AN EVALUATION OF FINANCIAL MANAGEMENT PRACTICES IN TIER 3 STATE OWNED ENTERPRISES IN NAMIBIA

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ABSTRACT

The success or failure of any organisation whether public or private is reckoned on the governance and effectiveness of its financial management practices. Moreover, financial management practices have an impact on a broad range of areas within an organisation, including, aggregate financial management, operations management, governance and fiduciary risk management. Consequently, the main objective of this study was to evaluate the financial management practices in Tier 3 SOEs in Namibia. Specifically, the study investigated the current financial management practices adopted by Tier 3 SOEs in Namibia and to determine their effects as well as to identify the challenges regarding the implementation of financial management practices. The study employed a descriptive survey research design to collect the data on financial management practices from the CEOs, Accountants and Financial Directors/Managers (FD/Ms) of Tier 3 Namibian SOEs. Semi - structured questionnaires were used to collect the primary data and all data was entered and analysed using SPSS v.26. Descriptive analysis was done and the results were presented in tables, figures and charts. The findings show that, financial planning and control, reporting and analysis of financial, working capital management and capital structures management practice are current financial management practices adopted by Tier 3 SOEs in Namibia. Companies have good financial performance. Lack of advanced knowledge and skills was one of the challenges experienced in the implementation of financial management practices in the SOEs. Failure to fill vacant positions and lack of support from leadership (management) were also identified as challenges that hinder the implementation of the financial management practices. Therefore, the study recommends that the managers in SOEs should highly prioritise financial management practices during the formulation of their organisation's strategies to enhance transparency, accountability and consistency in financial operations. Finally, the study also recommends that regulatory bodies should formulate appropriate policies and regulations which would facilitate the implementation of financial management practices in companies.

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DEDICATION

This thesis is dedicated to my caring father, Mr. Petrus Namupala and my beloved siblings, Selma Petrus and Elago Martin Petrus, who have been my inspiration. Those wonderful people gave me the courage to tackle this thesis with determination.

DECLARATIONS

I, Veroonika Petrus, hereby declare that this study is my own work and is a true reflection of my research, and that this work, or any part thereof has not been submitted for a degree at any other institution.

Veroonika Petrus	V. Petrus	October 2022
Student Name	Signature	Date

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The State-Owned Enterprises (SOEs) are enterprises where the state has significant control through full majority or significant minority ownership (Weylandt, 2016). According to Kuugongelwa-Amadhila (2012) SOEs are established to serve as an instrument of government's development policy by either supplying specialised public goods or services or by playing a specific regulatory role.

Maurihungirire (2016) noted that, government establishes SOEs in order to provide essential and affordable services to the nation. Private firms could charge consumers highly, for such products/services and would likely refuse to provide services to poor communities as they may not make much profit from providing such costly products/services at lower prices. Hence, SOEs are established by the government to ensure that the public has access to essential and affordable services.

According to Links and Haimbodi (2011) SOEs play a significant role in service delivery, procurement, infrastructure development and employment creation in Namibia. Keyter (2006) argues that SOEs are assets of enormous value to the state and the entire nation at large. As such, the performance of the sector can be regarded as an important indicator when assessing the overall health of the country's economy.

SOEs in Namibia are classified as: Tier 1, Tier 2 and Tier 3 in terms of their size and contribution to the economy as well as their remuneration bands (Republic of Namibia, 2010). According to the Republic of Namibia (2010) Tier 1 should only earn between

N$401 199 and a maximum of N$803 413 annually, Tier 2 dictates that a CEO in that category should only earn between N$451 739 and N$987 197 annually and for a parastatal that falls under Tier 3 then it means it's boss should earn a minimum of N$709 722 and a maximum of N$1 532 828.

Public financial management is absolutely critical to improving the quality of public service outcomes. It affects how funds are used to address national and local priorities, the availability of resources for investment and the cost-effectiveness of public services. Also, the general public will have greater trust in public sector organisations with a strong financial stewardship, accountability and transparency in the use of public funds (ACCA, 2010).

According to Schlettwein (2010) the Namibian Constitution provides for a mixed economy which allows the government to be directly or indirectly involved in the economy through the national budget and parastatals. Keyter (2006) states that at independence in 1990, Namibia had only about twelve SOEs but the number has increased to more than fifty SOEs. Links and Haimbodi (2011) acknowledge that since independence in March 1990, the number of SOEs has grown considerably and, by the same token, the significance of the sector to the local economy has exponentially increased. SOEs are formed with the intention that their operations will be directly aligned to the governments' development strategy, hence bringing about economic benefits and performance in accordance with well- defined governance principles.

However, the SOE sector has been plagued by poor management, lack of accountability and generally non-transparent practices, with political interference an ever-present reality (Vugs and Buy, 2013). According to the Asian Development Bank (ADB) (2009) the performance of the SOEs affects the economy because inefficient

SOEs absorb a substantial amount of the national budget and provide returns that are below the cost of capital. In agreement, Weylandt (2016) noted that there is a widely-publicised case of mismanagement and ever-escalating costs of subsidising SOEs that had failed to become self-sustaining. As a result, Links and Haimbodi (2011) state that the government has since 2000 emphasised the need to transform governance practices in the SOE sector and tighten regulations, as well as increase oversight. According to Vugs and Buy (2013) the Namibian government has tried a variety of approaches in governing its parastatals, with major reforms in 2003 and 2006 failing to have the desired effect.

Keyter (2006) acknowledges that sound financial performance remains elusive in most SOEs, despite the government's financial injections. Moreover, significant funds that are meant to serve the national interests and improve the lives of the citizens are diverted and leave state coffers without proper accountability (Weylandt, 2017).

Consequently, as noted by Weylandt (2016) in 2006 the government introduced the State-Owned Enterprises Governance Act (SOEGC), creating what has been called the "dual-governance model" to help with the governance of SOEs. This was in an attempt to improve their performances, yet it resulted in poor outcomes.

Schlettwein (2010) notes that the purpose of SOEGC is to develop a whole host of measures and mechanisms aimed at improving the performance of SOEs and the conduct of senior managers. The SOEGC was thus seen as the state's response to the common weakness of the SOEs' sector. However, SOEGC has made little impact on how SOEs are managed.

Due to the tasks that SOEs conduct for the nation and the amount of taxpayers' money they receive; it is of utmost importance that SOEs carry out their mandates with efficiency and integrity. Talpas (2016) notes that optimal application and commitment towards effective financial management practices results in enterprises being operationally efficient. Furthermore, Mbugua (2013) states that enterprises that properly recruit and manage their human capital, make adequate and efficient use of their resources and conduct their business affairs in accordance with the accepted corporate governance standards, tend to achieve integrity. Therefore, this study aims to evaluate the financial management practices in Tier 3 SOEs in Namibia.

1.2 Statement of the problem

The success or failure of any organisation (public or private) is reckoned on the governance and effectiveness of its financial management practices (Steward, 2012). Moreover, financial management practices have an impact on a broad range of areas within an organisation including, aggregate financial management, operational management, governance and fiduciary risk management (Finkler, 2001). Yet, most Namibian SOEs are financially mismanaged to the extent that they fail to fulfill their core objectives, leading to an unexecuted vision. In addition, these SOEs have continued to rely on repeated government financial support to keep their businesses afloat (Weylandt, 2016).

The magnitude of financial subsidies from the national budget and government guaranteed debt to the SOE sector has drastically increased from one financial year to another. For instance, the government financial transfers from the national budget to SOEs in the 2017/18 financial year increased to $12.2 billion (of which $3.4 billion was for subsidies and $8.8 billion was for guaranteed debt). This was in comparison to $6.4 billion (of which $1.78 billion was for subsidies and $4.62 billion was for guaranteed debt) in the 2016/17 financial year (Namibian national budget, 2016 and

2017). Consequently, given the poor financial management, the government has been consistently and continuously called upon to bail-out these SOEs which have been plagued by bad decision-making, weak management, poor financial planning and lax financial controls (Schlettwein, 2010).

According to Broyles (2003) sound financial management practices are vested in timely, efficient, effective and economical attainment of objectives. In the public sector, financial management focuses on the use of scarce resources to ensure effective stewardship over public funds and assets while achieving value for money in meeting the objectives of the government (Burger and Woods, 2008). Fracassi and Tate (2012) attested that most fiscal challenges that are encountered by government institutions, including SOEs are caused by poor financial management due to their inefficiencies, poor service delivery, budgetary burdens and higher levels of unaccountability. Consequently, Kilonzo and Dennis (2015) suggest that financial management is the major determinant of the growth of enterprises. Ineffective financial management would result in poor financial performance and eventually lead to financial failure of enterprises. A high rate of financial failure has adverse effects on the economy; hence the need for sound financial management practices within SOEs. The implementation of effective financial management practices provides opportunities for the enterprises to respond effectively to various challenges within the operating environment (Kilonzo & Dennis, 2015).

Despite efforts from the government through the use of legislation to improve the performance of Namibian SOEs, proper financial management practices remain inadequate. While these SOEs are expected to be commercially sustainable, they have been experiencing financial failures (Links and Haimbodi, 2011). Thus, the problem before the researcher is to evaluate the financial management practices in Tier 3 Namibian SOEs.

1.3 Research Objectives

The main objective of this study is to evaluate the financial management practices on the financial performance of the Tier 3 SOEs in Namibia. The specific objectives are:

a) To identify the current financial management practices adopted by Tier 3 SOEs in Namibia
b) To determine the effects of financial management practices on the financial performance of SOEs in Namibia
c) To identify the challenges regarding the implementation of financial management practices

1.4Research Questions

Based on the above objectives, the following research questions are constructed.

a) What are the current financial management practices adopted by Tier 3 SOEs in Namibia?

b) What are the effects of financial management practices on the financial performance of SOEs in Namibia?
c) What are challenges regarding the implementation of financial management practices?

1.5 Significance of the study

In Namibia, there are several studies on corporate governance practices at tier 3 state owned enterprises (Haimbili, 2018; Shafuda, Lenz and Mirecki, 2020). However, very little information is available regarding the financial management practices in these SOEs in Namibia and the relationship between financial management practices and financial performance. Hence, this study is important as it fills this gap in literature.

Furthermore, the findings, conclusions and recommendations from this study would have immense benefits on a number of SOEs. The government and policy makers and top managements would all be direct beneficiaries.

The study should provide insight to the government of Namibia and the Board of Directors of SOEs which would enable them to revise, establish and implement sound and effective financial management practices. This would further aid in directing financial service deliveries and curb leakages that may negatively affect financial operations of SOEs in Namibia. Finally, the study will further benefit other researchers and scholars as a basis for further research and source of reference.

1.6 Limitations of the study

Due to limited literature on financial management practices in Namibian SOEs, the literature review is limited to studies from other countries. Also, relevant information for the study may not be available to the researcher due to the confidentiality clauses of company policies, however, participants were assured of the confidentiality of the information and that it would be used for academic purposes only. Furthermore, the findings of the study depend on the integrity of the participants and the timely responses obtained from the participants.

1.7 Delimitation of the study

The study focuses on Tier 3 economic and productive SOEs operating in Namibia only and there are eight Tier 3 economic and productive SOEs namely: Namibia Water Corporation, Air Namibia, TransNamib Holdings Ltd, Namibian Ports Authority, Namibia Post, Namibia Power Corporation, Telecom Namibia and Meat Corporation of Namibia. Specifically, the study focuses on the current financial management practices in Tier 3 Namibian SOEs and their relationships with enterprises' financial performances.

1.8 Organisation of the study and Chapter Summary

The rest of this study is organised as follows: Chapter Two covers the literature review followed by Chapter Three that deals with the research methodology of the study. Chapter Four presents and discusses the results and Chapter Five covers the conclusions and recommendations made based on the study findings.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews related literature on the financial management practices. The chapter starts by considering the definitions of financial performance, followed by financial management and different components of financial management practices as well as the challenges experienced by the SOEs. The chapter also discusses the theoretical and empirical literature on the financial management practices, and lastly the chapter summary.

2.2 Concepts of terms

The study focuses on financial management practices in SOEs and their effects on enterprises' financial performances. This section also, focuses on the definition of financial performance and financial management practices and discusses different components of financial management practices.

2.2.1. Financial Performance

Financial performance refers to the degree to which financial objectives of an organisation are being or have been met (Horngren, Harrison & Oliver, 2011). Financial performance is used to measure the overall financial health of an enterprise over a given period of time. Also, it can be used to compare similar enterprises across the same industry or to compare industries or sectors in aggregation. Cheruiyot, Oketch, Namusongo and Sakwa (2017) attested that financial performance refers to the process of measuring the results of the enterprise's operations and policies in monetary terms.

2.2.2. Financial management practices

Financial management practices are described as the practices that are performed by the chief financial officers, accounting officers and other financial managers in the areas of budgeting, asset management, supply chain management and control (Kitonga, 2008). Fung (2012) explains that financial management practices involve financial decision-making, planning and control of subsystems of the enterprise.

It consists of the treasury function, which includes the management of working capital and the implications arising from exchange rate mechanisms due to international competition. It also incorporates resource generation, allocation and utilisation (expenditure) as well as the evaluation, selection and management of new capital investment opportunities. Moreover, Fracassi and Tate (2012) defined financial management practices as a collection and allocation of sufficient resources from the economy in an efficient and effective manner.

As acknowledged by Kilonzo and Dennis (2015) there are several components of financial management which include: financial planning and control, financial analysis, accounting information, working capital management, asset management, capital structure management, management accounting (pricing and costing) and capital budgeting. Lieberman (2009) attests that financial management practices comprise of working capital management, investment decisions and financing decisions. Following the above discussions, the components of financial management are presented and analysed below.

a. Financial planning and control practices

Financial planning and control refers to the financial objectives of the enterprise and its targets, cost-volume profit analysis, financial budgeting, monitoring and control (Kitonga, 2008). Wanjara (2015) illustrates that a budget process is a financial planning process for the operational activities of the enterprise during a certain financial period. Burger and Woods (2008) acknowledged that a financial plan serves as an estimate of future operations and a means of control over the operational activities. In other words, it indicates how financial resources can be utilised by the enterprise to provide the required services to the economy (Wanjara, 2015).

Shah (2009) explains that a budget is a basic tool in financial planning. It stipulates the activities and programs that should be actively pursued or ignored during a particular financial year, given the financial constraints faced by the enterprise. Shah (2009) further argues that the budget process is required to attain three imperative objectives, namely: maintenance of fiscal discipline, efficient allocation of available resources and operational or technical efficiency. The achievement of fiscal discipline has been the main objective of budget reforms.

b. Financial reporting and analysis

As noted by Kilonzo and Dennis (2015) bookkeeping alone is not sufficient to aid financial decision-making unless proper reports are prepared and analysed. Gitman (2011) explains that financial reporting and analysis refers to the nature, frequency and purpose of reporting, auditing, analysing and interpretation of the financial performance of the enterprise. Gitman (2011) further explains that financial statements provide the financial information required to analyse the financial performance of the enterprise.

Information from financial statements can also be used for the evaluation, planning, decision making and for comparison. Financial statements are prepared in accordance with the generally accepted accounting principles (GAAP), which are the rules and guidelines of financial accounting. GAAP determine the measurements and recognition policies such as how assets are measured, when liabilities are incurred, when revenues and gains are recognised as well as when expenses and losses are incurred (Gitman, 2011).

Gibson (2007) noted that GAAP require information in the financial statements to reflect a true and fair view of the enterprise's financial position. Demand for financial reports exists because users believe that the reports help them in making informed decisions.

Financial reporting is intended to provide useful information in making business and economic decisions. The information should be comprehensible to those with a reasonable understanding of the business and economic activities. Financial reporting assists investors in assessing uncertainty of future cash flows of the enterprise and provides information regarding the economic resources of the entity and the claims against those resources (Gibson, 2007).

c. Working capital management (WCM)

Wanjohi (2009) describes WCM as a managerial accounting strategy designed to monitor and utilise current assets and current liabilities, to ensure efficient operation of the enterprise. According to Wanjohi (2009) the primary purpose of WCM is to ensure that the enterprise have sufficient cash flow to meet their short-term operating costs and short-term debt obligations. Similarly, Hatten and Burns (2008) noted that the goal of WCM is to ensure that the enterprise has the ability to continue its operations and that it has sufficient ability to satisfy both maturing short- term debts and the upcoming operational expenses. Butt, Hunjra and Rehman (2010), acknowledge that working capital is an essential financial practice which refers to the daily activities that ensures that the enterprise has sufficient resources to continue its day-to-day operations.

Gitman (2011), acknowledge that WCM involves managing the relationship between the enterprise's current assets and current liabilities with the aim of ensuring that there are sufficient funds to satisfy both maturing short-term debt and forthcoming operational expenses. Burns and Walker (2001), states that WCM includes cash, receivables, payables as well as inventory management. The management of working capital involves managing inventories, accounts receivable and accounts payable as well as cash and cash equivalents. Hatten and Burns (2008), suggests that poor working capital management is the most common weakness in the area of financial management among most enterprises. Study by Grabowsky and Lowell (2008) found that cash management practices among enterprises were inadequate and that most enterprises do not prepare cash flow forecast statements.

Additionally, Wanjohi (2009) concludes that few enterprises adopt formal and significant WCM practices and that most financial managers have poor knowledge and skills on WCM which leads to enterprises' financial failure. Nthenge and Ringera (2017) notes that effective WCM is, therefore crucial in maintaining the financial health of an enterprise. Furthermore, Hoffman (2010) states that management of short-term finances is an essential part of working capital management since it is the only investment an enterprise makes without expecting a defined return. If an enterprise over-invests in working capital, it is likely to run into cash flow problems and subsequently get bankrupt. Therefore, most SOEs strive to have less capital tied up in non-productive inventory, try to shorten the collection period for account receivables and lengthen cash payments for accounts payable as far as possible (Hoffman, 2010).

d. Asset management practices

Asset management is essential to SOEs' financial performance as enterprises use assets in order to generate revenues. Gitman (2011) explains that asset management is a process of tracking and monitoring the enterprise's non-current assets for financial accounting, preventive maintenance and theft deterrence purposes. Also, asset management is important for compliance. Effective asset management practices are essential for efficient asset monitoring, inventory count and oversight of maintenance and depreciation for high-value and business-critical assets.

According to Hugo, Badenhorst-Weiss and Van Biljon (2006) all non- current assets in the enterprise need to be identified, labelled and documented in the asset register. Hugo *et al.* (2006) further explain that capital equipment is characterised by large expenditure and non-recurring expenditure. Purchasing capital equipment usually requires a relatively large capital outlay which has financial implications on the enterprise's capital structure. Therefore, purchasing capital equipment can be regarded as an investment which is financed from long-term investment, rather than from working capital.

When the correct purchasing decisions are made, capital equipment generates profits for the enterprise. On the other hand, incorrect purchasing decisions may have disastrous effects on the enterprise, since it may not be able to sell the capital equipment over a short term. Asset management is therefore very crucial in financial management.

e. Capital structure management

Capital Structure Management (CSM) involves financial leverage or gearing, accounting to lenders, knowledge of financial sources and use of funds, financial and non-financial considerations in the financial structure decisions as well as financial considerations in profit distribution decisions (Gitman, 2011). According to Romney (2009) an enterprises' capital structure refers to the combination of its various sources of funding. Most enterprises incorporate debt and equity capital structure, taking into consideration the cost of capital. The cost of each component of the capital structure is weighted in relation to the overall total amount of capital when determining the enterprise's cost of capital. Therefore, CSM practices are important in assessing the enterprise's financial performances.

Graham and Harvey (2001) noted that investment decisions involve how enterprises invest their capital in available projects. These decisions involve identifying funds available, determining new projects to consider, the cost of the chosen projects and whether or not to acquire other enterprises. The outcome of the investment decision process is the definition of the set and size of an enterprise's real assets. This composition and size of the enterprise's assets is used to generate the cash flows that determine its profitability, value and viability.

Baker and Martin (2011) describe financing decisions as decisions on the capital structure of the enterprise. The key issue is to determine the proportion of equity and debt in the capital structure. The enterprise's capital structure is therefore the mix of debt and equity. Financial managers are thereby required to obtain the best financing mix, which maximises the market value of the enterprise. Once financial managers determine the best capital structure, the appropriate funds are then raised through the best available sources.

2.3 Detail review of Tier 3 SOEs in Namibia

This section discusses each of the Tier 3 SOEs in Namibia, with regards to the history, type of services they provide, sector/industry they operate in, financial performances and their challenges. Keyter (2006) states that, SOEs in Namibia face challenges of a dual governance system. Under this system, authority is dualistic, which makes it difficult to identify clear reporting structures as the SOEs are governed by the line ministry under which they were established and the SOE governance council, requiring each SOE to report to two entities, thus reducing their operational efficiency and effectiveness.

Martin (2011) explains that most of the SOEs are experiencing numerous challenges such as: employee turnover, under staffing, outdated equipment, dilapidated infrastructure, lack of innovation, ever-increasing operating costs, high maintenance costs as well as erratic service delivery. Such challenges lead to poor service delivery, drastic revenue decline, diminishing market share and consequently poor financial performances of the enterprises.

2.3.1 Namibia Water Corporation

The Namibia Water Corporation (NamWater) is a state-owned enterprise. NamWater was officially established in 1997, with its Head Office located in the Northern Industrial Area, Windhoek. The company has offices and water schemes in all 14 regions of the country. The Government of the Republic of Namibia is the sole shareholder, represented by a Board of Directors. The board of directors makes sure that NamWater distributes the scarce water resources in the best interests of country and the Namibian People (Namwater, 2019).

NamWater, as a Water Utility, provides water in bulk to industries, government institutions, municipalities, local authorities, commercial entities such as mines and to the directorate of water supply and sanitation in the Ministry of Agriculture, Water and Forestry. The Directorate then supplies water to the rural communities. NamWater strives to recover the full cost of water supply and it is devoted to providing its customers with a reliable source of good quality water at affordable rates. The Namibian government is the custodian of land, water and natural resources and it is responsible for the overall management of the national water resources (Namwater, 2019).

NamWater revenue increased by N$52 million from N$1.624 billion to N$1.677 billion in the 2019/20 financial year, representing an increase of 3.2%. The overall financial strength of the corporation increased year-on-year, as the net equity position improved by 7%. This was on the back of an increase in assets by 2% and a reduction in liabilities by 0.2% (NamWater, 2020).

NamWater's recently released 2019/20 annual report indicates that the economic headwinds experienced with the further contraction of the Namibian economy have not isolated NamWater, as the corporation's average collection rate was 73% for the year under review, compared to 76% in the previous year. The report explains that the 3% reduction in the collection rate has primarily been a result of the deterioration of the debtor's book (NamWater, 2020).

The report stated that debtors increased from N$933 million in the previous reporting year to N$1.084 billion in the reporting year, representing an average increase of 16%. The increase in debtors was primarily informed by customer-specific events over and above tariff increases, driven by the contraction of the economy and overall impact. The net trade debtors, however, increased by 20% to N$374 million (NamWater, 2020).

2.3.2 Air Namibia

Air Namibia (Pty) Limited is a proprietary limited company incorporated in accordance with the Companies Act of 1946, initially as South West Air Transport, then South West Airways. Air Namibia is the national airline of the Republic of Namibia, with the government of Namibia as its sole shareholder. The company's business operations are primarily the provision of air transport services for passengers and cargo. Through its subsidiary company, Air Namibia Ground Handling (Pty) Limited, it provides ground handling services for passengers and aircraft at Windhoek's Hosea Kutako International Airport (AirNamibia, 2020) .

Air Namibia's mandate is determined by the Government of the Republic of Namibia, which is the stakeholder represented by the Ministry of Works and Transport, to be a major contributor towards the attraction and promotion of tourism as well as facilitation of trade in Namibia by providing air and cargo transport services between Namibia and the rest of the world, as well as by operating flights within the boundaries of the country. The airline is positioned as a forte carrier serving domestic points within the country and its immediate regional markets of South Africa, Zimbabwe, Angola, Zambia and Botswana. The airline also serves the entire European network through Frankfurt (AirNamibia, 2020).

Air Namibia faces the challenge of the finalisation of the Airline's Integrated Strategic Business Plan which would be the plan to achieve the desired financial objectives. The envisioned Integrated Strategic Business Plan will contain business model and organisational structural changes, with strategic initiatives aimed at revenue enhancement, strategic cost containment, efficiency improvements and human capital development as well as productivity improvement. Also, Air Namibia experiences negative growth in its key source markets for passengers and cargo traffic, cash flow shortages and suppliers changing their trading terms due to possible closure reports (AirNamibia, 2020).

Air Namibia has failed to publish an Annual Report for well over a decade. Despite this lack of information, the company has clearly made consistent losses and therefore failed to pay taxes or dividends to government requiring instead sizeable transfers from the national budget as well as loan guarantees in order to continue to operate. Senior managers with little or no experience of the airline industry continue to be appointed and unexpected changes in both the company board and senior management have taken place throughout the past year. The only positive thing that can be said is that no serious cases of corruption came to light in 2019 (AirNamibia, 2020).

2.3.3 TransNamib Holdings Ltd

TransNamib is organised as a holding company, which provides freight by rail and road as well as passenger services. Its head office and administration are located in Windhoek. TransNamib Holdings Limited is a wholly owned parastatal of the government of the Republic of Namibia and was established in terms of the National Transport Services Holding Company Act no 28 of 1998. TransNamib is the national rail services operator in Namibia – a leader in endowment of rail transport services within and across the border of the country. The company specialises in the transportation of bulk, break bulk and containerised freight and passengers utilising rail transport services. TransNamib also offers warehousing, storage and property rentals to complement its main business (TransNamib, 2020).

TransNamib has been faced with a severe financial crunch and is finding it hard to generate funds. The entity does not have the capital sufficient to implement key strategic initiatives of the strategic business plan to deliver the strategic outcomes required to transform it. TransNamib is facing strong competition in the loose freight (small parcels) business from the many courier companies operating in this sector. Most of the Overnight Parcel Express /TransNamib Express (TNX/OPX) cargo is transported by rail, while northbound cargo is transported by road. The freight is line-hauled into Namibia and delivered directly to Windhoek-based customers.

The trans-shipment freight (outside stations) is handed over to Goods Shed Windhoek for further distribution to respective stations. TransNamib Holdings Limited is also facing the challenge of attracting enough passengers to book their trains to maximum capacity and is also challenged by the increasing price of fuel (TransNamib, 2020).

During the 2019/2020 financial year, TransNamib generated revenue of N$517 million which is a 10.5% increase in revenue year on year. Despite the challenge of rolling stock, TransNamib managed to attain its highest percentage increase in revenue in over a decade (TransNamib, 2020). In terms of Financial Performance - TransNamib's revenue of N$ 517m in 2018/19 is an 11% improvement over the previous year and is a credible result in the current environment, despite a reduction in the rolling stock over the past year (TransNamib, 2019).

2.3.4 Namibian Ports Authority

Namibian Ports Authority (NamPort) is a state-owned enterprise established in accordance with an Act of Parliament in 1994. The Namibian Ports Authority was established as the national ports authority of Namibia principally, managing the ports of Walvis Bay and Lüderitz as well as a Synchro lift dry dock facility in Walvis Bay. NamPort provides world-class port services to all seaborne trade through offering excellent customer service, creating sustainable growth and promoting social responsibility, dedicated to the transformation of Namibia into a global logistics hub.

The Namibian Ports Authority (NamPort), though relatively young, has experienced tremendous growth and proven itself as a force to be reckoned with, in the maritime transport and port industry. During 2018/19, Namport reached a milestone when its revenue surpassed the N$1-billion mark. The revenue for the Authority increased from N$891 million to N$1.034 billion, while the Group's revenue increased from N$1.248 billion to N$1.368 billion.

Although transhipment container volumes decreased, local and corridor import and export volumes increased, this attracted better returns than transhipments. Operating profit for the year increased with 32 per cent, amounting to N$121 million, up from N$92 million in the previous financial year. This was largely due to the increase in revenue and a continued stronghold on operating costs across the Group. Operating cost increased by 8 per cent as a result of the annual adjustment in employment and other operational costs (NamPort, 2019).

2.3.5 Namibia Post

Namibia Post's (NamPost) first offices were established in Windhoek in 1891 and in Swakopmund in 1895. Around 1992, NamPost was founded, with the new name, managing 92 post offices in Namibia. In 2012 the number of offices increased to 135 offices countrywide. NamPost is the national postal operator in Namibia, providing service solutions through its postal, banking, courier, philately, agency and money transfer services.

Namibia Post provides postal, financial and logistics solutions to keep people in touch and improve their living standards. Furthermore, NamPost is facing a challenge of delayed international mail as many international mailing routes have been affected by temporary closing of international borders due to the Covid-19 pandemic worldwide which has hindered the entity's financial performance (NamPost, 2020).

Financial Services revenue increased by 18% and profit grew by 13% in 2019/20. Despite unprecedented challenges brought about by COVID-19, the operational environment remains stable in the context of resource constraints, increasing business requirements, and increased cyber security, governance and compliance needs. NamPost was listed as an essential services provider during the government-enforced lockdown period, which meant that the business' operations continued, albeit at reduced capacity. Operating costs, a significant portion of which is fixed in nature, continued to be incurred throughout the lockdown period, with less revenue coming through due to border closures and reduced activity across all products and services. Group revenue grew by 10% to N$953 million (2019: N$870 million) and profit before tax declined by 53% to N$6.5 million (2019: N$14 million). The revenue growth was not enough to absorb the increase in costs and this directly and negatively impacted the bottom line (NamPost, 2019).

2.3.6 Namibia Power Corporation

Namibia Power Corporation (NamPower) is the national power utility company owned by the government of the Republic of Namibia. NamPower was found in 1964 as the South West Africa Water and Electricity Corporation (SWAWEK) by the government of South Africa. NamPower's head office is situated in Windhoek, Namibia. The early history of the company revolves around the Kunene River hydroelectric project. NamPower has for decades been a basis of the Namibian nation's economy and it's now positioned to be the main driver of Vision 2030, which is Namibia's plan for broad-based, sustainable economic growth (Nampower, 2021).

NamPower provides comprehensive energy and supplies efficient electricity throughout Namibia, in accordance with the Electricity Act (Act 2000) which called for the national power industry to restructure, with the aim of achieving development and social uplifting of the Namibian people. As a parastatal, NamPower reports to the Ministry of Mines and Energy and it is regulated by the Electricity Control Board of Namibia.

The Electricity utility is registered as a company therefore, it operates in accordance with the Companies Act, under the guidance and direction of a Board of Directors. Furthermore, The Ruacana Power station is sometimes unable to generate sufficient power for the country's needs as it has not been spared from the prevalent drought in the country. The generation of power at this station depends on the flow of the river, the lower the river flow, the less the power generation (Nampower, 2021).

NamPower successfully delivered on yet another challenging year, keeping the nation's lights on, while Namibia and the world are confronted with COVID-19, one of the most significant health threats in recent times. The coronavirus negatively impacted Namibia's economy and the livelihood of all citizens.

The Group achieved a 4.8% increase in revenue from N$ 6.6 billion in the previous year to N$ 6.9 billion for the year under review. This was mainly attributable to an increase in unit sales volume, as a result of growth in export sales (NamPower, 2020).

Electricity sales volumes increased by 4.6% (2018/2019: 3% decreases) from 4,159 GWh achieved in the prior year to 4,352 GWh in the year under review. Namibia received good rainfall during the reporting period, and the Ruacana Hydro Power Station was operational at full capacity for half of the financial year, enabling NamPower to have surplus power to export through the Southern African Power Pool (SAPP) Electricity Trading Market(s). The cost of electricity increased by 7.9% from N$ 3.9 billion achieved in the previous financial year to N$ 4.2 billion for the year 2018/19 (NamPower, 2019).

2.3.7 Telecom Namibia

Telecom Namibia Limited is the national telecommunications operator, established in August 1992 and is wholly owned by the Government of the Republic of Namibia. Telecom Namibia is functioning as a commercialised company and as a subsidiary of its parent company, Namibia Post and Telecom Holdings Limited. Telecom Namibia is a customer-driven company that change telecommunication products and services to the demand of its customers. It is the responsibility of Telecom Namibia to provide customers with fast, reliable and advanced telecommunications services. The company runs the largest Digital Telecommunications Network countrywide (Telecom, 2020). According to Sherbourne & Stork (2010), Telecom Namibia faces stiff challenges of defending its market share in the ever- increasing competition and decreasing its cost structure base. The entity needs to change course and focus on portability or face the risk of becoming another indebted state-owned enterprise in Namibia's telecommunications sector (Telecom, 2020).

In 2015/16, the Group and Company reported a comprehensive loss for the year ended 30 September 2016 of N$26 million. Current liabilities exceeded current assets by N$682 million for the Group and by N$460 million for the Company at year-end. Although the Company recorded a loss in the current financial year, the loss was reduced from N$84 million to N$41 million this year. This improved financial performance is attributed to an improved gross profit margin, strict cost management practices that resulted in a reduction in operating expenses and a conservative capital expenditure budget (Telecom, 2016).

For the financial year 2018/2019, Telecom Namibia achieved a positive overall revenue growth of 2% compared to the previous financial year 2017/2018. While the IP, Mobile, IT and Infrastructure revenue streams recorded positive growth, fixed voice revenue continued declining in 2019, a phenomenon also experienced globally and attributed to mainly mobile substitution and the effect of OTT players. The fixed data revenue stream also recorded a decline due to pressure on price levels and IP product substitution (Telecom, 2020).

The 2019/2020 financial year was a challenging year with weak GDP growth and volatile exchange rates which impacted the business. There were also significant once-off items which negatively impacted the financial performance of the Group including the implementation of new International Financial Reporting Standards (IFRS), the impairment of Code Division Multiple Access (CDMA) and the increase in Communications Regulatory Authority of Namibia (CRAN) levies.

2.3.8 Meat Corporation of Namibia

Meat Corporation of Namibia (MeatCo) is a meat processing parastatal which was found in 1986 and it's headquartered in Windhoek, Namibia. MeatCo is regulated under the Meat Corporation of Namibia Act, (Act 1 of 2001) with the aim of serving, promoting and co-ordinating the interests of livestock producers in Namibia. MeatCo serves aptitude markets both locally and internationally with premium quality products that are traceable from the farms. MeatCo purchases cattle from farmers involved in extensive livestock farming that results in unique characteristics to the corporation's final-product, which, after being processed realises a significant premium in markets across the globe (Meatco, 2021).

MeatCo operates various cattle slaughter facilities across Namibia and it's involved in related manufacturing and other beef production activities through production operations, which includes the Windhoek and Okahandja factories. MeatCo aims is to have the most sought-after meat brands in cautiously selected markets by achieving added value for its customers through unique competencies, cost effective and innovative processes, as well as sound social and environmental practices (Meatco, 2021).

Meat Corporation of Namibia faces a challenge of declining cattle volumes and increasing overhead costs. Namibia suffered from a severe drought resulting in emergency marketing and declining herd numbers. Another challenge is to find a lucrative market for cattle produced by livestock producers north of the veterinary cordon fence and discussing in depth with the government; the important factors impacting the growth of the Namibian meat industry in order to ensure a healthy national meat industry. Other challenges include: increase of sustainability demand, more relevant provenance, shift from commodities to brands, increase in market emphasis to global and supply chains become more integrated (Meatco, 2021).

Regarding the financial performance of MeatCo, in 2017, the Board declared a producer bonus and provided for it at 75c per kg on slaughtered animals and 39c per kg on live sales. Due to the 2018 and 2019 financial performance, the Board resolved to adjust the provision to only 1/3 of the original estimation to be paid out to settle the liability that has been on the balance sheet since 2017. The effect of this revision has increased the profits of the corporation's separate financial statements and reduced the group's loss for the current period by N$30,696,650.

In the 2019/20 financial year, financial stability was achieved and there was a ratio improvement. Also, the cash conversion cycle reduced from 130 to 74 days and working capital funding increased. In the same financial year (2019/20) all three business units operating in the local markets did well considering the current economic climate in the country, lower production at the cannery due to MeatCo's cash flow constrains, amidst a flooded market. The tannery remains a lucrative business unit and consistent adherence to strict international food safety and hygiene practices helps ensure quality leather production.

2.4 Theoretical Review

This section discusses the theories that are relevant to the study, namely: theory of financial control, residual equity theory, public budget theory and resource dependency theory.

2.4.1 Theory of financial control

According to Ostman (2009) in the early 2000s, the theories of accounting, control and accounting-related areas were examined to evaluate different components of financial accounting. Until recently, financial control has been the historical component of internal control. The theory of accounting and financial control was outlined by Ostman (2009) and Wakiriba, Ngahu and Wagoki (2014). According to the financial theory approach, insights into controlling financial problems for every organisation and system can be gained by analysing relationships between financial activities and the hierarchy of the organisation. Therefore, the financial control theory is relevant to the study because, as stated by Ostman (2009) enterprises with effective financial control measures experience less financial failure.

Wakiriba *et al.* (2014) noted that, the present and future personal functions of human beings constitute the fundamental point of reference in the theory of financial control. This theory stipulates that existing and possible functions of financial tools for enterprises are most essential. It also focuses on financial instruments, control models, economic calculations and related considerations, both within and outside of the enterprise in relation to characteristics and possible financial effects. It is noted that establishing the relationships between various financial activities, financial processes and personal functions, from a financial control perspective, is a basic and important matter.

This theory as noted by Cheruiyot *et al.* (2017) views an enterprise from several perspectives: Firstly, regarding the employees' roles within the enterprise which are achieved through their activities and productivity. Secondly, the organisation's structure, functions and financial transactions with various parties. Thirdly, the theory covers the control systems in the sense of recurring procedures and methods that are adopted to relate present and future functions to available resources both externally and internally. The abovementioned financial control tools are argued to be crucial from an individual enterprise's perspective and also for larger economic systems. Lastly, the theory demonstrates that the organisational structure/ hierarchy and financial control systems work together. The financial control theory is relevant to the current study as it provides a better understanding of the intricacies surrounding financial management practices in enterprises.

2.4.2 Residual Equity Theory

The residual equity theory was developed in the 1980s by George Staubus. As noted by Hugo *et al.* (2006) the theory argues that residual equity holders take the greatest risk of all the company's stakeholders because they are the last in line to be repaid in the event of financial failure by the company. An accounting concept that says that common stockholders (the government in the case of SOEs) take the greatest risk when they buy into a company; therefore, they should have sufficient information about the company's financial position and performance to make sound financial decisions.

Kitonga (2008) explains that in the residual equity theory, the changes in asset valuation, income and in retained earnings and changes in interest of other equity holders are all reflected in the residual equity of the common shareholders. The equities include the amounts due to creditors and the equities of preferred shareholders.

Talpas (2016) also noted that the objective of the residual equity theory is to provide better financial reporting and analysis on the enterprises' assets and liabilities as a result of effective financial management practices. In the ongoing concern state, the current value of common shares depends primarily on the expectation of the future dividends. The future financial status of the enterprise depends on the expected total revenue less specific contractual obligations, payments to specific equity holders and requirements for reinvestment.

Financial statements are generally prepared not on the basis of possible insolvency, but on the basis of an ongoing concern state. Therefore, the information provided concerning the residual equity theory should be useful in predicting the possible future financial position of the enterprise to ordinary shareholders as well as potential investors.

2.4.3 Public Budget Theory

The public budget theory was developed in the 1900s by Smith and Thomas *et al,.* (2003), notes that in the early 1900s, budget reform was characterised by a switch from the established budgeting practice of the Legislative Budget to the Executive Budget. In 1921, the Budget and Accounting Act was passed, which established an executive budget at the national level in the United States and became the foundation for present budgets.

Lawson (2015) notes that public budget theory refers to the governmental and technical processes of allotting available financial resources, such as taxes, debt instruments, fees for services rendered and funds, from the governmental institutions with surpluses to other governmental institutions with deficits in order to ensure affordable provision of basic goods and services to the nation. The public budgeting process serves a wide range of fiscal, macro-economic, governance, administrative and financial purposes.

Correia *et al.* (2003) attests that public budgeting is the process that produces a national budget, a consensus of the best ways on how to collect and allocate tax revenues to finance public programs, including SOEs that benefits the country's citizens at large. Public budgeting is used to promote economic growth, employment creation, and equal distribution of income. Public budgeting is also considered to be a part of both development economics and economic planning. Public budgeting procedures and their related public budget documents, reflect the governmental and social conditions of their times.

During the twentieth century, public budgets were interchangeably considered by focusing on planning, financial control, managerial improvements, prioritization, and accountability depending on the historical perspective. Whilst public budgeting is a technical process, yet public budgeting is also a social and historical process. Public budget theory is relevant to the study as according to Weylandt (2016), SOEs receives large portions of funds from the national budget on a yearly basis to help them with their day-to-day operations and thereafter generate their own revenues.

2.4.4 Resource Dependency theory

Following the publication of: *The External Control of Organisations: A Resource Dependence Perspective* by Pfeffer and Salancik (1978) the resource dependency theory (RDT) has become one of the most significant theories in strategic management and organisational theories (Hillman, Withers and Collins (2009). The theory describes an enterprise as an open system, which depends on contingencies in the external environment. Pfeffer and Salancik (1978) further states that, for one "to understand the behaviour of an enterprise, one needs to first comprehend the framework of that behaviour, that is, the ecology of the enterprise". RDT identifies the influence of external factors on organisational behaviour and managers can act to reduce environmental uncertainty and dependency, although such organisational behaviour may be constrained by their context.

Ulrich and Barney (1984) explains that, essential to these managerial actions is the concept of power, which is the control over vital financial resources. The following are the basic arguments of the resource dependence perception and inter-organisational relations: 1) organisations are the major units for understanding inter-corporate relations and society; 2) these organisations are not independent, instead they are constrained by a network of interdependencies with other organisations; 3), a situation in which survival and continued success of the organisation is hindered, is caused by the combination of uncertainty and interdependence about what the actions will be of those with which the organisation depends on; therefore, 4) organisations take actions to control external interdependencies, although such acts are unavoidably never entirely successfully and produce new patterns of reliance and interdependence; lastly, 5) these patterns of reliance produce inter-organisational as well as intra-organisational power and such power has some effects on organisational behaviour.

Cheruiyot *et al.* (2017) notes that dependency theory focuses on the roles and responsibilities of board of directors in providing feasible access to resources needed by enterprises. The directors are tasked with assessing the overall direction and business strategies and overseeing the day-to-day operations of enterprises. In agreement, Hillman *et al.* (2009) notes that resource dependency theory emphasises on the duties performed by the directors in securing essential resources required by the enterprise through their linkages to the external environment. Also, the theory focuses on the appointment of independent organisational representatives as a means of gaining access to the resources essential for financial success of the enterprise.

Cheruiyot *et al.* (2017) further attests that the provision and availability of resources to the enterprise by directors/managers improves the enterprise's functioning, financial performance and its success. As noted by Hillman, *et al.* (2009) directors provide resources to the enterprise, such as essential financial and non-financial information, skills, knowledge, access to suppliers, buyers, public policy makers as well as lawfulness. This theory is relevant to the study because the board of directors plays a vital role in the execution of financial management practices within enterprises. Also, it improves the understanding of interdependence and network perception regarding both inter– and intra-organisational relationships.

2.5 Empirical literature

There is extensive literature evaluating the influence of financial management practices on both financial and organisational performance. To evaluate the financial management practices, some of these studies have focused on different aspects of financial management such as financial planning (budget) and control, financial reporting and analysis, WCM, asset management and capital structure management.

One example of studies that analysed the effect of financial management practices on organisational performance is Butt *et al.* (2010) who evaluated financial management practices and their impact on organisational performance in Pakistan. The authors concluded that the financially well-managed enterprises are operationally efficient. When financial practices are implemented at different levels of planning and control, enterprises tend to achieve a better resource utilisation and profit. The study also shows that financial management practices have a strong influence on enterprise's performance.

Also, Konadu- Yiadom (2016) examined financial management practices and profitability of business enterprises in Ghana. The study reveals that business enterprises that pay much attention to cash management, inventory management, accounts receivables and capital budgeting management are more operationally efficient. Therefore, the study concludes that there is a positive relationship between working capital management and profitability as well as a negative relationship between capital budgeting management and enterprises' profitability.

A related study by Turyahebwa, Sunday and Ssekajugo (2013) analysed financial management practices and business performance of small and medium enterprises in Western Uganda. The study found that efficient financial management practices have a positive impact on the financial performance of enterprises. The study noted that enterprises that develop a positive attitude towards adopting effective financial management practices achieve their desired business performances. A similar study in Kenya by Nthenge and Ringera (2017) evaluated the effects of financial management practices on financial performance of small and medium enterprises. The results of the study indicated a moderate positive relationship between financial decisions and financial performance of enterprises as well as a weak but positive relationship between investment decisions and financial performance of enterprises.

Regarding the effects of financial control on organisational financial performance, Kung, Huang and Cheng (2013) used a seven-pointer Likert-type scale to examine the relationships among budget emphasis and budget planning models on organisational performance in Taiwan. The findings indicate a positive relationship between budget planning models, budget emphasis and the performance of the management as well as that of the organization.

Also, Joshi, Al-Mudhaki and Bremser (2003) evaluated the relationship between corporate budget planning, control and performance in Bahrain. The study found a strong positive relationship between financial planning and financial performance. Likewise, study by Wakiriba *et al.* (2014) investigated the effects of financial controls on financial management in Kenya's public sector. The study indicated that internal control systems influence financial management of the enterprises with a significant positive relationship observed between financial control activities and financial management practices adopted.

In terms of working capital management, the study by Rehn (2012) analysed the effects of working capital management on corporate profitability across industries in Finland and Sweden. The results show that there is a significant effect of working capital management on corporate profitability. Also, some industries can use their investment in working capital to actually increase profitability, except machinery, retail and wood products industries. A related study in South Africa by Kasozi (2017) investigated the role of working capital management on the financial performance in the manufacturing sector. The study found a negatively significant relationship between the average collection period and profitability. This implies that firms that proactively manage their receivables enhance their profitability.

Furthermore, studies have also investigated the impact of asset management on the financial performance. In a study by Yahaya, Kutigi, Solanke, Onyabe and Usman (2015) the authors examined the influence of current assets management on the financial performance of 15 listed banks on the Nigerian stock exchange. Their study indicated that the management of cash and bank balances, financial assets held for trading and loans and advances to customers have a positive and significant impact in determination of the financial performance of banks. The results also show that the management of derivative assets, loans and advances to other banks has a negative impact on the financial performance of the financial institutions.

Similarly, a study by Oluwafemi and Memba (2016) explores various facets of asset management in manufacturing companies and their influence on the profitability in Nigeria. The study finds a strong positive relationship between asset management and the financial performance. Also, the study provides evidence of a negative and significant relationship between asset tangibility and return on assets (ROA) as a measure of performance.

Another area of the literature is the effects of capital structure on financial performance. Example of study in this area is the study by Pratheepkanth (2011) who examined the relationship between capital structure and financial performance in Sirlanka. The findings show a weak positive relationship between gross profit and capital structure and a negative relationship between net profit and capital structure which reflects the high financial cost among the firms.

Return on investment (ROI) and ROA also has a negative relationship with capital structure. By contrast, the study by Chinaemerem and Anthony (2012) examined the impact of capital structure on firm's financial performance using 30 listed non-financial firms in Nigeria between 2001 and 2007. The study indicates that capital structure is an important determinant of the enterprise's financial performance and the relationship is indirect. The study further reveals that asset turnover is also an important determinant of financial performance. Return on equity (ROE) as a measure of financial performance, size and age are also considered as major determinants of financial performance.

Also, Mbugua (2013) investigated the relationship between capital structure and financial performance of listed investment firms in Nairobi. The study found that long term debt, total debt and firm size are positively related to the enterprise's financial performance. This clearly shows that capital structure affects the financial performance of the firms. A higher total debt leads to a less return on equity as well as reduced shareholders' wealth which results in a need to increase more capital injection rather than borrowing. Therefore, enterprises need to implement optimal capital structure financial practices in order to be well- operationally efficient.

2.6 Determinant of financial performance of SMEs

The financial performance of SMEs has proven to be a very delicate matter in most organizations. This is attributed to the fact that despite numerous strategies being formulated by the owners and managements, most SMEs still remain to underperform. This shows that the performance is a multidimensional entity influenced by various factors, which include;

2.6.1 Financial Management Practices

Financial Management practices entail how an organization manages its financial resources so as to ensure proper coordination and maximum returns (Nazir and Afza, 2009). The measures of financial management practices in SMEs include; working capital management, cash budget management practices and risk management practices. Working capital refers to the capital required in the every-day operations of the business and thus acts as the driver to the organization's growth (Harris, 2005).

This includes; inventory management, cash management, account payables management and account receivables management. This is to ensure that there is sufficient cash flow to cater for both the current and the future operational expenses (Fekete, et al., 2010).

Cash budgeting on the other hand constitutes the process of committing funds or capitals for a considerable length of time for specified purposes within the firm's strategic position (Fabozzi, 2009). However, despite the cash budgeting awareness, most SMEs tend to rely mostly on their informed intuition rather than the set budget plans (Pandey, 2012). Risk management on the other hand entails identifying and analyzing the potential threats that the organization may be faced with (Saah, 2015). This ranges from internal risks to the external risks that are likely to diminish the financial returns of a particular organization.

2.6.2 Size of SMEs

The size of SMEs may be gauge in various conditions such as amount of capital invested, the employees available, the size occupied by the SME, the technology used in the operations and its market coverage (Pandey, 2005). The particular size of a SME affects its competitive advantage and how it conducts its operations. The large organizations are advantageous in that they may be able to acquire better resources and enjoy economies of scales. Therefore, they will be able to have advanced equipment, more employees and resources. The organization will also have a greater chance of getting additional capital from the financial institutions as they are able to offer security (Dean et al., 2000). The smaller firms on the contrary, will have limited access to capital, and fewer resources hence limited activity. This makes most small firms yearn to expand their boundaries in order to perform even better.

2.6.3 Industry

The industry entails the line of business the SME belongs to, in terms of the services rendered or the products provided. The industry affects the profitability in terms of the number of SMEs, technicality of products produced and the competition. Some industries are known to have higher firms' profitability than others mostly depending on capital required to be invested in assets and the level of sales. The firm's profitability can also be determined by the degree of concentration in an industry. When there is higher concentration it facilitates the organizations colliding which in turn may lead to intensified market strategies and competition (Stierwald, 2009). In addition, some sectors require sophisticated equipment; such the manufacturing sector hence will require additional investment and risk. Therefore, an evaluation of the industry is critical before starting any SME.

2.6.4 External factors

The external factors are the environmental conditions that originate outside the business and play a role in determining whether the organization will prosper or fail (Kuratko and Hodgetts, 2004). These factors may be inclusive of the competitors available in the market and the competitive strategies they have in use. By evaluating the external environment, the management is in a better position in formulating strategies that will work best as such performance will be enhanced when the organization gains competitive edge against its rivals. However, when the organization is not able to balance its external factors, its returns will reduce drastically. The managements are therefore necessitated to take into considerations the external factors when formulating the company's strategies (Wakaba 2014).

2.7 Summary

The chapter looked at related literature on the financial management practices adopted by enterprises in African countries, European countries and other countries in the world. The review of related literature enables the study to fully determine the effects of financial management practices on the organizational performance of SOEs and to determine the challenges encountered when implementing effective financial management practices.

Extensive literature review, revealed that enterprises that implement sound and effective financial management practices tend to be well financially-managed and operationally efficient. A few studies incorporated the challenges encountered when implementing financial management practices and measures to improve the financial management practices, which is a weakness in the literature review, hence, this study aims to identify challenges in details that are encountered during the implementation process of financial practices as well as the measures to improve the financial management practices in order to cover this weakness. The study's questionnaire contains an open – ended question on challenges to the implementation of the financial practices and on measures to improve the implementation process of financial practices in order to allow the respondents to provide more relevant information on the aforementioned matters. The next chapter presents the research methods applied for the study as guided by the objectives of the study and the literature review.

CHAPTER THREE

RESEARCH METHODODLOGY

3.1 Introduction

The previous chapter presented a review of the existing literature with more focus on financial management practices and their influences on enterprises' financial performances. This chapter presents the research methodology employed in the study. The chapter provides a brief support of the research methodology employed in the study. The research methodology is justified by its appropriateness and practicality to achieve the research's objectives. The chapter focused on the research methods that are used in the process of collecting data for the study. It presents the type of research design, population, sample size, research instruments, and data analysis and research ethics.

3.2 Research Design

The study is quantitative in nature. The descriptive research design was employed to collect the data on financial management practices from the Chief Executive Officers (CEOs), Accountants and Financial Directors/Managers (FD/Ms) of Tier 3 Namibian SOEs. By employing a descriptive quantitative approach, the present study aimed to evaluate the financial management practices adopted by Tier 3 Namibian SOEs, namely: Namibia Water Corporation, Air Namibia, TransNamib Holdings Ltd, Meat Corporation of Namibia, Namibian Ports Authority, Namibia Post, Namibia Power Corporation and Telecom Namibia. It also aimed to determine their effects on financial performance.

As noted by Creswell (2012) the descriptive design is suitable to use when the researcher wants to determine individuals' opinions about matters or to identify important information about a particular subject. Kitonga (2008) also notes that the descriptive research design involves gathering data that describes events and then organises, tabulates and describes the collected data and often uses aids such as graphs and charts to help the reader in understanding the distributed data. Thus, the study used a semi-structured questionnaire, specifically designed to measure the characteristics described in the research objectives.

Specifically, the study used a web-based survey tool to collect the primary data from the respondents. Fielding, Lee and Blank (2017) states that the web-based surveys collect useful data that can be compared in quality and type with the data collected by paper-based surveys. A huge amount of data can be collected from the respondents within a judicious amount of time and at the convenience of the respondent (Fricker, 2012). Hence, a web-based survey was chosen for this study because it was suitable to reach the targeted respondents in different Tier 3 Namibian SOEs within a reasonable time.

3.3 Research Population

The population of the study comprises of the employees of all eight Tier 3 State Owned Enterprises in Namibia namely: Namibia Water Corporation (370 employees), Air Namibia (654 employees), TransNamib Holdings Ltd (789 employees), Meat Corporation of Namibia (186 employees), Namibian Ports Authority (176 employees), Namibia Post (1045 employees), Namibia Power Corporation (940 employees) and Telecom Namibia (356 employees). The financial statements of these SOEs were also analysed to determine the effects of financial management practices on financial performance of the SOEs.

3.4 Sample

According to Saunders, Lewis and Thornhill (2009) a sample is a subset of the population that the researcher intends to study in order to generalise about the population. Sampling is necessary as it is often impractical to reach the entire targeted population; either due to the involved costs or time constraints or any other constraints. Nevertheless, the responses by those in the sample provided enough information for subjects on the population to be addressed with some certain confidence. Therefore, the sample size 47 respondents, which comprised of Chief Executive Officers, Financial Directors/ Managers and Financial Accountants of all eight Tier 3 SOE in Namibia. 6 respondents were targeted from each SOE.

Based on Taherdoost (2016) methods of sampling are divided into probability sampling and non-probability sampling. Non-probability sampling is a method of sampling where the whole population is not given an equal opportunity of becoming a part of the sample. The selection of samples based of non-probability sampling technique occurs when the researcher selects individuals to be included in the sample by using predetermined criteria.

This study follows a non- probability sampling technique, and more precisely, it implemented a convenience-sampling method. The researcher chose convenience sampling method because the sample is observed from a group of people that is easy to reach or contact and convenience sampling is also one of the most cost and time effective sampling methods available. In general, in convenience sampling, members of the target population that meet certain practical criteria, such as: easy accessibility, geographical proximity, available at a given time, or the willingness to participate form the subjects of the study. The above sample was chosen because they were easily accessible and readily available at the time of the study. Convenience sampling has been used in a similar study by Kamau (2019) and Ohachosim (2012).

The advantage of convenience sampling is that it is simple, easy, convenient, inexpensive, and no complete member list is needed. On the other hand, the disadvantage of convenience sampling is in that it is generally less representative than random sampling, therefore the results should be interpreted with caution.

3.5 Research instruments

The study used a semi-structured questionnaire to collect the primary data. The questionnaire was divided into two sections: Section A collected general information and Section B which focused on the financial management practices was further divided into four sub-sections. The questionnaire contained semi - structured questions to evaluate financial management practices with 5-point Likert scale as well as the yes and no scale. A five-point Likert scale was used to measure the subjects on the questionnaire, where 1 = strongly disagree, 2 = disagree, 3 = neither agree nor disagree, 4 = agree, and 5 = strongly agree. The research survey was conducted online using the Google Forms survey tool. The online survey consisted of five sections. Part A provided a brief background to the survey and gathered demographic information of the respondents such as: Company name (optional), position, gender, age and number of years in employment. Part B and C included questions on the current adopted financial management practices in SOEs. Part D focused on the effects of financial management and financial performance of the enterprises while part E focused on the challenges to the implementation of financial management practices.

3.6 Procedures

3.6.1 Primary data collection

The study used e-mail as the mode of contact to invite the respondents to take part in the survey. The respondents' emails were provided by the companies' secretaries to the CEOs or the authorised employees as permission to conduct the survey was granted. An e-mail inviting Chief Executive Officers, Financial Directors/ Managers and Accountants to partake in the survey was sent with an active e-mail address. The e-mail also contained a link to the online survey. Two months after the first invite was sent, the reminding email was also sent to Chief Executive Officers, Financial Directors/ Managers and Accountants; which was two weeks to the survey's due date.

In total, about 47 emails were sent inviting respondents to partake in the research survey. The respondents were instructed to choose the most appropriate response and the questionnaire was set that it only allows one answer per question, and whereby one could not carry on with the survey if one question or more were left unanswered. The collected primary data from the respondents was stored automatically, subsequently by the software. Responses were automatically immediately saved electronically, by Google Forms software, which facilitated the importing process of the collected data to Statistical Package for Social Science (SPSS) and Microsoft Excel software for the analysis purposes. The questionnaire had detailed instructions and guaranteed confidentiality of the data collected.

3.6.2 Secondary data collection

The study carried out an extensive review of the literature to collect relevant secondary data for the survey in order to have a comprehensive understanding of the financial management practices and their influences on enterprises' financial performances as well as the challenges that hinder the financial practices' implementation process. Relevant secondary data was collected from the books, electronic and printed journals, government reports and the enterprises' published financial statements. An in-depth desk study was conducted in order to acquire comprehensive understanding of the topic under study and the following were made use of: scholarly online journal sites such as Emerald, EBSCOhost, Research Gate and Google Scholar, as well as the libraries of the University of Namibia and Namibia University of Science and Technology.

3.6.3 Pilot study

Creswell (2012) explained that a pilot study is a replication and trial of the actual survey since such improvements (if necessary) can be implemented on the final questionnaire. A pilot study of 14 respondents was conducted before the main survey in order to assist the researcher to make the crucial adjustments necessary and corrections in the questionnaire. The group of respondents on which the pilot study was conducted, was made up of some accountants in the Ministry of finance and some accountants from different enterprises that were established under the Acts of the Ministry of Finance such as Roads Fund Administration, Namibia Financial Institutions Supervisory Authority etc. The pilot study was conducted in order to ensure the questionnaire completeness, efficiency, relevancy and appropriate format as well as to ascertain whether the questions in the questionnaire were clear and understandable to the respondents and determine whether the answers provided would be expected to attain the study's objectives.

Conducting the pilot study was also necessary to comprehensively test the web-based survey used to collect the primary data as well as the validity and reliability of the questionnaire. According to Namupala (2019) computer and smartphone hardware and software may be incompatible at times; hence it is important to prudently pre-test any online survey instrument before conducting the actual survey. This pre-testing includes testing the survey on different computers and smartphones (android vs. iOS) with different browsers as well as testing early and later versions of Internet Explorer, Firefox, and Google Chrome.

3.7 Data Analysis Procedures

3.7.1 Data Analysis

The quantitative data was analysed using one-way frequency tables. Frequency tables provide a distribution of the responses obtained from categorised variables. Examining frequency tables provides a way of establishing the general direction of respondents' agreement or perception being either positive or negative. With questions where respondents rated items using a 5-point Likert scale, agreed and strongly agreed were combined as one (agreed), whiles disagreed and strongly disagreed were all combined as disagreed.

The analysed data was summarised and presented using tables, graphs, frequencies and percentage distribution. The data was then interpreted in order to provide meaningful conclusions and recommendations for policy. Furthermore, the proportions provided meaningful statistics to highlight variation in the data between items and groups.

3.7.2 Validity and reliability

Field and Miles (2010) defined validity as the ability of the research measurement instrument to accurately measure what it is intended to measure and further describes reliability as the ability of the research measurement instrument to consistently achieve the same outcomes under the same conditions. In order to ensure validity, information from different literatures and previous studies that covers financial management practices and their effects on financial performance were explored. The questionnaire was based on the empirical and theoretical framework in order to obtain accurate and correct answers to the research problem. A pilot study was also conducted to extensively test the validity and reliability of the questionnaire.

Furthermore, Cronbach (1951) developed Cronbach's alpha (α), the most common measurement of questionnaires' scale reliability, which was used to measure reliability and internal consistency of the research instrument. To evaluate the reliability analysis process of the Cronbach's alpha statistic and test the reliability of the scale value; using the mean value, the Statistical Package for Social Sciences was used.

3.8 Research Ethics

The researcher sought and obtained permission to conduct the survey in the Tier 3 Namibian SOEs under study. This was done in conjunction with the letter from the Namibia Business School (NBS) of the University of Namibia, stating the aim of the study and seeking permission to conduct this survey. The results from the study will only be used for academic purposes. In compliance with the Republic of Namibia Protection of Information Act 84 of 1982, the collected information and analysed data is being kept safe and confidential for a period of 5 years. Thereafter, the hard drive in which the survey's information is kept will be physically destroyed.

Furthermore, the researcher took into consideration ethical issues by adhering to the principle of informed consent, confidentiality and anonymity as well as respect for the right to privacy among the participants and respondents. Finally, the researcher also made considerable efforts in avoiding plagiarism by providing appropriate acknowledgements and references on where the secondary information was obtained.

3.9 Chapter Summary

The chapter presented the research methodology employed in the study in order to achieve the research's objectives. This chapter outlined the research design, population, sample size, research instruments, research methods of the data collection process for the survey, data analysis and research ethics. A pilot study for the preliminary analysis as well as validity and reliability of the study's measurement instrument was also discussed. The next chapter presents the data analysis, findings and the discussion of the survey.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1 Introduction

This chapter presents the results following the analysis of the data that was collected from 3 Tier SOEs in Namibia. The data was collected from finance managers/ directors, Accounting Officers, Senior Accounting Officers and Accountants. The data analysis was done using descriptive statistics in the form of tables, frequencies and percentages. The data for analysis was obtained from questionnaires designed by the researcher. Information obtained was analysed quantitatively with the aid of a statistical package for social science (SPSS) a computer-based program.

4.2 Profile of the respondents

Out of the 47 who were issued with the research instrument, the actual sample for this study comprised of 30 people who completed and returned the questionnaires and were drawn from the Tier 3 state owned enterprises (SOEs). A sample of 3 to 4 people was drawn from each of the Tier 3 SOEs' finance departments. The profile of respondents contains information regarding the gender of the respondents, age and working experience. A summary of the profile is presented and discussed below:

4.2.1 Gender and Age of the respondents

Table 4.1 shows the gender of the respondents. Of the 30 respondents 21 (70.0%) were females and 9 were male (30.0%). This indicates that the number of females who participated in the research was large compared to that of males. This could also be attributed to the type of sampling used in the study that focused on specific occupation or role of the respondents within the enterprise.

In addition, 11 respondents (36.6%) of the total sample were aged between 41 and 45 years, while those aged between 46 and above accounted for 26.7% which was equivalent to 8 respondents. On the other hand, respondents who were below 30 years old accounted for 20.0% while respondents between 31 and 35 years old accounted for 13.3% and only 6.7% of the respondents were between 36 and 40 years old. Given that the sample covered only the Chief Executive Officers, Financial Directors/ Managers and Financial Accountants of all eight Tier 3 State Owned Enterprises, this analysis suggests that the majority of the respondents were those aged 41 to 45 who had been holding these positions in their respective companies.

Table 4.1: Distribution of respondents by gender and age in percentage

Variables	Category	Frequency	Percent
Gender	Female	21	70.0%
	Male	9	30.0%
	Total	**30**	**100%**
Age	Below 30 Years	5	16.7%
	31 – 35 Years	4	13.3%
	36 – 40 Years	2	6.7%
	41 – 45 Years	11	36.6%
	46 Years and above	8	26.7%
	Total	**30**	**100%**

Source: Author's calculations

4.2.2 Working experience

Table 4.2 shows respondents' years of working in the SOEs. Experience helps individuals to have vast information that helps them apply the knowledge in different areas and things (Ucbasaran, Westhead and Wright, 2008). The finding reveals that, 36.7% of the respondents had 1 to 5 years of working experience in the companies, followed by those who had been working in their companies for over 20 years. Furthermore, 20% of the respondents have been working for 11 to 15 years and 13.3% of the respondents worked for 6 to 10 years. Considering that people with vast experience can gather more information than other people with low levels of experience, the findings disclosed that 63.3% of the respondents had worked for 6 to over 21 years and only 36.7% represented new respondents who have less than 5 years in their companies.

Table 4.2: Distribution of respondents by year of working

Years of working experience	Frequency	Percent
1 - 5 years	11	36.7
6 – 10 years	4	13.3
11 – 15 years	6	20.0
16 - 20 years	2	6.7
Over 21 years	7	23.3
Total	**30**	**100.0**

Source: Author's calculations

4.3 Financial Management Practices

4.3.1 Financial management practices adopted by the company

In this section, respondents were asked the type of financial management practices adopted in their respective companies. Respondents were given options of yes or no.

About 90% of the respondents indicated that financial planning and control practices is adopted in their companies while the other 10% indicated that they do not use financial planning and control practices in their companies. Moreover, only 3.3% of the respondents voiced that they do not adopt financial reporting and analysis in their companies compared to the other 96.7% who adopted reporting and analysis of financial matters.

Capital structure management is practically not adopted in some companies according to 30% of the respondents, while 70% revealed that their companies have adopted capital structure management. The majority (86.7%) of the companies had adopted asset management as compared to 13.4% of those companies who had not adopted it.

Accounting information system is also commonly adopted by many companies as confirmed by 83.3% and only 16.7% noted that their companies have not adopted the accounting information system. The findings depict that most of the companies that were part of the study have adopted mostly all the financial management practices as most respondents indicated yes in all the statements.

However, full implementation of the practices has not been achieved across all the companies. The lack of adoption of financial management practices by organisations may be justified as absence of understanding of the effective interpretation of financial management information and uses of financial statements. However, good financial management will help organisations to make effective use of resources, fulfil commitments to stakeholders, gain competitive advantage and prepare for long-term financial stability.

Table 4.3: Financial management practices adopted by the company

Statements	Yes *N{%}*	No *N{%}*
Financial planning and control practices	27{90%}	3(10%)
Financial reporting and analysis practices	29{96.7%}	1{3.3%}
Working Capital Management practices	28{93.3%}	2{6.7%}
Capital structure management practices	21{70.0%}	9{30.0%}
Asset management practices	26{86.7%}	4{13.4%}
Accounting information system practices	25{83.3%}	5{16.7%}
Financial management expertise practices	20{66.7%}	10{33.3%}

Source: Author's calculations

4.3.2 Financial planning and control

Findings in Table 4.4 reveal the responses from the various employees for each of the aspects in the table below. The data gathered via this questionnaire was used to triangulate with findings obtained. Upon analysing the data, it was revealed (*see Table 4.4*), that 76.5% of the respondents agreed that the company's financial plans focus on its goals and objectives whilst 11.8% were not sure if the company's financial plans focus on its goals and objectives. About 6% of the respondents disagreed or strongly disagreed respectively. From the above findings it was obvious that the majority of participants (76.5% of the participants) said that the company's financial plans focus on its goals and objectives.

About 52.3% of the respondents agreed that data analysis is done to prepare the plan and develop alternatives to consider, with another 23.5% not sure with the same items. About 23.6% disagreed or strongly disagreed with the same statement respectively. Also, 73.5% of participants agreed that the company designs strategies, methods and implementation of investment plans. However, 8.8% of the respondents are neutral, while 17.6% disagreed with the statement. Overall, it can be concluded that the company designs strategies, methods and implementation of investment plans.

Regarding whether the company periodically evaluates if the designed techniques are working well or need some improvement/changes, these findings showed that half (50.0%) of the total number of participants believed that the company occasionally evaluates if the designed techniques are working well or need some improvement and another 29.4% strongly disagreed to the company evaluating if the techniques are working well or need some improvement/changes; 20.6% were not sure.

Table 4.4: Financial planning and control

Statements	5	4	3	2	1
The company's financial plans focus on its goals and objectives	9{26.5%}	17{50.0%}	4{11.8%}	2{5.9%}	2{5.9%}
Data analysis is done to prepare the plan and develop alternatives to consider	6{17.6%}	12{35.3%}	8{23.5%}	4{11.8%}	4{11.8%}
The company designs strategies, methods and implementation of investment plans	12{35.3%}	13{38.2%}	3{8.8%}	3{8.8%}	3{8.8%}
The company periodically evaluates whether the designed techniques are working well or need some improvement/changes	11{32.4%}	6{17.6%}	7{20.6%}	3{8.8%}	7{20.6%}

5 = Strongly Agree 4 = Agree 3 = Neutral 2 = Disagree 1= Strongly Disagree

Source: Author's calculations

4.3.3 Financial Reporting and Analysis

From Table 4.5, respondents were evaluated on the aspects of financial reporting and analysis in their companies. It is interesting to note that, only 76.5% of the respondents strongly agreed that their company keeps proper accounting records. Another 11.8% were not sure, while 11.8% disagreed with the statement respectively. With regards the preparations of the financial statement, 52.9% agreed that the financial statements are prepared in accordance with generally accepted accounting principles. About 23.5% of the respondents indicated that they are not sure about the statement while 23.6% disagreed. Therefore, majority of the respondents are of the view that the financial statements are prepared in accordance with generally accepted accounting principles.

A total of 73.5% of respondents agreed that the company's financial statements for each financial year are prepared and published. Another 17.6% disagreed and 8.8% were neutral with the statement. It was interesting to note that, only 50.0% of the respondents agreed and 29.4% disagreed and 20.6% were neutral that financial statements reflect a true and fair view of the enterprise' financial position.

Table 4.5: Financial reporting and analysis

Statements	5	4	3	2	1
The company keeps proper accounting records	9{26.5%}	17{50.0%}	4{11.8%}	2{5.9%}	2{5.9%}
The financial statements are prepared in accordance with generally accepted accounting principles	6{17.6%}	12{35.3%}	8{23.5%}	4{11.8%}	4{11.8%}

The financial statements for each financial year are prepared and published.	12{35.3%}	13{38.2%}	3{8.8%}	3{8.8%}	3{8.8%}
The financial statements reflect a true and fair view of the enterprise' financial position	11{32.4%}	6{17.6%}	7{20.6%}	3{8.8%}	7{20.6%}

5 = Strongly Agree 4 = Agree 3 = Neutral 2 = Disagree 1= Strongly Disagree

Source: Author's calculations

4.3.4 Working Capital Management (WCM)

The majority (76.5%) of the respondents agreed that the company has a working capital management system in place. Only 11.8% were neutral, 11.8% disagreed. 35.3% agreed and other 23.5% were not sure that the company prepares cash flow forecasts to ensure that sufficient funds are available to meet the daily operations.

Furthermore, 35.3% of the respondents agreed that companies maintain proper records for all accounts receivable and accounts payable while only 11.8% strongly disagreed. With regards to optimal cash balances, 20.6% strongly disagreed and other 8.8% disagreed that optimal cash balances are maintained by the company on a regular basis. Furthermore, 32.4% strongly agreed that optimal cash balances are maintained by the company on a regular basis.

Table 4.6: Working Capital Management

Statements	5	4	3	2	1
The company has a working capital management system in place	9{26.5%}	17{50.0%}	4{11.8% }	2{5.9% }	2{5.9% }
The company prepares cash flow forecasts to ensure that sufficient funds are available to meet the daily operations	6{17.6%}	12{35.3%}	8{23.5% }	4{11.8 %}	4{11.8 %}
The company maintains inventory records that are updated regularly	12{35.3% }	13{38.2%}	3{8.8%}	3{8.8% }	3{8.8% }
Maintains proper records for all accounts receivable and accounts payable	6{17.6%}	12{35.3%}	8{23.5% }	4{11.8 %}	4{11.8 %}
The company pays accounts payable on time and collect accounts receivable on time	12{35.3% }	13{38.2%}	3{8.8%}	3{8.8% }	3{8.8% }
Optimal cash balances are maintained by the company on a regular basis	11{32.4% }	6{17.6%}	7{20.6% }	3{8.8% }	7{20.6 %}

5 = Strongly Agree 4 = Agree 3 = Neutral 2 = Disagree 1= Strongly Disagree

Source: Author's calculations

4.3.5 Asset management

About 66.7% of the respondents strongly agreed that the company has and maintains a non-current asset register. The other 23.3% were not sure, however, 10.0% disagreed.

With regards to capital expenditure on non-current assets requires authorization by the management, over half (80.0%) of the respondents strongly agreed. About 33.3% agreed that the process of acquisition and disposal of assets are consistent with the company's long-term plans and 26.7% were neutral. 16.7% strongly disagreed with the statement. There are enough movable assets in the enterprise according to 63.4% of the respondents who strongly agreed. Another 20.0% of the respondents are neutral and only 3.3% strongly disagreed.

Table 4.7: Asset management

Statements	5	4	3	2	1
The company has and maintains a non-current asset register	12{40.0%}	8{26.7%}	7{23.3%}	2{6.7%}	1{3.3%}
Capital expenditure on non-current assets requires authorization by the management	17{56.7%}	7{23.3%}	2{6.7%}	3{10.0%}	1{3.3%}
The repair and maintenance of non-current assets is carried out on a regular basis	10{33.3%}	7{23.3%}	6{20.0%}	5{16.7%}	2{6.7%}
Depreciation methods on non-current assets in place are consistent	14{46.7%}	4{13.3%}	8{26.7%}	2{6.7%}	2{6.7%}
The use of assets by management is proficient	8{26.7%}	8{26.7%}	8{26.7%}	4{13.3%}	2{6.7%}
The process of acquisition and disposal of assets are consistent with the company's long-term plans	7{23.3%}	10{33.3% }	8{26.7%}	3{10.0%}	2{6.7%}
There are enough movable assets in the enterprise	11{36.7%}	8{26.7%}	6{20.0%}	4{13.3%}	1{3.3%}

5 = Strongly Agree; 4 = Agree; 3 = Neutral; 2 = Disagree; 1= Strongly Disagree

Source: Author's calculations

4.3.6 Capital structure management

The study sought to assess the capital structure management of the companies under review. Table 4.8 shows that, about 30.0% of the respondents either agreed or were neutral that the capital structure of the company is appropriate. About 56.7% of the respondents strongly agreed while 10.0% strongly disagreed that capital structure of the company is appropriate. Regarding whether the company employs equity and debt capital structure, 73.5% of the respondents agreed. Respectively, 17.6% of the respondents disagreed and 8.8% were neutral with the statement.

The statement on whether the company has fully utilized its debt facilities according to its capabilities was agreed upon by 43.3% of the respondents, while 36.7% percent of the respondents disagreed that the company has fully utilized its debt facilities according to its capabilities.

Table 4.8: Capital structure management

Statements	5	4	3	2	1
The capital structure of the company is appropriate	8{26.7%}	9{30.0%}	9{30.0%}	1{3.3%}	3{10.0%}
The company employs equity and debt capital structure	12{35.3%}	13{38.2% }	3{8.8%}	3{8.8%}	3{8.8%}
The company has fully utilized its debt facilities according to its capabilities	4{13.3%}	9{30.0%}	7{23.3% }	8{26.7%}	3{10.0}

5 = Strongly Agree 4 = Agree 3 = Neutral 2 = Disagree 1= Strongly Disagree

Source: Author's calculations

4.4 Effects of financial management practices on financial performance

4.4.1 Rating of the financial performance over the 5 years

Figure 4.1 shows the rating of the financial performance of the companies over the past 5 years. The study sought to determine the satisfaction level on the financial performance of the companies under review. The majority (37.0%) of the respondents indicated that the financial performance of their companies is good, while 27.0% indicated that they have a poor financial performance in their company. Furthermore, 23.0% indicated that their company financial performance is average and only 13.0% were satisfied with their company's financial performance and rated it excellent. This finding implies that, only a few companies have excellent financial performance that their employees are satisfied with, and there are still companies with poor financial performance.

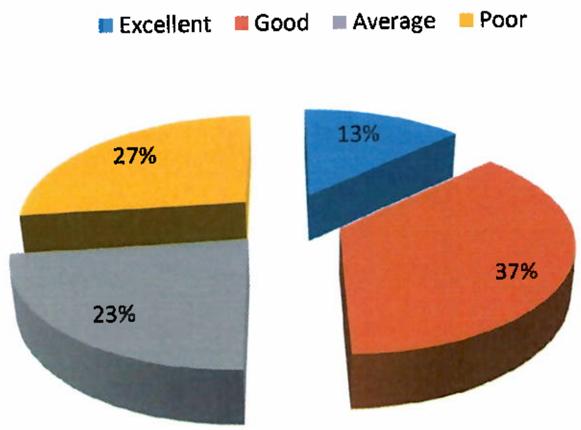

Figure 4.1: Rating of financial management on financial performance
Source: Author's calculations

4.4.2 Effects of financial management practices on performance

The study sought to determine the extent to which financial management practices affect the performance of the SOEs. The majority (73.4%) believe that the provision of financial records affects the company's performance to a greater extent, while 80% of the respondents indicated that reconciliation of accounts affects the company's performance to a greater extent and only 3.3% indicated that it does not at all affect the performance of the companies. In addition, preparation and provision of quarterly management accounts affects the performance of the SOEs to a greater extent and only 6.7% indicated that reporting and analysis of the accounting information does not affect the performance.

About 40.0% of the respondents indicated that control of financial information within the company affects the performance of the organisation to a greater extent while 30.0% indicated that employees' turnover rate moderately affects performance.

Table 4.9: To what extent does the following affect the performance of your enterprise

Statements	Very great extent	Great extent	Moderate extent	Little extent	Not at all
Provision of Financial records	11{36.7%}	11{36.7%}	4{13.3%}	1{3.3}	3{10.0%}
Reconciliation of accounts	10{33.3%}	14{46.7%}	3{10.0%}	3{10.0%}	1{3.3%}
Preparation and provision of quarterly Management accounts	13{43.3%}	11{36.7%}	3{10.0%}	3{10.0%}	1{3.3%}
Preparation and publication of financial statements	7{23.3%}	14{46.7%}	5{16.7%}	3{10.0%}	1{3.3%}
Reporting and analysis of the accounting information	11{36.7%}	12{40.0%}	4{13.3%}	1{3.3%}	2{6.7%}
Prepares cash flow forecasts	14{46.7%}	10{33.3%}	3{10.0%}	3{10.0%}	0

Maintains a non-current asset register	5{16.7%}	14{46.7%}	6{20.0%}	2{6.7%}	3{10.0%}
Capital structure	6{20.0%}	17{56.7%}	2{6.7%}	0	3{10.0%}
Control of financial information within the company	11{36.7%}	12{40.0%}	4{13.3%}	2{6.7%}	1{3.3%}
Execution of operational control policies	10{33.3%}	9{30.0%}	6{20.0%}	3{10.0%}	2{6.7%}
Insurance of integrity in the decision-making process.	10{33.3%}	11{36.7%}	5{16.7%}	3{10.0%}	1{3.3%}
Employees turnover rate	8{26.7%}	9{30.0%}	9{30.0%}	3{10.0%}	1{3.3%}
Customer satisfaction index	10{33.3%}	11{36.7%}	7{23.3%}	2{6.7%}	0

Source: Author's calculations

4.5 Challenges to implementation of financial management practices

4.5.1 Possible challenges encountered during the implementing financial management practices

The study sought to find out the possible challenges encountered when implementing financial management practices. Respondents were given the options to answer yes if the statement is a challenge during the implementation of financial management practices or no if otherwise. Of the respondents, 53.3% indicated that lack of advanced knowledge and skills is a challenge encountered when implementing financial management practices, while the other 46.3% disagreed.

Lack of proper accounting records is not a challenge when implementing financial management practices according to 56.7% of the respondents; however the other 36.7% said otherwise. Moreover, 63.3% of the respondents indicated that, lack of operational funding is not a challenge as well as 80% designated frequent changes in technology is not a challenge to the implementations of financial management practices. About 77% of the respondents said, data security and company privacy's clauses are not a challenge as compared to 23% who believed that it is a challenge to the implementing financial management practices.

Table 4.10: Challenges in the implementation of financial management practice

Challenges	Yes	No
Lack of advanced knowledge and skills	53.3%	46.3%
Lack of proper accounting records	43.3%	56.7%
Lack of operational funding	36.7%	63.3%
Lack of proper monitoring of performance	43.3%	56.7%
Frequent change in technology	20.0%	80.0%
Data security and company privacy's clauses	23.3%	76.7%

Source: Author's calculations

4.5.2 Other challenges hindering the implementation of financial management practices

There are other challenges that hinder the implementation of financial management practices such as lack of employee discipline, the nature of business and the costs involved in the implementation. Furthermore, the study also found geographical (environment) and political commitment could be constraints, while employees' ethics is also viewed as a challenge that hinders the implementation of financial management practices. Lack of budgeting and adequate cost allocation which is directly related to economic challenges was viewed as a challenge.

Moreover, employee low moral from being at the same position for long could be one of the challenges as employees get bored for being at the same position for years. Lack of filling vacant positions and lack of support from leadership (management) were also identified as challenges that hinder the implementation of financial management practices.

4.5.3 Factors that contribute to poor financial performance of the enterprises

The study sought to identify factors that contribute to poor financial performance of the enterprise and the findings are presented in Table 4.11. The majority (60.0%) of the respondents indicated that moral hazards do not contribute to financial performance, while 40.0% indicated that moral hazards contribute to poor financial performance of the company. Incompetent employees according to 73.3% of the respondents does not causes poor financial performance however, 26.7% indicated that it causes poor performance to companies.

Moreover, 60.0% of the respondents indicated that lack of accountability causes poor performance as compared to 40.0% who disagreed. Regarding lack of proper financial planning, 56.7% indicated that it does not cause poor financial performance. There is a slight difference between the percentage of respondents who indicated that lack of effective internal control system leads to poor performance (43.3%) and those who said it does not cause poor performance (56.6%). Finally, majority (86.6%) disagree that lack of good customer care leads to financial performance, while only 13.3% indicated that lack good customer care leads to poor financial performance.

Table 4.11: Factors that contribute to poor financial performance

Contributes to poor financial performance	Yes	No
Moral hazard	40%	60%
Incompetent employees	26.7%	73.3%
Lack of accountability	60%	40%
Lack of proper financial planning	43.3%	56.7%
Lack of effective internal control systems	43.3%	56.6%
Lack of good customer care	13.3%	86.6%

Source: Author's calculations

4.6 Measures to improve financial management practices

4.6.1 The possible measures that can be put in place to help improve the financial management practices

The study sought to find out the possible measures that can be put in place to help improve the financial management practices and findings are displayed in Table 4.12 below. About 67.0% of the respondents showed that when good corporate governance is implemented, financial management practices improve, while 33.3% do not agree.

The majority (60.0% and 63.3%) of the respondents agreed that the implementation of effective financial management practices and transparency within the enterprise helps improve the financial management practices respectively. Qualified employees and recruiting independent and hardworking workforce were found to not improve financial management practice according to 56.7% and 60.0% of respondents respectively.

Table 4.12: Measures to improve financial management practices

Statements	Yes	No
Implementation of good corporate governance	66.7%	33.3%
Implementation of effective financial management practices	60.0%	40.0%
Transparency within the enterprise	63.3%	46.7%

Employing well qualified employees	43.3%	56.7%
Recruiting independent and hardworking workforce	40.0%	60.0%

Source: Author's calculations

4.6.2 Other measures used to improve enterprises' financial management practices

The study sought to find out other measures that can be used to improve financial management practices for organisations. According to the respondents, there is a need for daily supervision from the line managers and proper accountability in all reporting structures. In order to improve financial management practices of the organisations, respondents suggested a good cooperation from all departments, communication and planning and to ensure all plans are fully tested before execution.

Some respondents suggested that an end to corruption lead to an improved financial management practice in companies. Other respondents suggested that, when young qualified employees are recruited and every employee takes ownership and are able to see their little contribution to the bottom line will enhance the financial management practices in any company. Present ethical and transparency accounting practises, employ latest financial management software and train the employees on various software and rotation of employees within the finance department were also other measures suggested.

4.1 Discussions of the results

In this section, the findings of the study are discussed in relation to each objective set out in Chapter one.

Objective 1: To identify the current financial management practices adopted by Tier 3 SOEs in Namibia

The study sought to identify the current financial management practices adopted by the Tiers 3 SOEs in Namibia. All the SOEs were found to have financial management practices incorporated in their operations. The study established that, financial planning and control, reporting and analysis of financial, working capital management and capital structures management practice are all used. Furthermore, the study also found that, asset management, accounting information system and financial management expertise practices were used in the operations of the SOEs. These findings were supported by Kipotoo, Kariuki and Kimani (2017) who found that the growth of financial performance among the companies can be attributed to adoption of good working capital management practices.

According to Peel *et al.* (1996) financial management practices, most particularly working capital management has a strong effect on the firm's profitability. The same view is shared by Padachi (2006) and insists that there is need for a trade-off between receivables and holding inventory if the firm is to attain the required profits.

Erambo, Mulwa, Aketch, Sangoro and Muchibi (2016) recommended for businesses which have not been using financial management practices to adopt them in their operations. Erambo *et al.* (2016) added that, the use of financial management practices would enhance the business' overall performance by more than 50%. Businesses need to revisit the use of working capital management with special reference to shortening the cash conversion cycle by ensuring quick resale of goods and maintaining an optimal working capital to enable the smooth running of their businesses.

Objective 2: To determine the effects of financial management practices on financial performance of SOEs in Namibia

In order to determine the effect of financial management practices on the financial performance of SOEs in Namibia, the study asked respondents to rate the extent to which the company's financial management practices affect the financial performance of the enterprise. The study found that, provision of financial records, reconciliation of accounts, preparation and provision of quarterly management accounts greatly affects the financial performance of the company. Furthermore, execution of operational control policies, insurance of integrity in the decision-making process, employee turnover rate and customer satisfaction index were found to greatly affect the financial performance of the company.

According to Maurihungirire (2019) for the organisation to improve financial performance, it has to undertake a systematic review of its financial management practices with the aim of improving its planning, budgeting and controlling activities. Also, the organisation should make the best use of its financial records to anticipate problems which may be affecting its performance. This will help the organisation to keep an orderly account of its progress and to make comparison between one period and another.

Objective 3: To identify the challenges regarding the implementation of financial management practices

The study found that, lack of advanced knowledge and skills was one of the challenges experienced in the implementation of financial management practices in the SOEs. In addition to challenges that hinder the implementation of financial management practices was the lack of employees' discipline, the nature of business and the cost involved in the implementation. Similarly, MOE (2007) identified challenges such as low capacity to practice finance, lack of training or inadequate training and unqualified personnel to manage to finance problems. Furthermore, the study also found that, lack of funds and top management support were some identified challenges that hinder the implementation of the financial management practice.

Lack of advanced knowledge and skills has implications to financial management practice such that it leads to poor performance. The consequences of poor financial management practice can lead to more debts and close down of business (Bare, 2016). Regardless whether owner-manager or hired-manager, if the financial decisions are poor, profitability of the company will be adversely affected. Van Deventer and Kruger, (2003), indicated inadequate training in financial management, insufficient understanding of accounting procedures and incompetent accounts personnel as the major causes of poor financial management.

4.2 Summary

This chapter presented and analysed the data collect from the respondents with reference to the objectives of the study. The study aimed to evaluate the financial management practices in Tier 3 SOEs in Namibia. The study found that, financial planning and control, financial reporting and analysis, working capital management, capital structure management, asset management, accounting information system and financial management expertise practices were all incorporated in the financial management practices of these SOEs.

The study also found that, the company's financial plans focus on its goals and objectives and they design strategies, methods and implementation of investment plans. The study further found that, the SOEs have good financial management that enables them to improve the profitability and increase the overall value of the firms.

The results show that there are five factors affecting the financial performance of the business, including: employees' discipline, capital structure and business risk were also identified as challenges that hinder the implementation of the financial management practice. Chapter 5 summarised and concludes the study. The chapter further makes recommendations and discusses further research.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the research findings, conclusions, recommendations, and suggestions for further research. The main purpose of this study was to evaluate the financial management practices adopted by Tier 3 state-owned enterprises (SOE) in Namibia and how they affected the company's financial performance. Data for the analysis was obtained through the use of questionnaires designed by the researcher for employees of SOEs from finance managers/ directors, Accounting Officers, Senior Accounting Officers, and Accountants. Information obtained was analysed quantitatively with the aid of the statistical package for social sciences (SPSS).

5.2 Summary

From the results analysed and discussed in Chapter Four, the main findings emerging from this study can be summarised as follows:

The study sought to identify the current financial management practices adopted by the Tiers 3 SOEs in Namibia. All the SOEs were found to have financial management practices incorporated in their operations. The study established that, financial planning and control, reporting and analysis of financial, working capital management and capital structures management practice are all used. Furthermore, the study also found that, asset management, accounting information system and financial management expertise practices were used in the operations of the SOEs.

The study found that, provision of financial records, reconciliation of accounts, preparation and provision of quarterly management accounts greatly affects the financial performance of the company. Furthermore, execution of operational control policies, insurance of integrity in the decision-making process, employee turnover rate and customer satisfaction index were found to greatly affect the financial performance of the company.

The study found that, lack of advanced knowledge and skills was one of the challenges experienced in the implementation of financial management practices in the SOEs. In addition to challenges that hinder the implementation of financial management practices was the lack of employees' discipline, the nature of business and the cost involved in the implementation.

5.3 Conclusion

The conclusion in this study was made based on the three research objectives.

Objective 1:

The study aimed to evaluate the financial management practices in Tier 3 SOEs in Namibia. The study found that, financial planning and control, financial reporting and analysis, working capital management, capital structure management, asset management, accounting information system and financial management expertise practices were all incorporated in the financial management practices of these SOEs.

The study also found that regarding the financial planning and control, the company's financial plans focus on its goals and objectives and they design strategies, methods and implementation of investment plans. The study also found that the SOEs keep proper accounting records and they prepare the financial statements in accordance with generally accepted accounting principles which are all useful in their financial reporting and analysis. It was further found that, the SOEs have a working capital management system in place and they pay accounts on time and collect accounts receivable on time which helps them improve on their working capital management.

Objective 2:

The study further found that, the SOEs have good financial management that enables them to improve the profitability and increase the overall value of the firms. The SOEs have adopted the use of: Financial planning and control and financial reporting and analysis practices, Asset management, accounting information systems and financial management expertise practices were the practices used. However, a few indicated that they have poor financial management, leading to profit maximisation. Good financial management is vital for business survival and growth. It involves planning, organising, controlling and monitoring your financial resources in order to achieve your business objectives.

Objective 3:

Lack of advanced knowledge and skills was one of the challenges identified during the implementation of financial management practices. Lack of advanced knowledge and skills has implications on financial management practice such that it leads to poor performance. The research results show that there are five factors affecting the financial performance of the business, including: employee discipline, capital structure and business risk were also identified as challenges that hinder the implementation of the financial management practice. The consequences of poor financial management practice can lead to more debts and close down of business (Bare, 2016).

5.4 Recommendations

Based on the study's findings, the study makes various recommendations.

Managerial recommendations

The study established that all the financial management practices indicated are used by all the SOEs for financial performance. It was indicated by Addo (2017) that financial management practices have a significant positive effect on the financial performance of businesses. The study thus recommends that the managers in SOEs should prioritise financial management practices during the formulation of their organisational strategies to enhance transparency, accountability and consistency in financial operations. In addition, management should carefully evaluate their companies' structures before adopting the financial management practices.

There is a need to implement good corporate governance and effective financial management practices in order to improve financial management practices. Present ethical and transparency accounting practises, employ latest financial management software and train the employees on various software and rotation of employees on the finance department were also other measures suggested.

The SOEs must revive the training on checking and control for both current and newly appointed managers. The recurring problem with receivables can be ascribed largely to the lack of checking and control. It is also recommended that there is a need for basic training for SOEs. The training should include financial management so that newly appointed officials can be empowered with financial management skills before they start working. This would enhance compliance with financial management practices.

Policy recommendations

The study also recommends that regulatory bodies should formulate appropriate policies and regulations which would facilitate the implementation of financial management practices in companies. This would enhance efficiency and effectiveness in managing SOEs as well as foster consistency in the implementation of financial management practices.

5.5 Areas for further study

Despite the study's objective having been accomplished, there are certain areas which require further research. To begin with, the study only investigated financial management practices namely: Financial planning and control, financial reporting and analysis, Working Capital Management, Capital structure management, Asset management, Accounting information systems and financial management expertise practices. In order to enable comprehensive determination of the phenomenon that exists, the study suggests that further study should be conducted: investigating other financial management practices which were not covered by the study such as cash budget, fixed asset management and risk management.

This study also recommends that a study be done; focusing on the non SOEs in Namibia, to establish how their financial management practices would affect their financial performance. This would help in the comparison of the financial performances of the SOEs and non SOE companies.

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APPENDICES

Appendix 1: Questionnaire

Please tick (√) the number that best describes your agreement with each of the following statements regarding your company.

5 = Strongly Agree	4 = Agree	3 = Neutral	2 = Disagree	1= Strongly Disagree

2.2 Financial planning and control	5	4	3	2	1
The company's financial plans focus on its goals and objectives					
Data analysis is done to prepare the plan and develop alternatives to consider					
The company designs strategies, methods and implementation of investment plans					
The company periodically evaluates whether the designed techniques are working well or need some improvement/changes					

2.3 Financial Reporting and Analysis	5	4	3	2	1
The company keeps proper accounting records					
The financial statements are prepared in accordance with generally accepted accounting principles					
The financial statements for each financial year are prepared and published.					
The financial statements reflect a true and fair view of the enterprise' financial position					

2.4 Working Capital Management (WCM)	5	4	3	2	1
The company has a working capital management system in place					
The company prepares cash flow forecasts to ensure that sufficient funds are available to meet the daily operations					
The company maintains inventory records that are updated regularly					
Maintains proper records for all accounts receivable and accounts payable					
The company pays accounts payable on time and collect accounts receivable on time					

Optimal cash balances are maintained by the company on a regular basis					

2.5 Assets Management	5	4	3	2	1
The company has and maintains a non-current asset register					
Capital expenditure on non-current assets requires authorization by the management					
The repair and maintenance of non-current assets is carried out on a regular basis					
Depreciation methods on non-current assets in place are consistent					
The use of assets by management is proficient					
The process of acquisition and disposal of assets are consistent with the company's long-term plans					
There are enough movable assets in the enterprise					

2.6 Capital Structure Management (CSM)	5	4	3	2	1
The capital structure of the company is appropriate					
The company employs both equity and debt capital structure					
The company has fully utilized its debt facilities according to its capabilities					

PART C: Effects of Financial Management on Financial Performance of the Company

Please indicate the level of your agreement in the appropriate box by ticking.

3.1 Rate the financial performance of your company over the past 5 years

Excellent ☐

Good ☐

Average ☐

Poor ☐

3.2 To what extent does the following affects the performance of your enterprise?	**Very great extent**	**Great extent**	**Moderat e extent**	**Little extent**	**Not at all**
Provision of Financial records					
Reconciliation of accounts					
Preparation and provision of quarterly Management accounts					
Preparation and publication of financial statements					
Reporting and analysis of the accounting information					
Prepares cash flow forecasts					
Maintains a non-current asset register					
Capital structure					
Control of financial information within the company					
Execution of operational control policies					
Insurance of integrity in the decision-making process.					
Employees turnover rate					
Customer satisfaction index					

PART D: Challenges to Implementation of Financial Management Practices

4.1 What are the possible challenges encountered when implementing financial management practices? **Tick whichever is appropriate, it can be more than one.**

- Lack of advanced knowledge and skills ☐
- Lack of proper accounting records ☐
- Lack of operational funding ☐
- Lack of proper monitoring of performance ☐
- Frequent change in technology ☐
- Data security and company privacy's clauses ☐

4.2 What factors contribute to poor financial performance of the enterprise? **Tick whichever is appropriate, it can be more than one.**

Moral hazard ☐

Incompetent employees ☐

Lack of accountability ☐

Lack of proper financial planning ☐

Lack of effective internal control systems ☐

Lack of good customer care ☐

4.3 In your view, what other challenges hinder the implementation of financial management practices other than those mentioned in 4.1?

....

....

....

PART E: Measure/ways to Improve Financial Management Practice

5.1 What are the possible measures that can be put in place to help improve the financial management practices? **Tick whichever is appropriate, it can be more than one.**

- Implementation of good corporate governance ☐
- Implementation of effective financial management practices ☐
- Transparency within the enterprise ☐
- Employing well qualified employees ☐
- Recruiting independent and hardworking workforce ☐

5.2 From your experience, what other measures can be used to improve enterprises' financial management practices apart from those provided in 5.1?

....

....

....

-THE END- Thank you for your participation.

Appendix 2: Language Editing Certificate

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LANGUAGE & COPY-EDITING CERTIFICATE

23rd October 2021

RE: LANGUAGE, COPYEDITING AND PROOFREADING OF VEROONIKA PETRUS' THESIS FOR THE MASTER OF BUSINESS ADMINISTRATION DEGREE OF THE NAMIBIA BUSINESS SCHOOL OF THE UNIVERSITY OF NAMIBIA

This certificate serves to confirm that I copyedited and proofread **VEROONIKA PETRUS'** Thesis for the **MASTER OF BUSINESS ADMINISTRATION DEGREE** entitled: ***AN EVALUATION OF FINANCIAL MANAGEMENT PRACTICES IN TIER 3 STATE OWNED ENTERPRISES IN NAMIBIA***

I declare that I professionally copyedited and proofread the thesis and removed mistakes and errors in spelling, grammar, and punctuation. In some cases, I improved sentence construction without changing the content provided by the student. I also removed some typographical errors from the thesis and formatted the thesis so that it complies with the University of Namibia's guidelines.

I am a trained language and copy editor and have edited many Postgraduate Diploma, Masters' Thesis, Dissertations and Doctoral Dissertations for students studying with universities in Namibia, Zimbabwe, Eswatini, South Africa and abroad. I have also copy-edited company documents for companies in the region and abroad.

Please feel free to contact me should the need arise.

Yours Sincerely,

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