whether the company's working capital is a measure of company's short-term financial health and 60% of the respondents are strongly agree and 40% of them are agree.

In addition to the above statistics there is also the mean statistics of the table as follow. Accordingly, The Company maintains inventory records which are updated regularly shows a mean score of 4.63 with standard deviation of .4846, The Company's receivables management system is fully programmed has scored a 4.80 mean with .4022 standard deviation, The Company's payables management system is fully programmed 4.60 scored mean with .4926 standard deviation. The company's optimal cash balances to meet daily needs maintained by the company at all times shows a mean score of 4.80 with standard deviation of .4022, The company's cash flow to meet daily needs maintained by the company at all times has scored a 4.60 mean with .4926 standard deviation, The company's WCM adequately maximizes return on equity 4.40 scored mean with .4926 standard deviation, The company prepares an appropriate cash flow forecasts to identify

future surpluses and deficits and prioritize payments shows a mean score of 4.40 with standard deviation of .4926, The company's working capital is a measure of company's efficiency has scored a 4.80 mean with .4022 standard deviation, The company's working capital is a measure of company's short-term financial health 4.60 scored mean with .4926 standard deviation.

The study of Egbide (2009) and Falope and Ajilore (2009) on the working capital management and profitability of listed companies in Nigeria, made a cross sectional survey design of some quoted companies between 2005 – 2006 and 1995 - 2005. Their data were analyzed using the ordinary least square regression analyses and panel data econometrics in a pooled regression; and the result revealed that all the components of working capital management affect profitability at varying levels of significance with debtor's collection period having the highest and significant impact which is negative. Samiloglu and Demirgunes (2008) analyzed the consequence of working capital management on firm profitability in Turkey for period of 1998-2007. Empirical results showed that the long account receivables, inventory and leverage significantly and negatively affect on profitability, while, the firm growth significantly and positively affect the profitability.

4.3.2. Financial Planning Management Practices

In relation with the financial planning management practice the respondents were requested to show their level of agreement in relation with the proposed premises related with the subject matter. The first statement asked to respondents was whether the Company regularly prepare financial budget, 69.8% were strongly agreed while 31.1% of the respondents were agree. The other statement was whether the Business unit managers play an active role in the development of budgets for their sales under their direction 80% of the respondents were strongly agree and 20% of them were agree. Even though, 60% of respondents strongly agree to the Company has a designated management body in each business unit as well as at corporate level to authorize annual budgets and revisions to budgets and 40% of them are agree. There is a question asked for respondents whether the company has integrated meaningful consideration of financial issues into any strategy planning processes it undertakes and accordingly, 80% strongly agree as well as 20% are agree. The other issue seen as a measurement of financial planning management practice was whether all grant or contract budget agreements with funders or program owners are incorporated into the comprehensive annual budget or not 60% of the respondents agree and 40% of them was strongly agree. Also, there is a question forwarded for respondents that all grant or contract budget proposals

are properly reviewed by program managers before submission to funders or program owners and 60% are strongly agree while 40% were agree.

Table 4. 3 Factors related to financial planning management practice

No	Variable	Measurement				Mean	Std. deviation
		Agree		Strongly Agree			
		Freq	%	Freq	%		
1.	The company regularly prepare financial budget	28	31.1%	62	68.9%	4.69	.4655
2.	Business unit managers play an active role in the development of budgets for their sales under their direction.	18	20%	72	80%	4.80	.4022
3.	The company has a designated management body in each business unit as well as at corporate level to authorize annual budgets and revisions to budgets	36	40%	54	60%	4.60	.4926
4.	The company has integrated meaningful consideration of financial issues into any strategy planning processes it undertakes	18	20%	72	80%	4.80	.4022
5.	All grant or contract budget agreements with funders or program owners are incorporated into the comprehensive annual budget.	36	40%	54	60%	4.60	.4926
6.	All grant or contract budget proposals are properly reviewed by program managers before submission to funders or program owners	36	40%	54	60%	4.60	.4926
7.	The fiscal planning process includes appropriate risk management system or process	32	35.6%	58	64.4%	4.64	.4813
8.	The company regularly compare how actual and budgeted results	36	40%	54	60%	4.60	.4926
9.	The Company's Capital budgeting usually calculate each product's future accounting profit by period and the cash flow by period	36	40%	54	60%	4.60	.4926

Source: Own survey (2021)

The other question forwarded to the respondents whether the fiscal planning process includes appropriate risk management system or process and 64.4% are strongly agreed while 35.6% were agree. Also, there is an intension to know the respondents agreement on the company regularly compare how actual and budgeted results and 60% of them are strongly agree and 40% of them were agree. To this end the respondents were requested whether the Company's Capital budgeting usually calculate each product's future accounting profit by period and the cash flow by period and 60% of the respondents are strongly agree and 40% of them are agree.

In addition to the above statistics there is also the mean statistics of the table as follow. Accordingly, the company regularly prepare financial budget shows a mean score of 4.69 with

standard deviation of .4655, Business unit managers play an active role in the development of budgets for their sales under their direction has scored a 4.80 mean with .4022 standard deviation, The company has a designated management body in each business unit as well as at corporate level to authorize annual budgets and revisions to budgets 4.60 scored mean with .4926 standard deviation. The company has integrated meaningful consideration of financial issues into any strategy planning processes it undertakes shows a mean score of 4.80 with standard deviation of .4022, All grant or contract budget agreements with funders or program owners are incorporated into the comprehensive annual budget has scored a 4.60 mean with .4926 standard deviation, All grant or contract budget proposals are properly reviewed by program managers before submission to funders or program owners 4.60 scored mean with .4926 standard deviation, The fiscal planning process includes appropriate risk management system or process shows a mean score of 4.64 with standard deviation of .4813, The company regularly compare how actual and budgeted results has scored a 4.60 mean with .4926 standard deviation, The Company's Capital budgeting usually calculate each product's future accounting profit by period and the cash flow by period 4.60 scored mean with .4926 standard deviation.

Financial ratio analysis can help investors in making investment decision and predicting firm's performance for in the future. It can give also an early warning about the slowdown of firm's financial condition. Research in finance shows that firm's characteristics such as growth, company size and efficiency can predict the future price of stocks. Johnson and Soenen (2003) analyzed 478 firms in USA during 1982-1998 and concluded that big sized and profitable firms with high level advertising expenditure have better performance in terms of those three measurements.

4.3.3. Financial Literacy Practices

In relation with the financial literacy practice the respondents were requested to show their level of agreement in relation with the proposed premises related with the subject matter. The first statement asked to respondents was whether the Company used to keep records of income regularly, 63.3% were strongly agreed while 36.7% of the respondents were agree. The other statement was whether the company used to keep records of expenditure regularly 80% of the respondents were strongly agree and 20% of them were agree. Although, 40% of respondents strongly agree to the Company prepares regular financial reports for funders or program owners on time and 60% of them are agree.

There is a question asked for respondents whether the Company prepares regular program reports for funders or programs owners on time and accordingly, 80% strongly agree as well as 20% are agree. The other issue seen as a measurement of financial literacy practice was whether what business usually do when money run(s) out before next income arrived or not 60% of the respondents agree and 40% of the was strongly agree.

Also, there is a question forwarded for respondents that the company's financial statement analysis shows the current position of the firm in terms of the types of assets owned by a business firm and 40% are strongly agree while 60% were agree.

Table 4. 4 Factors related to financial literacy practice

No	Variable	Measurement				Mean	Std. deviation
		Agree		Strongly Agree			
		Freq	%	Freq	%		
1.	The company used to keep records of income regularly	33	36.7%	57	63.3%	4.633	.4845
2.	The company used to keep records of expenditure regularly	18	20%	72	80%	4.80	.4022
3.	The company prepares regular financial reports for funders or program owners on time	54	60%	36	40%	4.40	.4926
4.	The company prepares regular program reports for funders or program owners on time	18	20%	72	80%	4.80	.4022
5.	What business usually do when money run(s) out before next income arrived	54	60%	36	40%	4.40	.4926
6.	The company's financial statement analysis shows the current position of the firm in terms of the types of assets owned by a business firm	54	60%	36	40%	4.40	.4926
7.	The company's financial statement analysis shows the current position of the firm in terms of the types of different liabilities due against the enterprise	72	80%	12	20%	4.20	.4022
8.	The company's financial statement analysis adequately helps to assess the operational efficiency of the management of a business	18	20%	72	80%	4.80	.4022
9.	All financial statements are objectively prepared to measure over specific performance	36	40%	54	60%	4.60	.4926

Source: own survey (2021)

The other statement measured by respondents were whether the Company's financial statement analysis shows the current position of the firm in terms of the types of different liabilities due against the enterprise and while 80% of them are agree 20% of them were strongly agree. Although, 80% of respondents strongly agree to the Company's financial statement analysis

adequately helps to assess the operational efficiency of the management of a business and 20% of them are agree. To the last, while 60% of respondents had agreed that all financial statements are objectively prepared to measure over specific performance 40% had agreed.

In addition to the above statistics there is also the mean statistics of the table as follow. Accordingly, The Company used to keep records of income regularly shows a mean score of 4.633 with standard deviation of .4845, The Company used to keep records of expenditure regularly has scored a 4.80 mean with .4022 standard deviation, the Company prepares regular financial reports for funders or program owners on time 4.40 scored mean with 0.4926 standard deviation, The company prepares regular program reports for funders or program owners on time shows a mean score of 4.80 with standard deviation of .4022, What business usually do when money run(s) out before next income arrived has scored a 4.40 mean with .4926 standard deviation, The company's financial statement analysis shows the current position of the firm in terms of the types of assets owned by a business firm 4.40 scored mean with .4926 standard deviation, The company's financial statement analysis shows the current position of the firm in terms of the types of different liabilities due against the enterprise shows a mean score of 4.20 with standard deviation of .4022, The company's financial statement analysis adequately helps to assess the operational efficiency of the management of a business has scored a 4.80 mean with .4022 standard deviation, All financial statements are objectively prepared to measure over specific performance 4.60 scored mean with .4926 standard deviation.

This is consistent with (Mandell & Klein, 2007), in their study those stated that several states mandated high school courses in personal finance in an attempt to promote financial literacy of the students. Financial literacy is a measure of the degree to which one understands key financial concepts and possesses the ability and confidence to manage personal finances through appropriate, short-term decision-making and sound, long-range financial planning, while mindful of life events and changing economic conditions (Remund, 2010). Therefore, financial knowledge, while necessary, may not be sufficient to assure financial well-being.

4.3.4. Resource Allocation Practices

In relation with the resource allocation practice the respondents were call for to show their level of agreement in relation with the proposed premises related with the subject matter. The first statement asked to respondents was whether the Company allocates sufficiently financial resource for strategic implementation, 40% were strongly agreed while 60% of the respondents were agree.

The other statement was whether the company utilize its resources properly as per asset goals 80% of the respondents were strongly agree and 20% of them were agree. Although, 60% of respondents strongly agree to the Company provide for proper utilization of physical resource that are available and 40% of them are agree.

Table 4. 5 Factors related to resource allocation practice

No	Variable	Measurement				Mean	Std. deviation
		Agree		Strongly Agree			
		Freq	%	Freq	%		
1.	The company allocates sufficiently financial resource for strategic implementation	54	60%	36	40%	4.40	.4926
2.	The company utilize its resources properly as per asset goals	18	20%	72	80%	4.80	.4022
3.	The company provide for proper utilization of physical resource that are available.	36	40%	54	60%	4.60	.4926
4.	The company properly administer the resource allocated by program owners	54	60%	36	40%	4.40	.4926
5.	The company properly administer the resource generated from its own revenue	72	80%	12	20%	4.20	.4022
6.	The company has well trained human resource help financial management practices	54	60%	36	40%	4.40	.4926
7.	The company adopted a proper accounting information system for its Accounting Record	54	60%	36	40%	4.40	.4926
8.	The company adopted a proper accounting information system for its management report	45	50%	45	50%	4.50	.5028
9.	The company maintain a proper Fixed Asset management system	72	80%	18	20%	4.20	.4022

Source: own survey (2021)

There is a question asked for respondents whether the Company properly administer the resource allocated by program owners and accordingly, 40% strongly agree as well as 60% are agree. The other issue seen as a measurement of resource allocation practice was whether the company properly administer the resource generated from its own revenue or not 80% of the respondents agree and 20% of the was strongly agree.

Also, there is a question forwarded for respondents that the company has well trained human resource help financial management practices and 40% are strongly agree while 60% were agree.

There is a question asked for respondents whether the company adopted a proper accounting information system for its accounting records, 40% strongly agree as well as 60% are agree. The other issue seen as a measurement of resource allocation practice was whether the company adopted a proper accounting information system for its management report or not equally 50% of the respondents agree and strongly agree.

Finally, the question forwarded for respondents is whether the company maintain a proper Fixed Asset management system or not and 20% are strongly agree while 80% were agree.

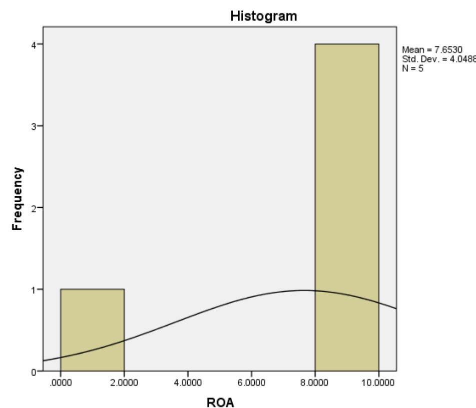
In addition to the above statistics there is also the mean statistics of the table as follow. Accordingly, The company allocates sufficiently financial resource for strategic implementation shows a mean score of 4.40 with standard deviation of .4926, The company utilize its resources properly as per asset goals has scored a 4.80 mean with .4022 standard deviation, The company provide for proper utilization of physical resource that are available 4.60 scored mean with 0.4926 standard deviation, The company properly administer the resource allocated by program owners shows a mean score of 4.40 with standard deviation of .4926, The company properly administer the resource generated from its own revenue has scored a 4.20 mean with .4022 standard deviation, The company has well trained human resource help financial management practices 4.40 scored mean with .4926 standard deviation, The company adopted a proper accounting information system for its Accounting Record shows a mean score of 4.40 with standard deviation of .4926, The company adopted a proper accounting information system for its management report has scored a 4.50 mean with .5028 standard deviation, The company maintain a proper Fixed Asset management system 4.20 scored mean with .4022 standard deviation.

I. Asuquo and S.A. Effiong (2012) in their study which says that the efficiency of financial management practices can bring about a higher profitability for SMEs. Therefore, SMEs can improve their profitability by raising the efficiency of financial resource utilization. Resource allocation is the process of determining the best way to utilize the available assets in an organization in the accomplishment of organizational goals (Derek, 2003). Decision makers in all organizations continually face the difficult task of balancing benefits against costs and the risks of realizing the benefits.

4.3.5. ROA of the company

The ROA was calculated from the annual report of the company for the year 2016 - 2020 for five consecutive fiscal years. According, the ROA percent was gained by dividing the net profit of the year with the total asset of the year.

Figure 4. 1 ROA



Source: SPSS output (2021)

4.4. Inferential Analysis

This section provides an analysis of inferential statics specially focusing on correlation and regression. It was intended to analyze the relation between dependent variable which is profitability (ROA) with independent variables of working capital management practice, Financial Planning Management Practice, Financial Literacy Practices and Resource Allocation Practices.

4.4.1. Correlation analysis

Pearson correlation coefficient analysis is to measures of the direction and degree of relationship between two variables. The coefficient of this analysis can range from -1 to +1. Coefficient approaches to +1 or -1 indicate that stronger relationship between two variables. A negative correlation means that an increase in the value of one variable and the value of the other variable will be decrease. A positive correlation means that the value of two variables will increase or decrease together.

Table 4. 6 correlation table

Correlations						
		ROA	FLP	RA	WC	FMP
ROA	Pearson Correlation	1	.636**	.439**	.660**	.430**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	90	90	90	90	90

FLP	Pearson Correlation	.636**	1	-.309**	.917**	.809**
	Sig. (2-tailed)	.000		.003	.000	.000
	N	90	90	90	90	90
RA	Pearson Correlation	.439**	-.309**	1	-.276**	-.343**
	Sig. (2-tailed)	.000	.003		.008	.001
	N	90	90	90	90	90
WC	Pearson Correlation	.660**	.917**	-.276**	1	.854**
	Sig. (2-tailed)	.000	.000	.008		.000
	N	90	90	90	90	90
FMP	Pearson Correlation	.430**	.809**	-.343**	.854**	1
	Sig. (2-tailed)	.000	.000	.001	.000	
	N	90	90	90	90	90
**. Correlation is significant at the 0.01 level (2-tailed).						

Source: own survey (2021)

Based on the above table, financial literacy practice (r=.636), Resource allocation (r=0.439) working capital management practice (r=.660) and financial management practice (r=.430) has a positive correlation with a dependent variable of profitability which is measured by ROA of kifiya financial technology plc.

Generally, as indicated from the above table working capital management practice has the heights correlation and financial management practice has the lowest. While two variables financial literacy practice and working capital management practice have moderate and positive correlations with the dependent variable and resource allocation practice and financial management practice has low and positive correlation indicating that those factors have a significant positive effect on it.

4.4.2. Multicollinearity test

Multicollinearity refers to a situation when two or more independent variables are highly correlated with each other. Multicollinearity causes inflation in the standard error of regression coefficients resulting in a reduction of their significance. There are a number of mechanisms to detect the existence of multicollinearity problem. For this research Pearson correlation and Variance Inflation Factor (VIF) are used to observe multicollinearity problems among independent variables. In order to test whether multicollinearity problem present or not, a Variance Inflation Factor (VIF) were employed. Gujaraati (1995) established a rule of thumb, which stated multicollinearity is a serious problem when the VIF is on average 10 or above.

Table 4. 7 Multicollinearity test

Coefficients[a]	
Model	Collinearity Statistics

		Tolerance	VIF
1	FLP	.282	5.705
	RA	.290	5.879
	WC	.252	3.971
	FMP	.630	3.588
a. Dependent Variable: ROA			

Source; SPSS output (2021)

Pearson's correlation Coefficient above 0.8 between explanatory variables should be corrected because it is a sign for multicollinearity (Cooper & Schindler (2009). In addition to this the tolerance of the variable is greater than 0.1 so it indicates no multicollinearity between the variable. Linearity and homoscedasticity were also examined through the analysis of residuals, and partial regression scatter plot, the scatter plot does not exhibit any nonlinear pattern and shows that the points are randomly distributed through the scatter plot.

This is an indication that the assumption of linearity and homoscedasticity for all variables has been met (Hair et al., 2010).

4.4.3. Test of normality

When testing for normality, we are mainly interested in the Tests of Normality table and the Normal Q-Q Plots, our numerical and graphical methods to test for the normality of data, respectively.

If the significance value is greater than the alpha value (we'll use .05 as our alpha value), then there is no reason to think that our data differs significantly from a normal distribution – i.e., we can reject the null hypothesis that it is non-normal.

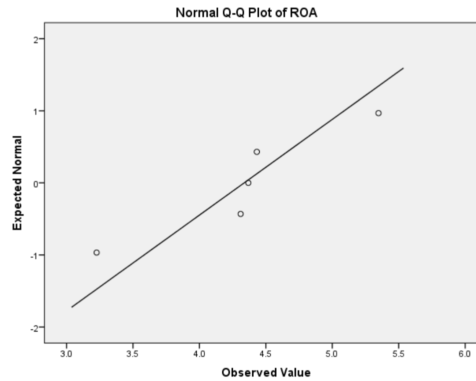
Tests of Normality						
	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
ROA	.286	90	.200*	.914	90	.494
*. This is a lower bound of the true significance.						
a. Lilliefors Significance Correction						

Source: own survey (2021)

As we can see on the above table, both tests give a significance value that's greater than .05; therefore, we can be confident that our data is normally distributed.

Q-Q Plot

SPSS also provides a normal Q-Q Plot chart which provides a visual representation of the distribution of the data.



Source: own survey (2021)

If a distribution is normal, then the dots will broadly follow the trend line.

As we can see on the above figure, our data does cluster around the trend line which provides further evidence that our distribution is normal.

4.4.4. Regression Analysis

Table 4. 8: Regression model summary

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.950[a]	.902	.898	1.1644820	3.534
a. Predictors: (Constant), FMP, RA, FLP, WC					
b. Dependent Variable: ROA					

Source: own survey (2021)

ROA which represents company profitability is used as the dependent variable. Since the method selected is Stepwise, SPSS only chose the significant variable to represent the model during the computation in the linear regression analysis. R^2 is the coefficient of determination, which is a ratio of the explained to total variation, while adjusted R^2 is the modified determination coefficient that was adjusted for the model's number of predictors. The results shown in the table above discloses the relationship of indicators and the predicted variable (ROA). Therefore, the correspondence indicated in the Model Summary, between the independent variables and the dependent is 0.950. The adjusted R square (0.898) indicates that 89.8% of the variance in the dependent variable can be predicted by the independent variables, and this is found to be significant at $p<0.05$(P=.000). R-squared; or the coefficient of multiple determinations is a goodness-of-fit measure for linear regression models. This statistic indicates the percentage of the variance in the dependent variable that the independent variables explain collectively. Adjusted R-squared measures the strength of the relationship between model and the dependent variable on a convenient 0 – 100% scale. The higher

the adjusted R-square values represent smaller differences between the observed data and the fitted values.

In another words, this second model has a negligible error on the regression line and can be used as a trend line for accurately predicting the missing variable. However, the Durbin-Watson statistics shows a value of 3.534. Values from 2 to 4 in Durbin-Watson statistics indicate negative autocorrelation based on Investopedia. In overall, financial literacy practice, resource allocation practice, working capital management practice and financial planning management practice representing the ROA are the most appropriate variables to be included as the independent variables.

This result is only an overall measure of the strength of association between the four independent variables and the dependent variable. And the model is generally significant as the ANOVA result shows;

Table 4. 9 ANOVA table

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1065.037	4	266.259	196.354	.000[b]
	Residual	115.262	85	1.356		
	Total	1180.299	89			
a. Dependent Variable: ROA						
b. Predictors: (Constant), FMP, RA, FLP, WC						

Source: own survey (2021)

All independent variable with significant level which is less than α=0.05 indicating there is a significant linear relationship between the dependent and independent variables.

In the table above, it has been shown that the group of independent variables collectively predicted the dependent variable at a statistically significant level, $p<0.05$. This means the independent variables have a significant influence on the dependent variable implying that they altogether have impact on profitability which is measured by ROA of kifiya financial technology plc.

To test significance of this model ANOVA (F- test) was performed. As shown above on multiple regression analysis, it can be observed from the ANOVA table that the model as a whole is significant (F (4, 85) = 196.354, P=.000)). F test is a statistical test its purpose is to examine whether the independent variables, taken together, have a significant effect to the dependent variable.

In the following regression coefficient table, the influence of each independent factor on the predicted variable (profitability, ROA) has been tested and the results are discovered. Accordingly, all the four independent variables have a significant influence on profitability/ROA.

Table 4. 10 Coefficients table

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	148.799	7.075		21.033	.000
	FLP	8.577	1.576	.471	5.442	.000
	RA	15.079	.820	.669	18.378	.000
	WC	17.931	2.703	.648	6.634	.000
	FMP	6.957	1.697	.275	4.101	.000
a. Dependent Variable: ROA						

Source: own survey (2021)

Based on the coefficients table, the predictors have a significant value of since sign is (0.000) which means there is a perfectly significant linear relationship between the dependent and independent variables. The models can be concluded having a consistent variance that can predicts the outcome very significantly.

Based on the table above, we can compare the contribution of each independent predictor to dependent variable by using beta value under standardized coefficients. We need to look at standardized coefficient beta so that the variables all measured changed to same scale.

From the above coefficient table, we can see the positive and significance relationship found at independent variables of financial literacy practice (β = .471, p= .000), resource allocation (β = .669, p= .000), working capital management practice (β = .648, p= .000) and financial management practice (β = .275, p= .000).

Therefore, the equation of regression line for the first model is $y=148.799+8.577X1+15.079X2+17.931X3+6.957X4$ where y refers to the ROA and X1 refers to the financial literacy practice, X2 refers to resource allocation practice, X3 refers to working capital management practice and X4 refers to financial management practice. The equation can be explained as when the financial literacy practice increases by 8.577 units, ROA will increase by the same units, when resource allocation practice increase by 15.079 ROA will increase by the same amount, when working capital management practice increase by 17.931then ROA increase by the

same amount and when the financial management practice increases by 6.957 units, ROA will increase by the same units.

These findings are consistent with previous studies that have been conducted in relation to the effect of financial management practices on profitability of small and medium enterprises. With regard to the regression results, it was observed that there was a strong positive relationship (R= .992) between financial management practices and profitability of SME‟s in Howlwdag district in Bakaro market. This is supported by a journal article research carry out in Nigeria by Dr. A. I. Asuquo & Dr. S.A. Effiong (2012) on the effect of financial management practices on profitability of small and medium enterprises. The SMEs are chosen locate in cities as Calabar, Uyo. Simultaneously, the questionnaires were sent out to 350 directors in referred cities above and selected via mail within one month by using questionnaire which were clarify via mail address. This finding leads to the conclusion that the efficiency of financial management practices can bring about a higher profitability for SMEs. Therefore, SMEs can improve their profitability by raising the efficiency of financial management practices.

This finding is consistent to similar research made by (Rao, 2010) who found a positive relationship (R = 0.751) between financial management practices and profitability of small and medium enterprises in Jimma town, Ethiopia and (Dr. A. I. Asuquo) also showed similar finding between financial management practices and profitability of SMEs in Nigeria. As results of improving financial management such as working capital management, financial planning, and financial literacy and resource allocations so do the profitability. A study conducted by Mursal Hussien Mohamoud and Nagib Omar (2016), a study conducted on the effect of financial management practices on profitability in Mogadishu, Somalia. The study findings established that there was a positive relationship (R= 0.991) between the variables. The study also revealed that 98.2% of profitability in the SMEs could be explained by the variables under study. the findings lead to a conclusion that improving financial management such as working capital management, financial planning, financial literacy and resource allocations so do the profitability.

As the above table 4.10 depicts, the following statements could be made regarding the hypothesis of the study. These are:

- The hypothesis which is stated as financial literacy practice has a significant impact and positive relationship with company profitability of KFT plc was tested at a 5% level of significance. It was discovered that financial literacy practice does play a significant role in

determining the profitability of KFT plc. Thus, the hypothesis is therefore be accepted.

- The hypothesis which is stated as resource allocation practice has a significant impact and positive relationship with company profitability of KFT plc was tested at a 5% level of significance. It was discovered that resource allocation practice does play a significant role in determining the profitability of KFT plc. Thus, the hypothesis is therefore be accepted.

- The hypothesis which is stated as working capital management practice has a significant impact and positive relationship with company profitability of KFT plc was tested at a 5% level of significance. It was discovered that working capital management practice does play a significant role in determining the profitability of KFT plc. Thus, the hypothesis is therefore be accepted.

- The hypothesis which is stated as financial planning management practice has a significant impact and positive relationship with company profitability of KFT plc was tested at a 5% level of significance. It was discovered that financial planning management practice does play a significant role in determining the profitability of KFT plc. Thus, the hypothesis is therefore be accepted.

4.5. Hypothesis testing

The purpose of the hypothesis was to analyze whether independent variables (working capital management practice, financial planning management practice, financial literacy practice and resource allocation practice) has a significant effect on dependent variables (company profitability). And one of the most commonly used methods in statically decision making in hypothesis testing.

The decision-making process for Hypothesis test can be based on the probability value (p-value) for the given test that is:

- If the p-value is less than or equal to a predetermined 0.05 level of significance, then we accept the hypothesis
- If the P- value is greater than 0.05 level of significance value, then we reject the hypothesis.

Based on this the researcher developed four hypotheses to check the effect of financial management practice on company profitability.

At the 5% significance level, determine if the model is useful for predicting the response bases on this Hypothesis analysis implemented:

- HP1: The independent variable WCMP, represent working capital management practice of KFT Plc. The result from table 4.10 reveals, there is positive significant effect on the profitability of the company with $\beta=0.648$. As indicated in (Table 4.10) $Sig=0.000<0.05$, the result supported the hypothesis, that means the existing working capital management practice has significant and positive effect on profitability of the company.

- HP2: The independent variable FPMP, represent financial planning management practice of KFT Plc. The result from table 4.10 reveals, there is positive significant effect on the profitability of the company with $\beta=0.275$. As indicated in (Table 4.7) $Sig=0.000 <0.05$, the result supported the hypothesis, that means the existing financial management planning practice in the organization has significant and positive effect on profitability of the company.

- HP3: The independent variable FLP, represent financial literacy practice of KFT Plc. The result from table 4.10 reveals, there is positive significant effect on the profitability of the company with $\beta=0.471$. As indicated in (Table 4.10) $Sig=0.000<0.05$, the result supported the hypothesis, that means the existing financial literacy practice has significant and positive effect on profitability of the company.

- HP4: The independent variable RAP, represent resource allocation practice of KFT Plc. The result from table 4.10 reveals, there is positive significant effect on the profitability of the company with $\beta=0.669$. As indicated in (Table 4.10) $Sig=0.000<0.05$, the result supported the hypothesis, that means the existing resource allocation practice has significant and positive effect on profitability of the company.

Based on this study hypothesis result shows that the four financial management practice, financial literacy practice, resource allocation practice, working capital management practice and financial planning management practice hypotheses result supported.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1. Summary of major findings

This chapter aimed to summarize the key findings, conclusion and recommendations of the study based on the research questions and company financial statements. The purpose of this study was to assess the effect of financial management practices on company profitability: the case of kifiya financial technology plc.

In the previous chapter the analysis was conducted through descriptive and inferential statistics. Accordingly, in this section the summary of findings was presented.

The researcher was carried out in order to find out the effect of financial management practices on company profitability of Kifiya Financial Technology Plc. Explanatory research design was employed and data were collected from 90 kifiya financial technology employees and five fiscal years financial statement.

From finding of quantitative or Correlation result showed as among or between dependent variable (company profitability) and independent variables (working capital management, financial planning management, financial literacy and resource allocation) have positive and significant relationship.

- The correlation between working capital management practice and company profitability is positive and significantly correlated at ($r=0.660$), ($p<0.05$), this shows that the relationship between the two variables is strong. (See table 4.6)
- The correlation between financial planning management practice and company profitability is positive and significantly correlated at ($r=0.430$), ($p<0.05$), this shows that the relationship between the two variables is strong. (See table 4.6)
- The correlation between financial literacy practice and company profitability is positive and significantly correlated at ($r=0.636$), ($p<0.05$), this shows that the relationship between the two variables is strong. (See table 4.6)

- The correlation between resource allocation practice is positive and significantly correlated at (r=0.439), ($p<0.05$), this shows that the relationship between the two variables is strong. (See table 4.6)
- The independent variables selected for the model, (working capital management practice, financial planning management planning practice, financial literacy practice and resource allocation practice), and 89.8% of independent variable effect on company profitability. But the rest variations 10.2% are from extraneous variables. This result implies effect of financial management practices or element factors accounted 89.8% of the variance in company profitability. So, financial management practice elements variables explained the company profitability by 89.8% (see table 4.8)
- From the regression analysis illustrates that 89.8% of the variance in the dependent variable (ROA) can be predicted by the independent variables (working capital management practice, financial planning practice, financial literacy practice and resource allocation practice).

From the regression coefficient result, we can see the positive and significance relationship found at independent variables of financial literacy practice (β = .471, p= .000), resource allocation (β = .669, p= .000), working capital management practice (β = .648, p= .000) and financial management practice (β = .275, p= .000). (See table 4.10)

Therefore, the equation of regression line for the first model is $y=148.799+8.577X1+15.079X2+17.931X3+6.957X4$ where y refers to the ROA and X1 refers to the financial literacy practice, X2 refers to resource allocation practice, X3 refers to working capital management practice and X4 refers to financial planning management practice.

In general, on the above regression coefficient result, resource allocation practice, working capital management practice, financial literacy practice and financial management practice in kifiya financial technology plc happens to be the first, second, third and forth from financial management dimension that has significant positive effect on company profitability respectively.

5.2. Conclusion

Based on the findings in this study, the following conclusions are derived regarding the practices of financial management and the relationship with the company's profitability.

The correlation analysis showed that the significant and positive relationship among and between independent variables and company profitability. Therefore, improvement and interrelation in all independent variables can increase the profitability of kifiya financial technology plc and also increasing integration of financial management practices efficiency and to overcome and keep the company distinctive profitability.

The regression result showed working capital management, financial planning management, financial literacy and resource allocation have positive and significant effect on company profitability.

- As per the regression result working capital management has positive and significant effect on the profitability of the company. If the value of working capital management increases by one percent, the Company profitability of Kifiya Financial Technology Plc will increase by 17.931 percent provided that other variables remain constant.
- As per the regression result financial planning management has positive and significant effect on the profitability of the company. If the value of financial planning management increases by one percent, the Company profitability of Kifiya Financial Technology Plc will increase by 6.957 percent provided that other variables remain constant.
- As per the regression result financial literacy has positive and significant effect on the profitability of the company. If the value of financial literacy increases by one percent, the Company profitability of Kifiya Financial Technology Plc will increase by 8.577 percent provided that other variables remain constant.
- As per the regression result resource allocation has positive and significant effect on the profitability of the company. If the value of resource allocation increases by one percent, the Company profitability of Kifiya Financial Technology Plc will increase by 15.079 percent provided that other variables remain constant.

Generally, as this study finding and result concluded that financial management practices efficiency has a positive and significant effect on company profitability this reveled that more to do on independent variables will help kifiya financial technology plc to be profitable. Over all based on the analysis, we can conclude financial management practice efficiency has statistically significant effect on company profitability of kifiya financial technology plc.

Based on this the researcher conclude that kifiya financial technology plc managers need to consider taking and implementing financial management elements as more effective and power full tools in the success of company profitability and also immense for the company to implement this.

5.3. Recommendations

The main objective of the study was to access the impact of financial management practices on the profitability of KFT plc. The research forwarded on the ground of the conclusions from the results and discussion. The study has shown a clear understanding of financial management practice components and its effect on profitability of kifiya financial technology plc. In order to improve company's profitability, management of financial management components is necessary. Therefore, based on the findings obtained from the result of the study, the researcher forwards the following recommendations:

From the output of the study there is a positive and strong relationship between financial management practices mainly financial literacy practice, resource allocation practice, working capital management practice and financial planning management practice affect the profitability of the company hence, management of the company is advised to take these practices in to account so as to assure or maximize the profitability of the company.

5.4. Direction for future research

There is need for further studies to carry out the effect of financial management practices on profitability of companies by integrating more elements of financial management practices that affects profitability. This study focuses on the relation between working capital management, financial planning management, financial literacy and resource allocation and profitability measured as return on asset. There are also other measures of profitability, return on investment, gross operating profit, return on equity to consider for further study. Therefore, this study can be extended by using some other variables in the model.

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ST. MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES

Questionnaire

I am a Postgraduate student at St. Marry University. I am conducting a research study to examine "The effect of Financial Management Practices on profitability of Kifiya Financial Technology Plc." The outcome of the study will be used to suggest possible solutions for problems identified. The information you provided will only be used for academic purpose. As a result, it will be kept confidential and utmost anonymity.

Thank you in advance for your cooperation and taking your time to fill out these questionnaires

Instructions:

- Please do not write your name
- Put (√) mark for each question to indicate your response

Part I: Respondent Profile

1. Respondent Gender: Male ☐ Female ☐
2. Age in Year: 18 - 30 ☐ 31- 40 ☐ 41-50 ☐ 51 and above ☐
3. Year of service (Experience): 1- 5 years ☐ 6-10 years ☐ 11-15 years ☐ Above 15 years ☐
4. Marital Status: Single ☐ Married ☐ Divorced ☐
5. Level of Education: Certificate & Diploma ☐ First Degree ☐ Second Degree & Above ☐
6. What is your qualification: Accounting & Finance ☐ Management ☐ Marketing ☐ Economics ☐ Public Administration & Developmental Management ☐

Part II: Research related questions

Please rate to show your standing towards the effect of financial management practice on company profitability how strongly you agree or disagree with each of the following questions by placing checkmarks (√) to the respective column as rated (1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree).

S/N	Item	1	2	3	4	5
1	**Working Capital Management Practices**					
1.1	The company maintains inventory records which are updated regularly					
1.2	The company's receivables management system is fully programmed					
1.3	The company's payables management system is fully programmed					
1.4	The company's optimal cash balances to meet daily needs maintained by the company at all times					
1.5	The company's cash flow to meet daily needs maintained by the company at all times					
1.6	The company's WCM adequately maximizes return on equity.					
1.7	The company prepares an appropriate cash flow forecasts to identify future surpluses and deficits and prioritize payments					
1.8	The company's working capital is a measure of company's efficiency.					
1.9	The company's working capital is a measure of company's short-term financial health.					

2	**Financial Planning Management Practices**					
2.1	The company regularly prepare financial budget					
2.2	Business unit managers play an active role in the development of budgets for their sales under their direction.					
2.3	The company has a designated management body in each business unit as well as at corporate level to authorize annual budgets and revisions to budgets					
2.4	The company has integrated meaningful consideration of financial issues into any strategy planning processes it undertakes					
2.5	All grant or contract budget agreements with funders or program owners are incorporated into the comprehensive annual budget.					
2.6	All grant or contract budget proposals are properly reviewed by program managers before submission to funders or program owners					

2.7	The fiscal planning process includes appropriate risk management system or process					
2.8	The company regularly compare how actual and budgeted results					
2.9	The Company's Capital budgeting usually calculate each product's future accounting profit by period and the cash flow by period					

3	**Financial Literacy Practices**					
3.1	The company used to keep records of income regularly					
3.2	The company used to keep records of expenditure regularly					
3.3	The company prepares regular financial reports for funders or program owners on time					
3.4	The company prepares regular program reports for funders or program owners on time					
3.5	What business usually do when money run(s) out before next income arrived					
3.6	The company's financial statement analysis shows the current position of the firm in terms of the types of assets owned by a business firm					
3.7	The company's financial statement analysis shows the current position of the firm in terms of the types of different liabilities due against the enterprise					
3.8	The company's financial statement analysis adequately helps to assess the operational efficiency of the management of a business					
3.9	All financial statements are objectively prepared to measure over specific performance					

4	**Resource Allocation Practices**					
4.1	The company allocates sufficiently financial resource for strategic implementation					
4.2	The company utilize its resources properly as per asset goals					
4.3	The company provide for proper utilization of physical resource that are available.					
4.4	The company properly administer the resource allocated by program					

	owners					
4.5	The company properly administer the resource generated from its own revenue					
4.6	The company has well trained human resource help financial management practices					
4.7	The company adopted a proper accounting information system for its Accounting Record					
4.8	The company adopted a proper accounting information system for its management report					
4.9	The company maintain a proper Fixed Asset management system					