THE EFFECT OF FINANCIAL MANAGEMENT PRACTICES AND SKILLS OF SMALL AND MEDIUM ENTERPRISE'S IN OSHAKATI TOWN

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DEDICATION

This study is dedicated to my family, particularly my mother who always wished to see her children educated and in memory of my beloved father "Lysias Negonga" may his soul rest in peace.

A special dedication to those SMEs who work hard, despite the many challenges they face in their daily endeavours. I encourage them to continue to grow the economy, create employment and foster new ideas and innovations.

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DECLARATION

I, Onni Negonga, declare hereby that this is a true reflection of my own research, and that this work or part therefore, has not been submitted for a degree in any other institution of higher education.

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ABSTRACT

The study utilised the Small Business Uniqueness theory and the theory of Financial Management to analyse and explain the findings of this study. The main finding was that small businesses do not share the same financial management problems with large businesses.

The small and medium enterprise (SME) sector in Namibia has contributed to the national economy of the country in various ways, including employment creation, adding value to the Gross Domestic Product (GDP) of the country and helping towards the realisation of the Namibian government vision 2030 agenda. Despite all these efforts, the SME sector in Oshakati has not grown to its full potential. This study explores the effect of financial management practices and skills on SMEs operating in Oshakati. Consequently, the study sought to seek answers to the following questions: (1) what are the effects of financial management practices and skills on SMEs operating Oshakati? (2) How poor financial management practices and skills are inhibiting SMEs to grow and prosper? (3) What possible suitable training can be offered to SMEs owners or managers on financial management practices and skills development?

This study used the mixed design approach through the use of both quantitative and qualitative research design. The literature review suggested that an absence of financial management practices and skills contributes to the poor performance of the SME sector and those SMEs that possess financial management skills enhance growth and profitability of the sector.

Findings of this study revealed that the SME sector in Oshakati lacks appropriate skills in financial management practices. The study also established that sufficient training in financial management is needed for the SMEs in Oshakati. This study recommends that the SME owners-managers need to take greater responsibilities for their own learning.

Therefore, they need to create a positive attitude towards financial management training and make efforts to develop their skills and knowledge to ensure that their businesses are managed successfully and continue to generate significant profit.

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LIST OF ACRONYMS AND ABBREVIATIONS

BON	Bank of Namibia
CC	Close Corporation
GDP	Gross Domestic Product
FNB	First National Bank
MSME	Micro, Small and Medium Enterprises
NDP5	National Development Plan 5
NSA	Namibia Statistics Agency
SME	Small and Medium Enterprise
UNAM	University of Namibia

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CHAPTER 1

INTRODUCTION AND BACKGROUND TO THE STUDY

1.1 Orientation of the proposed study

Small and medium Enterprises (SMEs) are essential to the development of many economies in the developed and developing countries. There is a growing interest in research in small firms among politicians and researchers. There are several reasons for this, the small business sector is often looked upon as an economic seedbed where entrepreneurship is fostered and new ideas are tried out (Anderson, 1997). Given the great potential of SMEs to bring about social and economic development, it is of no surprise that the performance of the SMEs heavily depends on the business owner or manager.

This study explored the effects of financial management practices and skills of the SMEs operating in Oshakati in Oshana Region. Oshana is the smallest region in Namibia in terms or geographical size, nonetheless the region is regarded as one of the fast growing and attracts many businesses that are operating in informal sector. The town is highly populated with emerging SMEs trading in various trades and in terms of geographical location, the town is boarded by other towns such as Okahao, Ondangwa, Oshikuku and Ongwediva. Many small businesses in this town have been trading in the informal sector, where they are not paying tax, social security, and not keeping any financial records. However a few SMEs are migrating into the formal sector. Many small businesses have been in operations for years and the growth signs are significantly low due to various constraints such as financial management. Financial management particularly in SMEs has only become popular in Namibia in the 1990s when the country got its independence .There is little research linked to financial management in SMEs operating in Namibia and the researcher would like to narrow the gap. This research was aimed to find out the rationale behind the effect of financial management practices and skills of SMEs operating in Oshakati and why the small firms are not growing into bigger enterprises. The researcher has observed that access to finance is not the major barrier to the success of small businesses in Oshakati town, but the key challenging aspect is how to manage and control the financial affairs of the business. Many SMEs in Oshakati town are finding it hard to grow and survive not because the owner does a poor job or provide inferior service, but because their businesses are not managed professionally. These management problems include financial management, human resource management, marketing management, operations management, and strategic management. Given that financial management is one of the key aspects of the well-being and survival of a business, it is the managerial activity concerned with the planning and controlling of the firm's financial resources (Pandey, 2004). Therefore the purpose of this study is to explore the effect of financial management practices and skills of SMEs in Oshakati town.

1.2 Statement of the problem

SMEs are extremely important to a country economy, because businesses provide goods, services and jobs. Good financial management practices are crucial for the survival of many businesses of all types and sizes. To date there is no significant research related to the effect of financial management practices and skills on SMEs operating in Oshakati. The researcher noted that many of the SMEs have not realized any meaningful growth since they established their businesses; some have stagnated whilst most of them fail to service their fixed monthly expenses and eventually close down. Furthermore financial institutions in Oshakati exercise a very low loan approval rate for start-up businesses due to lack of collateral and equity, capital is a crucial resource to a small business and specific principle of financial management practices and skills could improve financial stability of SMEs in Oshakati. Majority of the people that start up small businesses in Oshakati are driven by the prevailing economic situations and establish new businesses out of necessity. Most of these SMEs often do not have financial management skills and are not sufficiently skilled to operate the business successfully.

Majority of the studies focusing on financial management in SMEs at hand have been done in other developed countries and a significant number have been done in other southern African countries, while only a few or none have so far been done in Namibia. This unfortunate fact made it very crucial that a study need to be done, especially on SMEs operating in Oshakati. The Namibian government has put in various efforts to create conducive business environment for SMEs to operate in. For example the local government built the Frans Indongo open market to promote the SME sector in Oshakati.

It is difficult to determine the financial management practices and skills needed by the SME sector in Oshakati, due to unavailability of information relating to their financial management practices and skills.

1.3 Research Questions

The research study was guided by the following research questions:

a. What is the effect of financial management practices and skills on SMEs operating Oshakati?
b. How poor financial management practices and skills are inhibiting SMEs to grow and prosper?

c. How can financial management practices and skills development be mitigated?

1.4 Significance of the study

This study was crucial because not so many studies have explored the effect of financial management practices and skills on SMEs in Oshakati town. Therefore there is an urgent need to uplift this sector to promote financial management in the SME sector in Oshakati. This study is important to the government and policy makers, the benefit of this study towards the government and policy makers is that, the study provides insight to the government and policy makers regarding the relevance of financial management's practices and skills in SMEs. This study is also significant to the SME sector in Oshakati especially the owners and managers. The owners and managers within the SME sector will benefit from this study on how to manage their businesses financial aspects successfully and how to make well informed decisions when it comes to financial matters of their business. This study aimed to close the existing gap about financial management practices and skills in SMEs in Oshakati.

1.5 Limitation of the study

The researcher has encountered several constraints pertaining to the implantation of this study. Due to time constraints, the researcher was expected to complete the study within a given time framework for him to graduate with his master's degree. However the researcher had to fulfil his duties within the stipulate time period by the University of Namibia. Due to resources constraints, the researcher had to recruit undergraduate students from the University of Namibia to assist with the collection of data. The undergraduates required training on how to collect the primary data. However, the researcher ensured that appropriate interview skills were transferred to undergraduate students. Financial limitations also limited the researcher to collect data from SMEs that are operating on the outskirt of Oshakati which was more costly. Confidentiality was also another limitation since some of the respondents were reluctant to share information. Nevertheless the researcher assured the participants of confidentiality of information provided. Another limitation encountered by the researcher was that not all SMEs owners/managers could speak and write or understand English fluently, however the researcher managed to translate the challenging questions to the SMEs owners/managers in their indigenous language which is mainly Oshiwambo.

1.6 Definitions of key terms

Small and Medium Enterprises (SME): In this study SMEs are defined from the Namibian perspectives. In Namibia, SMEs are categorised in three categories namely:

a) Micro enterprise which are seen as those employing fewer than 10 people with an annual turnover less than N$3,000,000;

b) Small enterprises are those businesses employing employees between 11 to 30 employees with an annual turnover less than N$3,000,000;

c) Medium enterprises are those firms employing employees between 31 to 100 employees with an annual turnover more than N$10,000,000. (Ministry of Industrialization, Trade and SME Development, 2015)

Skills: is knowledge acquired through formal or informal training as well as through practice (Perks & Smith, 2006).

Financial Management: Entails planning for the future of a business enterprise to ensure positive cash flow (Oduware, 2012).

Financial Performance: Can be defined as a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues (McMahon, 1995).

Management: Process of attainment of predetermined goals by directing activities of a group of persons and employing other resources.

Manager: Refers to the person who is hired to run and manage the business.

Owner-Manager: Refers to the person who plays the role of both owner and manager.

1.7 Format of the Study

This study is in structured in five chapters as follows:

Chapter 1: Gave the general introduction of the study looking at the background of the study, objectives, and research questions, significance of the study, and the study possible limitations as well as delimitations.

Chapter 2: Will present the literature review and reviewed comprehensively according to the research objectives used in the literature review which was divided into appropriate headings and sub-headings that provided comprehensive account of the theoretical knowledge of the study.

Chapter 3: Will present the methodologies and conceptual framework used to conduct the study. The chapter also explained the research design, targeted population, sampling methods and the instruments, methods of data collection and data analysis.

Chapter 4: Will present the data presentation of the research findings, data analysis and discussion. The data will be discussed and presented using tables, graph and various chart types.

Chapter 5: Will present the summary, conclusions and recommendations for the study.

1.8 Summary

In this chapter, the researcher introduced the study highlighting the background of the study. In addition, the chapter provided the research questions of the study and highlighted its significance in terms of providing recommendations. While chapter two will review the literature on SMEs and definition, their contribution to the economy and the challenges they face.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the existing literature on the SME sector and financial management practices. This chapter aim to close the gaps in the research questions. Furthermore the chapter presents the small business uniqueness theory followed by the definition of the SME. Brief overview of SMEs in Namibia is also concisely discussed and lastly this chapter will present the effect of financial management practice and the financial management education and training that have been found in other comparative studies.

2.2 Theoretical framework of the study

This study utilised the Small Business uniqueness theory which was founded by James S Ang in 1991. Ang (1991) argued that small businesses do not share the same financial management problems with large businesses. Of particular interest is Ang (1991) notion of modern corporate finance, which is not developed with small business in mind. The theory shows that small businesses have financial management issues that are quite different from those of the larger businesses. The researcher suggests that this notion can be highly significant in helping other researcher on financial management in SMEs trading in Oshakati. Several unique features of small businesses affect failure costs; the costs of failure are also high as the small businesses face higher costs of marketing imperfections and frictions such as higher proportional legal, accounting, trustee and auctioning fees. On the other hand, lack of effective limited liability could cause a transfer of failure costs at the firm level to the personal level of the owners (Ang, 1991).

The price of high transaction costs to small businesses also precludes them from certain financial choices or services.

When it comes to capital budgeting, Ang (1991) claimed that serious problem would arise when an asymmetric information problem is confounded by heterogeneous expectations. If you compare to large firms, some small firms may under invest due to shortage of internally generated funds under a pecking order and other small firms may also overinvest in very risky projects. In contrast, large firms with a portfolio of a large number of assets would hesitate to invest in the same risky project.

According to Ang (1991) there is consensus amongst small business and financial institution, that small business lacks the know-how to provide standardised, transparent and credible financial information. An improvement in financial management and accounting skills may enhance the ability of small business to obtain funding so that they can be well equipped to seize opportunities for profits. The importance of financial management and accounting skills is widely recognised in large business. Most of the large businesses spend enormous resources to ensure that they have the necessary financial skills at strategic and operational level (Ang, 1991).

The capital structure issue for the small firms differs from their large firm's counterpart in several ways. First, small businesses rely on different sources of funds. For new business, the primary sources are owner's own savings and personal borrowings from friends and family and local banks. Banks would often require personal assets, guarantees and insurance policies as collateral. Small business goes through several stages of change in its evolution into a large firm. Consequently, there may not be a single theory explaining the capital structure of a small firm. Although capital may refer to the acquisition of funds that are required for a business, it also refers to the proper management and financial skills. Hence, there is a strong correlation between the management of funds of a business and the maximisation of profits.

2.3 Defining of Small and Medium Enterprises

Defining SME is a challenging task, since most countries have their own definition. In this study SMEs are defined from the Namibian perspective and international perspective. However, there is no single uniformly accepted definition of a small business (Storey, 1994). The SME sector is made up of three classes of enterprises which fall under micro, small and medium enterprise classifications. These classifications are defined based on factors such as business investment value, annual turnover and number of employees. In Namibia the definition of the sector was officially enunciated in the 1997 SME Policy. This definition has remained constant over the years, despite various regional and global dynamics leading to economic changes and the nature of firms undergoing structural changes (Ministry of Industrialization, Trade and SME Development, 2015). However, the 1997 definition doesn’t include the micro enterprises and only differentiated between Micro, Small and Medium Enterprises (MSMEs) engaged in manufacturing activities and all other businesses. No provision was made for timely modifications of the definition as and when local, regional and global dynamics would dictate. The Ministry of Industrialization, Trade and SME Development (2015) revised the definition of Micro, Small and Medium Enterprises in Namibia. The definition complies with internationally acknowledged standards and defines MSMEs according to two criteria namely; number of employees and annual turnover. However, modifications of the MSME definition may be needed to reflect structural economic changes affecting the Namibian economy. The definition by the Republic of Namibia through the Ministry of Industrialisation, Trade and SME Development is as follows:

Table 2. 1:Definition of MSME (Source: Ministry of Industrialization, Trade and SME Development, 2015)

Category	**No of Employees**	**Annual Turnover (NAD)**
Micro	Up to 10	Up to N$300,000
Small	11-30	Up to N$3,000,000
Medium	31-100	Up to N$10,000,000

However, Ministry of Trade and Industry (1997) argued that the definitions of small business used in other countries are not appropriate for Namibia. The Bank of Namibia (2010) reported that many countries and international organizations set their own guidelines for defining SME's, often it is based on the number of employees, sales, or assets. For example, the European Union defines SMEs as firms with between 10 and 250 employees, with less than Euro 50 million in turnover or less than Euro 43 million in balance sheet total. Quartey (2001) defines SME as a small firm that employ between 5 and 9 employees, whilst a medium firm employs between 20-90 employees. Hutchinson, Piper, & Ray, 1997) concluded that although different countries define small business differently, it is accepted practice to make use of quantitative and qualitative criteria when attempting to define small businesses. The argument is supported by Niemen, Hough and Nieuwenhuizen (2004) who agrees that, a definition based on quantitative and qualitative factors will consider the measure of size, such as number of employees, the gross assets, sales turnover as well as the different types of ownership and different sector of the economy, like manufacturing, wholesalers, retailing, mining, and motor and textile industries.

The following table is extracted from Rajaram (2008) research paper to illustrate the different criteria adopted by countries to define an SME.

Table 2.2: Selected international definitions of an SME (Source: Adapted Rajaram, 2008)

COUNTRY	**BASIS USED**	**DEFINITION**
Australia	Number of employees	**SMALL**-fewer than twenty **MEDIUM**-21 to 200 **LARGE**-greater than 200
France	Number of employees	Fewer than 250 employees
Malaysia	Employees, Turnover and otl qualitative factors	• Full time employees-fewer th 150 • Annual sales not exceeding R 25 million • Incorporated under t Companies Act • Must have at least 70% shareholdings held Malaysians • Involved in the manufacturi sector or provision manufacturing related service

United States	No official certification proce	• The definition varies fr industry to industry
United Kingdom	Turnover and number employees	• Small-Fewer than employees, 5,6 million pour turnover and 2,8 million pour balance sheet • Medium-Fewer than 2 employees, 22, 8 milli pounds turnover and 11, million pounds balance sh total.

This study recognizes the current Namibian definition of small and medium enterprises by the Ministry of Industrialisation, Trade and SME Development. However, it can be concluded that the definitions of SMEs differ from countries to countries.

2.4 Overview of SMEs in Namibia

As mentioned earlier, SMEs are very important to the Namibian economy because of their contribution to employment and wealth generation. Historically, the foundation for growth of small and medium-scaled enterprises in Namibia was in the trading industry, but now SMEs exist in almost all sectors of the Namibian economy. Due to political and economic changes, SME businesses activities have expanded rapidly and become an important component in the Namibian economy. The SME sector in Namibia is estimated to be providing employment to 160,000 people, approximately one-third of the Namibian workforce (Ogbokor & Ngeendepi, 2012). The SME contribution to the Gross Domestic Product (GDP) is above 13 per cent (Namibia Statistic Agency (NSA), 2013). The Namibian Government through the Ministry of Industrialisation, Trade and SME Development in 2015 reviewed the 1997 National Policy on Micro, Small and Medium Enterprises in Namibia with a strategy for the overall transformation of the SME sector to align it to the national objectives as expressed in Vision 2030, and National Development Plans.

Several changes have taken place under the 2015 National Policy on Micro, Small and Medium Enterprises in Namibia such as, the updated definition for MSMEs and challenges faced by MSMEs. The government has demonstrated the prioritisation of the growth of the small business sector in the country by introducing such policies. The SME policy has formed the foundation for the development of small and medium enterprises in Namibia. The overall objective of the MSME policy is thus to provide the requisite policy and implementation frameworks to ensure the development of competitive, dynamic and innovative Namibian SME's ((Ministry of Industrialization, Trade and SME Development (2015). In 2016 the President of the Republic of Namibia, Dr Hage Geingob introduced the Harambee Prosperity Plan blue print aim to address poverty eradication through wealth creation (Republic of Namibia, 2016). The Ministry of Industrialization, Trade and SME Development is tasked to support SME business incubation processes in targeted industries and their value chains, including industry-specific assistance and start-up mentoring schemes. During the HPP theme the ministry also aim to construct more SME and industrial parks country wide.

The Bank of Namibia (BoN) (2010) state that there are two SME sector in Namibia, namely informal and formal sector. The informal sector is different from the formal sector, although in the informal sector laws and regulations are only partly followed and employees usually do not have any benefits such as leave, social security and medical aid. For the sake of this study, the researcher will only target SMEs in the formal sector.

According to Namibia's 5th National Development Plan (NDP5) documentation majority of SMEs are not creative and innovative due to lack of entrepreneurship culture and the fear of taking risk (National Planning Commission , 2017). It is further expressed in the NDP5 that SMEs are unable to access the business development services due to lack of financing and information. Despite the establishment of different financial institutions such as SME Bank, Development Bank of Namibia and various commercial banks.SME accesses to finance in Namibia remains a challenge due to high interest rates, lack of insufficient collateral and lack of information availability. The NDP 5 desired outcomes by the year 2022 is to promote entrepreneurship, improve access to finance entrepreneurs, reduce number of days to start a business and to see significant contribution in GDP by MSME from 12% to 20%.

2.5 The role of SMEs in economic development

There has been a tremendous increase in the number of small firms operating in most of the advanced countries around the globe since the late 1960's (Burns, 2011). Augero, Carter, & May, (2007) reported that in South Africa 57% of individuals live below the poverty datum line. Therefore, in order to address the issue of poverty, the South African government has identified SMEs as the engine to drive such an initiative. Fatoki (2012) noted that SMEs provide over 55% of all jobs in South Africa and contributed over 22%

to the GDP. Similarly, in Morocco over 93% of industries were SMEs and accounted for 46% in all jobs employment.

In Europe 99, 8% of private businesses are small businesses and they generate half of Europe's turnover and employ about 53% of the workforce and in Asia the role of SMEs was noticed during the Asian economic growth of post 1960 period, it was discovered that they was a reliance of SME to position the Republic of Korea as an industrialized nation (Reijonen & Komppula, 2007). Similarly, in Japan the SMEs share of employment was around 70-74% in the manufacturing sector. Fatoki (2012) noted that in India, Pakistan and Thailand the development of SMEs has been consistent with industrial and development policy since 1970s. Reijonen and Komppula (2007) estimated that 400 000 small business fail each year in the United States of America concludes that the overriding reason for the failure is inadequate technical and managerial skills. Evidence shows that in the case of Kenya, SMEs employed about 5.1 million people representing 74 per cent of the total national employment and also contribute about 88 per cent of the total job creation, they also contribute to the Gross Domestic Product (GDP) of the country, whereby they contribute about 24.5 per cent to the GDP (Maina, 2006).

Ogbokor and Ngeendepi (2012) stated that in the case of Namibia almost 40,000 SMEs are registered and they provide some form of employment and income to 160,000 people, representing approximately one-third of the nation's workforce. SMEs in Namibia play significant contribution in the transition of agriculture-led economies to industrial ones furnishing plain opportunities for processing activities, which can generate sustainable source of revenue and enhance the development process. The Bank of Namibia (2010) reported that the SME sector contribution to GDP in Namibia was about 12% and the employment share was about 20% in the year 2003 and 2004.

2.6 Effect of financial management practices on business

Financial management is at the heart of running a successful business. According to Stone (2003) he stated that financial management affects every aspects of the business, from managing cash flow and tracking business performance to developing plans that ensures that business owners can make the most of opportunities. Water and Petty (2001) defined financial management as process that is concerned with the acquisition, financing and management of assets with some overall goal in mind. However, according to Meredith (2006) he defined financial management as a practice concerned with all areas of management, which involve finance not only the sources, and uses of finance in the enterprises but also the financial implications of investment, production, marketing or personnel decisions and the total performance of the enterprise.

The success of any business enterprise depends on the strategic choices which are made and how the business funds are employed. Correia, Flynn, Uliana, & Wormald, (2007) argued that the objectives of financial management are to maximize profit, maximize the value of the firm, shareholder growth or business growth. Profit maximization is concerned as the goal of financial management, therefore in this approach, actions that increase profits should be undertaken and the actions that decrease the profits are avoided (Amoako, 2013). However, Anderson (1997) contrasted that financial management is not only concerned with profit maximization, but also concerned with wealth maximization. Approaches of financial management, by wealth maximization Mazzarol (2014) meant the accumulation and creation of wealth, property and assets over a period of time thus if profit maximization is aimed. Wealth maximization in real sense is a long term concept based on the cash flows rather than profits Anderson (1997). The ultimate aim of the business concern is earning profit, hence it consider all the possible ways to increase the profitability of the concern (Davidson & Dutia, 2001). According Jen (2003) he stated that business function mainly for the purpose of earning profit. Profit is the parameter of measuring the efficiency of the business and shows the entire position of the business concern (Stone, 2003). The financial management in big enterprises is performed by a financial manager, while in a small and medium enterprise is performed by the owner/manager as alluded to in the small business uniqueness and theory of financial management. In smaller enterprises or sole proprietorships financial management is performed by a single person whereas in large organisations a whole department may carry out only one function. Barrow (1991) contend that the effect of financial management include analysing the business current and budgeted information, namely profitability and risk, evaluating pricing policies, and their effect on the firm's sales and profits, analysing the effect on profits of raising funds and taking certain investment decisions, and analysing possible takeovers, amalgamations or reconstructions.

Fujita (1998) believed that the effect of financial management practices will allow the business to succeed and grow, therefore the manager need to adopt to change, raise funds, invest in assets, and manage wisely. This study harmonised with the previous researchers that performance is one of the most important objectives of good financial management because one goal of financial management is to maximize the owner's wealth. Thus performance is very crucial in determining the success or failure of the business. Jen (2003) found performance to be a significant determinant of a small firm's credit risk. Walker and Petty (2001) stressed that the aim of a business is not only the generation of sales, but also the generation of profits. Profit is especially important because it is necessary for the survival of a business. Low performance contributes to under-capitalization problems because it leads to retained earnings and therefore to a reliance on external capital (Davidson and Dutia, 2001).Good financial management skills requires forecasting and planning.

McMahon (1995) argues that SMEs that do not see the need for financial management practices are more likely to suffer the problematic consequences of growth and underperforming. (Jindrichovska, 2013) noted that the effect of poor financial management or lack of financial management altogether is the main cause underlying the problems in SME financial management. Nguyen (1999) concurred with McMahon (1995) views that lack of knowledge of financial management and poor management combined with the uncertainty of the business environment often lead SMEs to serious problems regarding financial performances. However, Mazzarol (2014) stated that poor financial management practice and skills is patchy financial planning, chaotic bookkeeping, overinvestment and lacking any reserves. The consequences of poor financial management practice can lead to more debts and close down of business. Regardless whether owner-manager or hired-manager, if the financial decisions are poor, profitability of the company will be adversely affected.

Meredith (2006) narrated that generally the poor financial management of owner-managers is the main cause underlying the problems of SMEs. This type of poor practice in financial management is typically due to owner-managers having insufficient skills and knowledge of financial accounting controls to know what to do (Uwonda, Okello, & Okello, 2013). This typically results in these SMEs experiencing cash flow and liquidity problems with high levels of bad and doubtful debts (Abanis, Sunday, Burani, & Eliabu, 2013). In many developing economies it is not mandatory for SMEs to keep financial records and as a result the owner-managers fail to do so, often avoiding the need to pay taxes at the same time (Amoako, 2013). In most advanced economies the requirement for SMEs to keep good financial records, and the obligation to do so for taxation compliance establishes their relationship with professional accountants and bookkeepers (Uwonda et al., 2013). As the size and complexity of the business grows so too does the level of formality and sophistication in the financial management practices (Abanis et al., 2013). Where owner-managers have greater skills and knowledge of the accounting and financial management processes they are more likely to generate financial reports and use them to make informed decisions (Van Der Walt & Van Resnburg, 2006).

2.7 The need for financial management skills in the SME sector

Financial management skills in SME sector have long attracted the attention of researchers. Depending on different objectives, researchers emphasize different aspects of financial management skills. Establishing a successful SME is not an easy task, barely 40% of small firms survive their intact to see their fifth birthday ((Amoako, 2013). Oduware (2012) Stated that most of the failure occurs in the first few years, and poor financial management is the most cited reason for a small firm getting into difficulties. The possession of adequate financial management skills may rescue the failure rate. It is evident that the presence of financial management skills will contribute to the superior performance of the SME (Rajaram, 2008). Cash flow management and financing aspects require good financial management skills in order to contribute towards growth and sustainability of the SME sector. Rajaram (2008) noted that financial management skills include the preparation of business plans, cash budgeting, and an analysis of financial statements.

2.7.1 Business plans

A business plan is a guide or a roadmap for the business that outlines goals and details on how the goals will be achieved (Berryman & Peakcock, 1996). Barrow (1991) noted that a well-researched business plan is the foundation upon which the financial success of business depends and can be used as a business tool (Burns, 2011)for the owner and stakeholders. Anderson (1997) concurred with Barrow (1991) that a business plan is vital in accessing funding for the SME sector. He further noted that a well prepared business plan should be able to convince an investor or a lender that the risk of investing or lending the funds to the business is low and reasonable returns will compensate them for taking the risks. Given the diverse challenges and obstacles that the SME is expected to encounter, it is important that a business plan is developed in order to understand the challenges that are faced by the business and how it intend to address the challenges (Rajaram, 2008).

The importance of skills required to prepare business plans also appears to be supported by recent research undertaken in order to assess the value of preparing business plans for the new businesses (Burns, 2011). The key findings of the research were that, entrepreneurs who complete a business plan are six times more likely to get into business than those entrepreneurs who do not complete business plan. However, Rjaram (2008) also believed that an increase in the tendency to plan properly may result in a superior financial performance by the SME sector. Many SME's have great difficulties in accessing funds as they do not have the skills to provide the information that are required by the financiers. Due to the lack of financial management skills, they are unable to demonstrate the funding need and the ability of the business to repay the debts (Gitman, 2010). The nature of a small business requires the owner/manager to function in several different capacities on different level of the business, which leaves them with no real time for planning or drafting business plan (McMahon, 1995).

2.7.2 Cash budgets

A cash budget is an estimated projection of the business's cash position in the future (Nieman, Hough, & Nieuwenhuizen, 2006). The assessment of poor business performance and threats to small business growth has consistently revealed that cash flow problems appear to be a major factor. In many businesses, especially in the SME sector there is often a lack of appreciation that profits do not necessarily mean cash in the bank (Rajaram, 2008). In addition, it is evident that cash is critical to any small business and the proper management of cash resources ensures that there is adequate cash to meet the needs of the enterprise (Burns, 2011). A common technique that is employed by many large businesses to successfully manage their cash flows and anticipate their future needs is the use of a cash budget. A budget should be the most important tool for any owner or manager as it supplies information on specific orders, sales, profits and cash and accordingly it gives a sense of reality to the company's objectives and strategies (Barrow, 1991). However, Fatoki (2012) concurred with other researchers that it is vital that small businesses have the required skills to anticipate future cash flow requirements and plan accordingly. It is important that SME sector obtain the necessary skills to prepare budgets so that future cash flow is anticipated.

2.7.3 Analysis of financial statements

Analysis of financial statements includes the evaluation and interpretation of financial statements (Beaumont, 2007). Financial statements referred to as income statements, balance sheet and cash flow statement. In order for these financial statements to be useful to the SME, they need to be understandable, relevant, reliable and timely. The preparation of the financial management is important and should meet the above characteristics, the entrepreneur needs skills to analyse the financial statements so that they can be used in the decision-making process (Rajaram, 2008). Phenya (2011) stipulates that the analysis of financial statements provides a quick means of assessing the financial health of a business and helps managers to make informed financial decisions. Financial statements are analysed by ratios such as liquidity ratios, debt ratios and profitability (Beaumont, 2007). However, the overall objective of financial management analysis is to examine a firm's financial position and returns in relation to risk, with the view of forecasting the firm's future (Correia et al, 2007).

A research conducted in America, on the use of financial statements analysis in the small business sector, has indicated that for many small businesses users of financial statements are creditors and potential creditors, and that these users tend to focus on the ability to meet its obligations rather than an analysis of profit (Beaumont, 2007). Rajaram (2008) concluded that it is crucial for the business owners to possess the necessary skills and expertise not only to prepare the financial statement, but also to use them as a tool to evaluate the performance of their business. He further alluded that possession of financial analysis skills can also enable business owners to undertake such as an evaluation so that they have a broad understanding of the business variables that influence their entity.

2.8 Financial management practices

Financial management practices are defined as the practices performed by the accounting officer, the chief financial officer and other managers in the areas of budgeting, supply chain management, asset management and control (Gitman, 2011). The most common financial management practices used are Accounting Information Systems, Financial

Reporting and Analysis, Working Capital Management, Fixed Asset Management and Capital Structure Management (Nguyeni, 2001). All these practices are crucial for an efficient financial management in organizations. Meredith (2016) listed six components of financial management namely; financial planning and control, financial accounting, financial analysis, management accounting, capital budgeting, and working capital management. Each component has different techniques containing specific tools and aims of their own.

This research will use most common financial management practices identified by Pandey (2004) which are: accounting information systems, financial reporting and analysis, financial planning and control, working capital management, and investment management. Every components of financial management have a different technique that contains specific tools and aims of their own. Pandey (2014) criticised that most of the researchers only focus on examining and describing financial management practices and financial characteristics but do not focus on examining the impact of financial management practices on SME profitability. Fatoki (2012) identified that limited financial knowledge and management skills results in poor financial management decisions taken by small business owners, which in turn impacts on small business growth. Rajaram (2008) indicated that many small businesses are managed by their owners because such businesses usually do not have the resources to employ managers. As a result, the owner-managers of small businesses are required to multitask and perform all the management functions themselves, especially financial management. Furthermore, Schwarz (2008) recommended that in order to survive, small business owners should first acquire financial management skills that assist in short-term decision making.

2.8.1 Accounting Information System

As an entrepreneur it is essential that you have a good grasp of business accounting. While it is not essential to be an accountant or to have formal accounting qualifications, it is imperative to understand the figures and be aware of your current financial position (Barrow, 1991). Nguyen (1999) reviewed that in the developed economies such as the USA, Canada, the UK and Australia, accounting system practices in SMEs have long attracted the considerations of many researchers. However, Meredith (2006) argued that information systems are a base for financial management including financial management records and reports. Although Maseko & Mayan (2011) believed that, accounting systems provide a source of information to owners and managers of small businesses operating in any industry for use in the measurement of financial performance. Poor accounting system and poor cash-flow becomes a more prevalent financial problem if not well managed. Although most SMEs are not registered as companies, it is important to assess the small business financial statements. Business decisions need to be supported by good quality financial information, which needs to be relevant, user-friendly and available in a timely manner (Nguyeni, 2001).

2.8.2 Financial reporting and analysis

Sowden-Service (2007) contends that financial statements are prepared by the business owners in order to provide information that are useful to a wide range of users and compromise of: (1) the income statement (2) the statement of changes in equity (3) the balance sheet (4) the cash flow statement. In order for the financial statements to be useful to the SME, the financial statements need to be understandable, relevant, and reliable and timely. Analysis of financial statements includes the evaluation and interpretation of financial statements (Taylor, 2003). The analysis of financial statements provides a quick means of assessing the financial health of a business and can also assist to determine the ability of the business to satisfy both its short-term and long term obligations (Nieman et al, 2006).

Peterson and Fabozzi (2002) argued that a significant element in the failure of many businesses was inefficient or absence of accounting records. In addition, Nguyen (1999) also found out that efficiency in accounting information system, financial reporting and analysis enhanced profitability. However, McMahon (1995) crtical emphasized that the relationship between financial reporting practices, business growth and performance is difficult to identify, describe and explain. Gitman (2010) stated that the analysis of financial statements is of interest to shareholders, creditors and the business own management who are interested in the firm's current and future level of risk and returns which affect the business value. It has been an observation that many small business owners fail to realise the importance of the accounting function and as a result cause the failure of the business (Stone, 2003).

2.8.3 Financial Planning and Control

Every business must have a financial plan, although planning can be approached differently depending on the size of the business. The basic planning includes cash flow projections, income and expense forecasting. Small business frequently suffers from particular financial problems such as of lack of planning and control.Spence & Rutherford (2000) argues that SME owner should sit with their managers to prepare an annual budget which should be broken down to monthly budgets and do a monthly joint review of actual achievements with the budgeted or target figures in order to take corrective action immediately. However, Gitman (2010) debates that the key aspects of short-term financial planning are profit planning and cash planning. Profit planning is done by compiling the pro forma financial statements such as income statements and balance sheets. Cash planning is done by generating a cash budget. Rajaram (2008) maintains that in order to compile a business plan, small business owners should be able to prepare and analyse financial statements, prepare cash budgets and perform a break-even analysis. A break-even analysis examines the relationship between volume, sales revenue and costs to determine sales revenue and volumes required in the short-term to cover costs and to achieve target profits (Phenya, 2011). Gitman (2010) argues that small business owners should be able to do record keeping and prepare financial statements for monitoring business performance, regardless of tax compliance requirements.

2.8.4 Working capital management

Working capital is a part of a firm's current assets. Monitoring cash flow is a key aspect of working capital management in order to manage short-term assets such and short-term liabilities for example creditors (Nieman et al, 2006). Taylor (2003) highlighted that, working capital can be referred to a firm's investment in short-term assets, cash, short-term securities, accounts receivables and inventories. SME owner-managers need to enhance their business profitability through more efficient management of accounts receivable and accounts payable, plus the addition of monitoring inventory. Mazzarol (2014) found out that many SME owners-managers are poor at managing their working capital, hence that cash flow cycle and working capital management the most important areas of financial management in SMEs. Gitman (2010) identified the following critical financial practices that should be in place in micro-businesses to manage working capital effectively, keeping a cash book, keeping record of accounts receivable and inventory and managing debtors effectively. Stone (2003) confirmed with Gitman (2010) that proper management of working capital should give a desired impact in profitability, liquidity and risk. Although the efficient of working capital is critical to businesses of all sizes, it is the small businesses that should address this issue more seriously (Pandey, 2004). On the other hand McMahon (2011) contrast with Pandey that, without cash or the liquid assets that are necessary to operate on a daily basis, the company risks becoming insolvent and failing. However, research by Mazzarol (2014) concluded that small businesses are not very good at managing the working capital. As a result, most of them fail because of poor financial management, especially working capital. However, Nieman et al. (2006) argue that access to finance is not the solution to the problem as priority should be given to financial management training and particularly to cash flow management.

2.8.5 Investment management

Investment management is one of the most important business decisions when it comes to decision of value creation. Investment decision refers to the process of planning and managing a firm's long-term investments (Fatoki, 2012). Jindrichovska (2013) examined that many times decisions regarding investment into fixed assets, like factory building, plant and machinery are taken without doing any scientific analysis. She further highlighting that, these decisions has long term effects on the business and should be taken only after a detailed analysis of the market scope, competition and by applying discounted cash flow techniques like Internal Rate of Return (IRR). Major investments to drive improvements need careful evaluation to ensure that you understand the potential financial and business aspects (Burns, 2011).

2.9 Financial management education and training.

Many previous researches believed that education is the key to enhancing SME owner-manager financial management skills and performance. The level of educational is a significant variable to determine the different adoption of financial management practices and skills (Mazzarol, 2014). In agreement with other researchers, Phenya (2011) acclaimed that in order to assist start-up and existing small businesses in developing their financial management skills, education and training are key interventions. He further recommends that education and training should be practical and not too formal, as well as classroom based. Trainers of financial management must possess sufficient business experience, should support trainers, and preferable speak the home language of the trainers and that should be kept simple in order to be effective. (Fatoki, 2012). Mazzarol (2014) found out that in South Africa owner-managers who had more knowledge of cash flow management and formal record keeping and their importance were more likely to keep good financial records. He further noted that in Greece where owner-managers with higher levels of education were more likely to have superior financial knowledge and to manage their finance better. Within the United States owners-managers who had a good understanding of financial statements were more likely to regularly use them to make decisions.

Most SMEs are started by entrepreneurs who have no or little financial management experience. The businesses are not planned appropriately, markets are not well assessed and poor cash flow forecast projections. Firms engaged in growth stage, need to learn how to maintain financial records and use financial information to make well informed business decisions (Nguyeni, 2001). Despite the importance of upgrading the financial management skills, Vos and Willemse (2011) study’s demonstrated that SMEs are less likely to participate in training and skills development than large firms. According to Kauffimann (2006) revealed that formal management training can reduce the failure rates of small firms.

2.10 Summary

In this chapter, the theoretical framework of the study was discussed. Further emphasis was made on definition of SMEs. The definition of the SMEs adopted in this study was the Namibian definition. The Namibian definition classified SMEs into micro, small and medium enterprises.

The literature on the effect of financial management was reviewed and the financial management areas where discussed. This chapter presented the five financial management areas, namely, Accounting Information System, Financial reporting and analysis, Financial Planning and Control, Working capital management, Investment management. The discussed areas of financial management helped to ensure that the study focused on small business finance and also serve as a basis of the questionnaire design. The literature also shows that financial management practices and skills are vital for small business owner/managers to be able to effectively manage their businesses. Education and training are regarded as key interventions in developing these skills.

However what remain unknown in this study is the strategies to improve the financial management practices and skills of SME owner-managers operating in Oshakati.

CHAPTER 3

RESEARCH MTHODOLOGY

3.1 Introduction

This chapter presents information on the following elements; firstly the research design that was used in this study, population, sampling procedures, research instruments, data collection procedures, data analysis and ethical considerations. The study used the mixed research design of both qualitative and quantitative methods of collecting data because of the objectives of this study.

3.2 Research design

The study sought to establish the effect of financial management practices and skills on SME's operating in Oshakati. The study adopted a mixed-methods approach. The mixed method paradigm attempts to get in the middle of the two other approaches (quantitative and qualitative), seeking to respect both by using both in a research study. The mixed-method strategy is one in which more than one method of approach is used in data collection and analysis while conducting research (Saunders, 1997). Cresswell (2006) isolates two different types of mixed method designs as: convergent parallel design; where both qualitative and quantitative data is collected at the same time and the results are analysed; compared and interpreted concurrently. Then there is the explanatory sequential design where either the qualitative results are collected first and then analysed, and this builds up to the quantitative results or vice versa, with the purpose of interpreting the variations between the two. This study adopted the convergent parallel design since both the qualitative and quantitative data are collected, analysed and findings compared concurrently.

Mixed methods research is also an attempt to legitimate the use of multiple approaches in answering research questions, rather than restricting or constraining researchers' choices (i.e., it rejects dogmatism). It is an expansive and creative form of research, not a limiting form of research (Creswell, 2012).

3.3 Population

Waters (2010) describes a population as a list of elements from which a sample will draw. The population in this study comprised of those SME's operating within the borders of Oshakati town and banking with First National Bank (FNB) of Namibia Oshakati branch. In this study the population is made of 1000 SMEs with active accounts and banking with FNB Oshakati branch.

3.4 Sampling

Flick (2006) defines a sample as a smaller set of cases a researcher selects from larger pool and generalizes to the population. It is costly, time-consuming and practically not feasible to conduct research on the whole population. The area where this study took place composed of a total of 1000 SME's that met the requirement, therefore it can be said that the population of this study was 1000 SME's.

A sample size of 73 randomly selected SMEs was used in this study, although we only received 96% responses from this sample. These SMEs operate in various industries such as manufacturing, production, retail and services sector in the town of Oshakati. The SME group of this study was formed by owners / managers of the SMEs. The owners/ managers are the main actors in charge and responsible for the everyday running of the

SMEs and they also receive valuable information from different stakeholders. After the required number was determined, a probability sampling method was employed through the use of a purposeful random sampling strategy (Creswell, 2012). Purposeful random sampling strategy is a sampling strategy whereby each member of the population is equally likely to be chosen as part of the sample (Waxman, 2010). There are two popular approaches that are aimed to minimize the relevance of bias in the process of random sampling selection namely, method of lottery and the use of random number ((Plessis, 2004). This study has make use of method of lottery approach to select the sample, whereby the researcher have to number each member of the population with a consequent manner, writing number in separate pieces of paper. These pieces of papers were folded and mixed into a box. Lastly, a sample of 73 SMEs were taken randomly from the box by choosing folded pieces of papers in a random manner.

3.5 Research Instruments

3.5.1 Closed and open ended questionnaire

The questionnaires used in this study comprised of both closed and open ended questions which were characterized with predetermined answers and non-predetermined answers. A questionnaire is a research instrument consisting of a series of questions and other prompts for the purpose of gathering information from respondents (Creswell, 2012). The questionnaires in this study explored the effect of financial management practices and skills of SME owner-managers operating in Oshakati in their daily business endeavours. A total of 73 questionnaires were distributed to the SME owners/managers operating their businesses in Oshakati and banking with FNB Namibia Oshakati branch. The questionnaire which was used in the study has been attached on the Annexure C. Waxman (2010) argue that the use of questionnaire has the following advantages and disadvantages but the advantages were the reason why this instrument was used in this study: Results in reliable data since it is from a primary source; data is collected in a structured and organized manner; allows recording of data from respondents; respondents are able to answer in their own words or select an answer that best matches their intended response.

In Section A, closed-ended questions and responses were used to collect information such as gender, status in business, form of business, age, sector type the SME is operating in, and education level in order to be able to describe the group of participants who had completed the questionnaires. Section B, presented the effect of management practices and skills on SME's this section dealt mainly with questions related to proficiency of the respondents with regard to financial management practices and skills. Respondents were required to rate the level of knowledge and skills on a five point Likert scale of Very poor, Poor, Average, Good and Excellent and also Strongly Disagree, Disagree, Neutral, Agree and Strongly Disagree.

Section C, focused on how poor financial management practices and skills in SMEs can inhibit growth and profitability. In this section questions have been included to determine the effect of poor financial management in SMEs. Respondents were required to rate the level of poor financial management skills on the scale of strongly disagree, disagree, neutral, agree and strongly disagree.

Section D, presented the financial management practices in SME operating in Oshakati. The section included questions that sort to determine if the financial management practices mentioned in the study are important to the SME owner-managers, the financial management practises are as follow, accounting information systems, financial reporting analysis, financial planning and control.

Section E concluded questionnaire by focusing on recommendations from the participants.

3.5.2 In-depth face to face interviews

An in-depth face to face interview with the SME owners-managers was used to collect data from the participants. In-depth interviewing is a qualitative research technique that involves conducting intensive individual interviews with a small number of respondents to explore their perspectives on a particular idea, program, or situation (Creswell, 2012). In-depth interview has advantages and limitations, Waxman (2010) alluded that the primary advantage of in-depth interviews is that they provide much more detailed information than what is available through the data collection methods, such as surveys. However, there are also a few limitations and pitfalls such, in-depth interview can be time-intensive and interview must be appropriately trained in interviewing techniques. The researcher used instruments such as audio tape recording. Face to face interviews were conducted to allow in depth interviews as it is more suitable when the goal is to explore issues. From the sample size of 73 participants, eight respondents were randomly selected for the in-depth face to face interviews. The researcher used the random sampling strategy to select the eight respondents from the sample size. The method of lottery approach was used as explained under section 3.4 above.

The researcher interviewed randomly eight participants who took part in the study with the purpose to find out the SME owners/managers perceptions with regard to effect of financial management in SMEs operating in Oshakati. Kauffimann (2004) stated that in-depth face to face interviews has the following advantages, a greater amount of information may be obtained, there is usually low non response rate therefore allowing for effective control of samples, the level of control allows for the right person to answer the questions therefore providing the desired information.

The interview results were presented and analysed in terms of the following themes as contained in the interview schedule in Appendix D. Theme 1: Participants perceived effective financial management practices and skills lead to growth and profitability of the business. Theme 2: Participants perceived effective financial management practices and skills can inhibit growth of a business. Theme 3: Participants perceived inadequate training in financial management.

3.6 Data Analysis

Data analysis refers to the reduction and display of data, verification and drawing conclusion (Van Der Walt & Van Rensburg, 2006). For the purpose of this study, descriptive statistics in form of percentages were used. Kothari (2004) stated that descriptive statistics is aimed at describing the data by investigation the distribution of scores for each variable by determining where the scores for different variables relate to one another. The method chosen to analyse data gathered through the interview was qualitative content analysis which was done manually. Audiotape recordings were used to record the respondent answers for the purpose of data analysis.

Quantitative data analysis focused on numbers and questionnaires used in this study consisted mostly of closed-ended questions. The data collected was coded, tabulated and finally frequencies and percentages were derived. Microsoft Excel package was also used to derive visual aids such as graphs and charts for data presentation. Visuals used in analysis of data in this study helped in understanding the responses from the participants.

3.7 Validity and Reliability

The reliability and validity of the data collected were considered in this study in order to ensure that questionnaires measures what it intended to measure. Reliability is concerned with the findings of the research and specifically relates to the credibility of the questions and potential findings (Plessis, 2004). To enhance reliability in this study, the instruments were administered consistently so that there was standardization of the use of the instruments from one respondent to the other.

In contrast validity refers to the extent to which an instrument measures what it is supposed to measure (Plessis, 2004). Research errors such as faulty research procedures, poor samples and inaccurate instruments may lead to invalid results. To ensure that validity was considered in this study, the triangulation strategy was applied. In this study the researcher ensured that the measuring instruments were valid and reliable by conforming to the four stages of reliability and validity as identified by (Saunders, 1997). In an effort to ensure validity of the questionnaire pilot study was conducted to identify potential leading variables, while necessary edits were made and qualified enumerators were used to ensure a high-response rate for data collection. Interviewers recruited were trained in such a way that they ensured that the respondents decoded questions the way the research intended. The researcher also ensured that all errors yield during the pilot test were rectified. The research instrument was designed to ensure that respondents responded in a consistent manner, that enumerators were properly trained and questionnaires were identical.

3.8 Data collection procedures

Data collection started with allocation of SME owners/managers who meet the inclusion criteria and who indicated their willingness to participate in the study. A pilot test was conducted on the first draft questionnaires and interview guide. This draft was administered to test respondents with characteristics resembling those of the intended respondents. The purpose of the pilot survey was done to assess the overall quality of the questionnaire in terms of characteristics such as completeness and accuracy.

The researcher recruited three interviewers to collect data from the respondents. They were selected on the basis that they can read and write English and have passed grade 12 and were familiar with the language and the culture of the participants. The researcher conducted a trial interview with each interviewer to ensure that the interview process would be conducted as accurately as possible. Interviewers were trained to ask fixed questions in a consistent format and explain the questions to the respondents and so clarify any unclear questions. The work of the interviewers was continuously monitored and the researcher made follow-up visits to verify the collected data to ensure that the interview did take place. Prior to conducting the interview, a consent letter was sent to the respondents notifying them about the research and explaining the purpose and expected outcome of the study. Appointment with the interviewee was set telephonically as the sample frame contained the respondents' telephone numbers. The interview was set to last 30 minutes and a questionnaire (Annexure C) was prepared and incorporated in the interview schedule

3.9 Pilot study

A pilot study is a small scale preliminary study conducted in order to evaluate feasibility, time, cost, adverse events and the effect size in an attempt to predict an appropriate sample size and improve upon the study design prior to performance of a full-scale. For the purpose of this study a pilot study was conducted using (10) ten SME owners/managers from the sample. The finding from the pilot study indicated that there was consistency and that the questionnaires were filled-in accurately. The pilot study interviews were recorded and field notes were taken to pre- test the audio tape recorder and to assist the researcher on the technique to be used during the actual interviews. The reasons for conducting in-depth face to face interviews pilot study was to: (a) Determine the clarity of instructions, (b) Ensure question were not offensive and inappropriate, (c) The main purpose however was to determine whether the questions were clear and understandable to the participants, (d) To make the necessary changes based on the outcomes, (e) Determine the time taken per questionnaire.

The findings and remedial action taken were as follows: (a) The interview sessions were too long, thus probing questions were asked to focus on specific aspects, (b) The concept “perception” was not well understood by the participants, thus the meaning of the term was explained prior to the interview.

3.10 Research Ethics

Anonymity and confidentiality is ensured in this study in order to protect the participants. Participants were informed about the essential information about the study and participation in the study was voluntarily. The confidentiality of the participants was insured by the means of signing a confidentiality note. Consent forms were drafted were the participants endorse signature to confirm their free will to participate in the study.

Furthermore confidentiality and privacy is exercised whereby the researcher ensured not to publish the details of the respondents. The process of data collection in this study was guided by research ethical guidelines.

3.11 Summary

The methodology and research design used in this study was discussed in this chapter. A mixed research design methodology was used in this study. The population and the sample of the study were discussed, together with the data collection instruments, data analysis and how the research satisfied the requirements of validity and reliability issues and ethical considerations.

CHAPTER 4:

ANALYSES AND INTERPRETATION OF THE RESULTS

4.1 Introduction

This chapter presented an analysis of primary data collected from the SME owners-managers operating their businesses in the town of Oshakati and discusses the findings. All the interview responses were presented in a narrative format using participants' direct quotations written in italics and supported by existing literature.

4.2 Response rate

The response rate was used in order to determine the response rate from the participants.

Questionnaire: SME owners/managers response rate:

(A)= 73 (questionnaire distributed), (B) = 70 (total number of questionnaires completed), (C) = Response rate (70/73 =0.96 or 96 % response rate), (D) = non response (3/73 =4% non-response rate).

Interview: SME owners/managers response rate:

(A)= 8 (total number of attempts / interviews administered), (B) =8 (total number of interviews completed).

4.3 Presentation of the questionnaires results

4.3.1 Gender

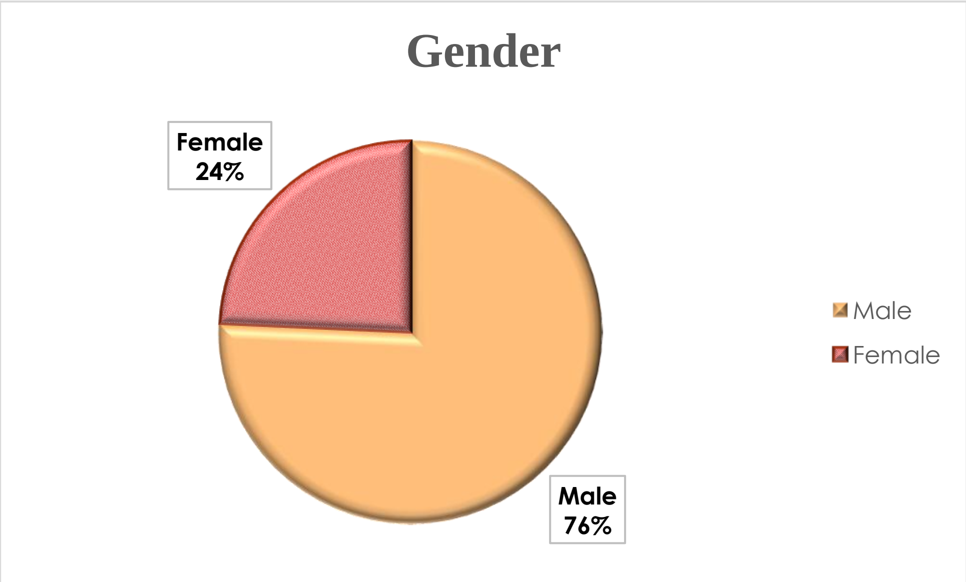

Figure 4. 1: Gender demography of the respondents

The researcher attempted to find out the gender representation so as to determine the degree of participation in business activities between male and female. The results are outlined in figure 4.1. In this study majority of the respondent were male owners/managers dominating the management of the business compared to their female counterparts represented by 76% and 24% respectively.

4.3.2 Business status of the respondents

In order to understand the effect of financial management practices and skills in SMEs operating in Oshakati, the researcher decided to find out the status of the respondents, because of possibly perception that the effects may differ depending on the status. In this case the respondents were assumed to be the owner or manager. The results in this regard are as shown in figure 4.2 below.

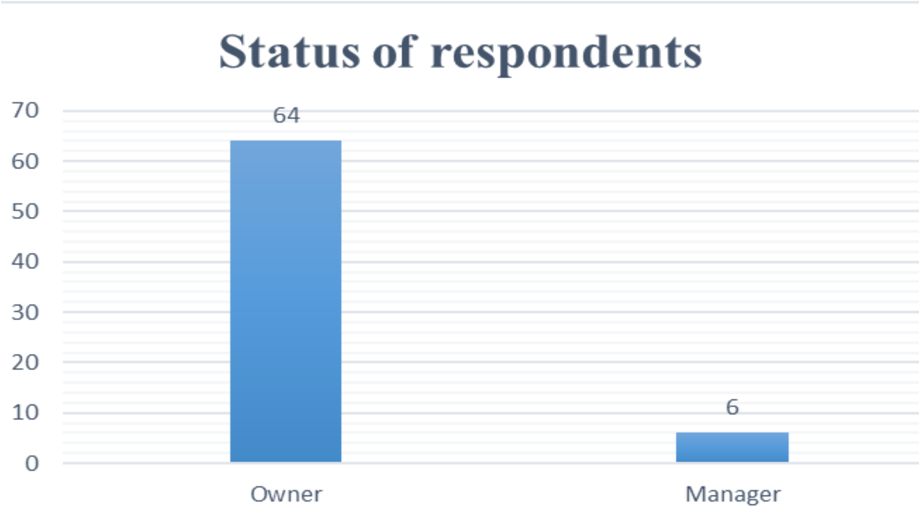

Figure 4.2: Status of the respondents

The figure reveals that 64 respondents from the sample indicated that they were the owners compared to 6 delegated managers. However, the results of the respondents give a well-informed analysis. Given the nature of the results from figure 4.2, it can be concluded that businesses surveyed were small as they cannot afford to employ or pay a manager to manage the businesses. This finding also concur with Rajaram (2008) who pointed out that many small businesses are managed by their owners because such businesses usually do not have the resources to employ managers. As a result, the owner-managers of small businesses are required to multitask and perform all the management functions themselves, especially financial management.

4.3.3 Type of business

In this study respondents were asked to indicate precisely the category they are operating their business in. This feature was found to be necessary to establish how the businesses are running their financial aspects. The category considered and the findings therefore were as shown in figure 4.3 below.

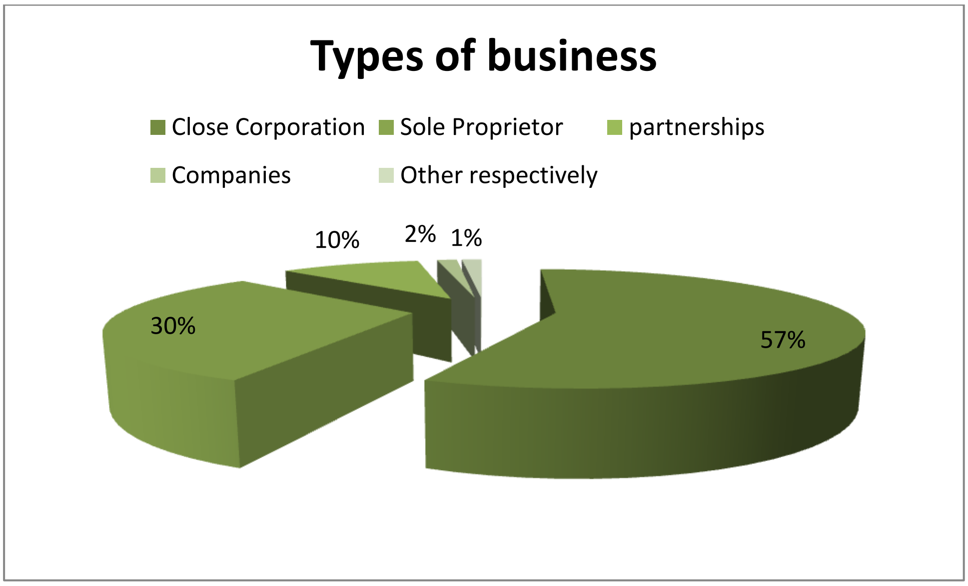

Figure 4. 3: Type of business for the respondents

The results reveal that most of the respondents who participated in the study are operating as Close Corporations (CC). A total of 57% respondents are operating as CC followed by sole proprietor with 30% respondents and 10% partnerships, 2% companies and 1% operating as other respectively. The reason why close corporations dominate the form of business could be that in law, close corporations provide limited liability just like in private and public companies. Another reason is that most SMEs are tendering contracts from the government, public owned enterprises and private companies to procure goods and services. Therefore tender documents require a business to be formally registered and most of the SMEs prefer to register their businesses as close corporation because of the above mentioned benefit of limited liability. It’s a known fact that SMEs are reluctant to register their business as companies because of the complicated registration process as compared to the registration process of the close corporation (Burns, 2011).

4.3.4 Age Distribution of the participants

The researcher wanted to know the age group of the respondents, in order to determine the active age group of the SMEs owners/managers in order to make an informed recommendation. The findings in this regard are shown in the figure below.

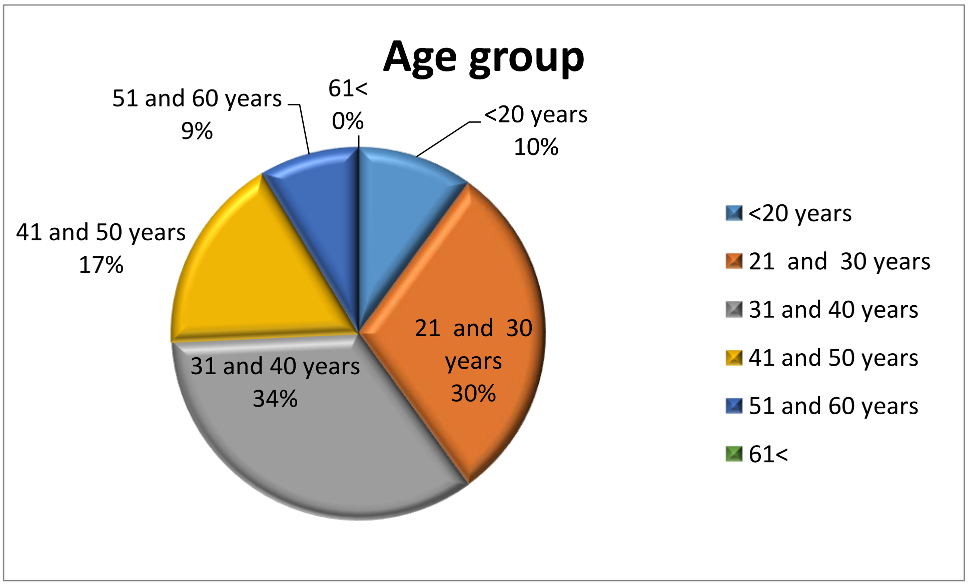

Figure 4. 4: Age distribution of the respondents

As can be observed from figure 4.4, which is appearing above, 34% of the SME operators are estimated to be between the age group 31- 40 years old and 30% are between the age categories 21-30. Similarly, it was also observed from the figure 4.4 that about 17% of the SME operators are between the age's group of 41-50 and 10% below 20 years old. On the other hand only 9% of the SMEs are between the age of 51-60 and no respondents were above 60 years participated. Thus, the share of young persons was observed to be higher among the SME operators. The reason might be that young entrepreneurs in Oshakati are driven by the high rate of unemployment and the prevailing economic situations and start new business out of necessity.

4.3. 5 Type of sector the SME's are operating in

The researcher wanted to know the industries the participants are operating in. However, only five industries were identified in this study. There options presented were, construction, service trading, manufacturing and others. The participant's respondent as follows.

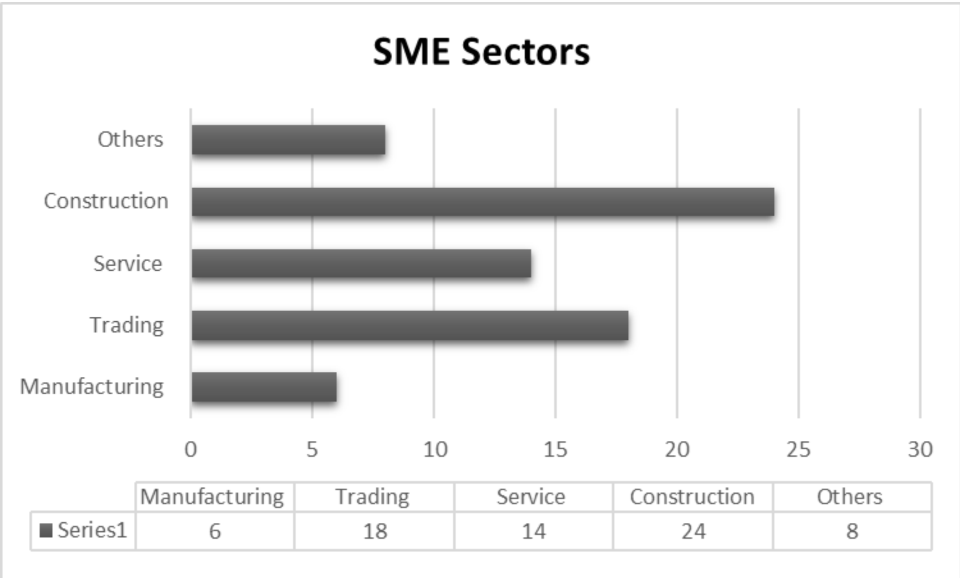

Figure 4. 5: Shows the industry in which the respondents are operating in

Figure 4.5 indicates that 24 of the respondents are operating in the construction industry. This figure can be attested by the current construction development in Oshakati, such as building of new houses in Ekuku and Ehenye area as well as other government projects. The figure also reveals that 18 of the SMEs studied were operating in the trade industry, such as retailing, while 14 of the SMEs were engaged in the service industry. About 6 of the SMEs were operating in the manufacturing sector, such as manufacturing aluminium products and gravestones to mention a few, while the rest of the SMEs were operating in other sectors.

4.3.6 Level of education

The researcher found it to be necessary to determine the level of education and how educated the SMEs owners/managers. The results of the level of education of the participants thereof were as shown in figure 4.6 below.

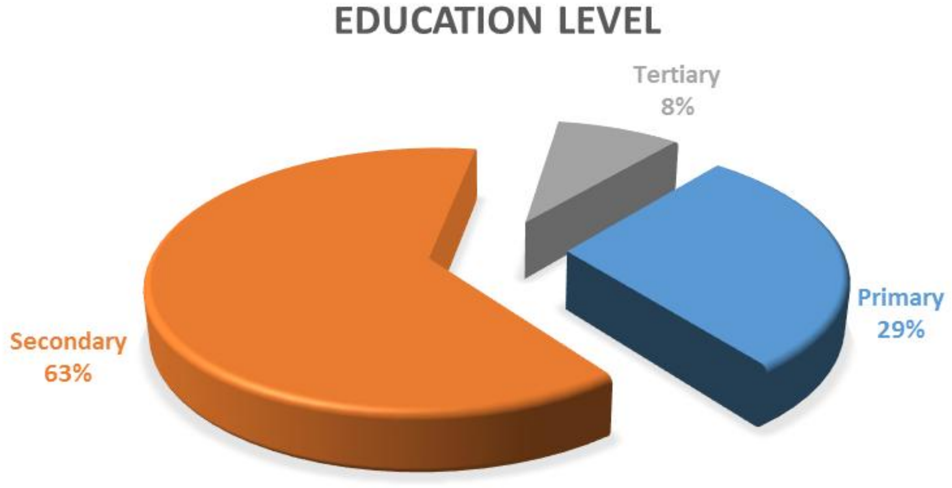

Figure 4. 6 Level of education of the respondents

The results reveal that the educational background of the owners/managers is measured on different levels namely, primary, secondary and tertiary. The highest level of education for most participants was between Secondary education (63%), and Tertiary education (8%). Approximately 29% of the respondents only have primary education, meaning respondents did not have business management or accounting subjects in their syllabuses, which would have created a background of financial management skills, which could have served as an advantage in managing their business. These findings are consistent with Mazzarol (2014) who indicated that the level of educational is a significant variable to determine the different adoptions of financial management practices and skills. He further noted that for example in Greece where owner-managers with higher levels of education were more likely to have superior financial knowledge and to manage their finance better.

4.4 Knowledge and Skills in financial management

4.4.1 Rating of the participants' knowledge and skills in financial management

The researcher attempted to establish whether the concerned respondents had the necessary skills in financial management. This question answered the research question of this study, which was to determine the financial management skills of SME owners/managers. The results are shown in figure 4.7 shown below

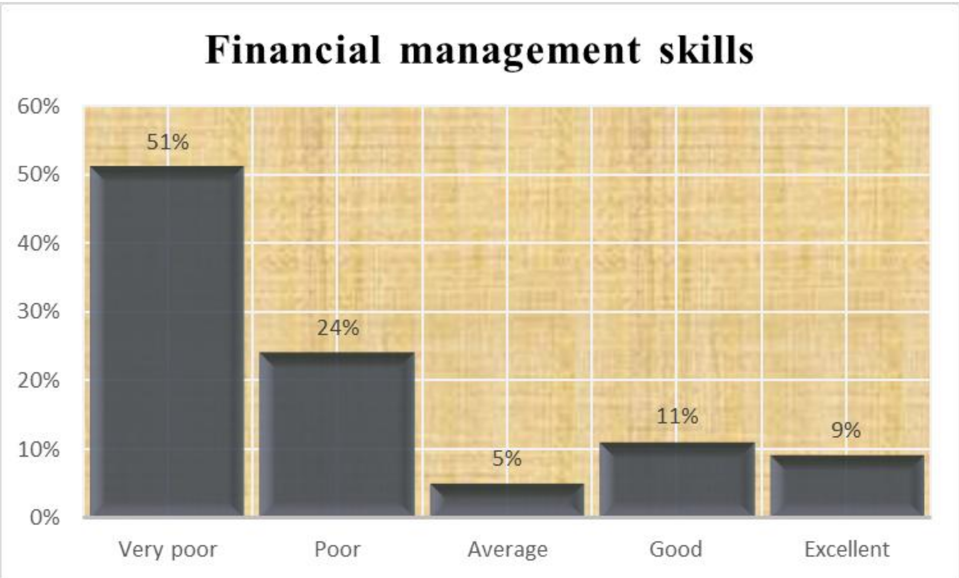

Figure 4. 7 Financial management skills of the respondents

Figure 4.7 above shows that 51% of the SME owners/managers surveyed have very poor financial management skills, while 24% respondents revealed that they have poor financial management skills. Five percent (5%) rated their skills as average, 11% as good and 9% as excellent. It is clear from the figure 4.7 that majority of the SMEs owners/managers have very poor (51%) and poor financial management skills. These findings concur with the findings of Mazzarol (2014) who noted that poor financial management practice and skills is patchy financial planning, chaotic bookkeeping, over investments and lacking any reserves.

4.4.2 Strategies to improve financial management practices and skills enhance growth and profitability

Participants were asked to answer the question regarding the core of the research objective, which was to determine the positive effect of financial management practices hand skills of the SME.

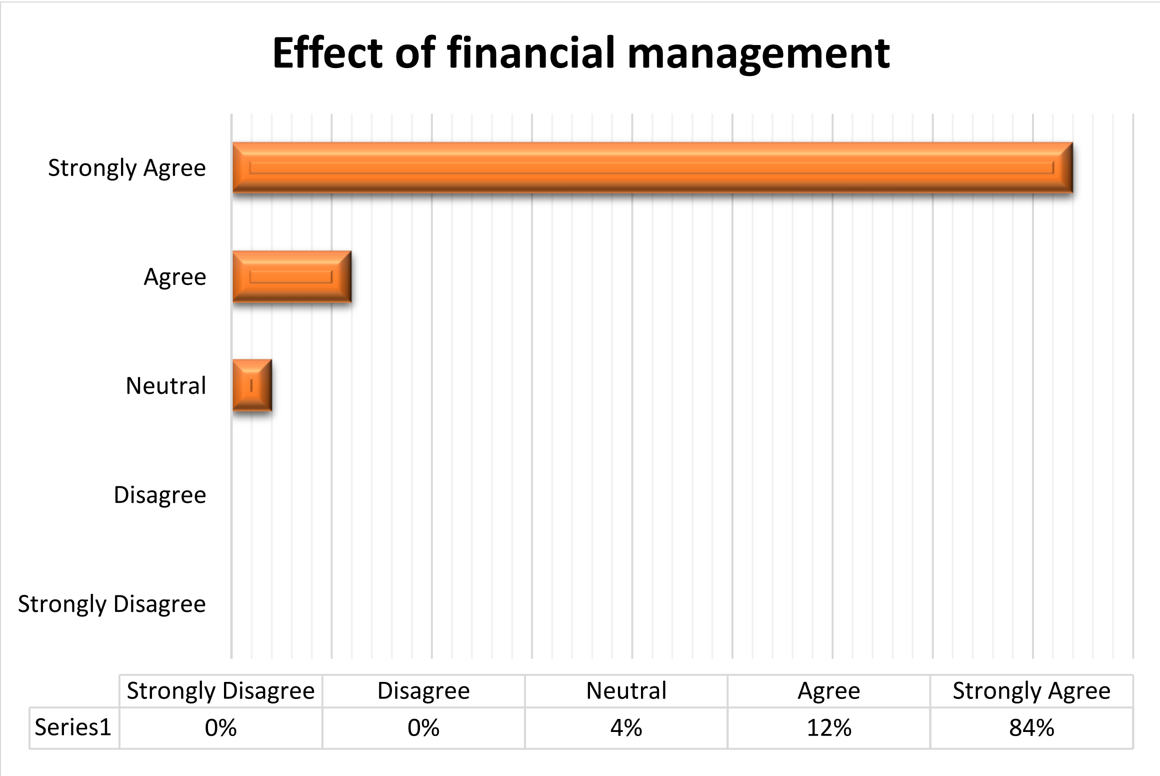

Figure 4. 8 Effect of financial management

Most of the respondents as the chart revealed that positive effect of financial management practices and skills can enhance growth and profitability. This was revealed by 84% of the respondents who strongly agree, while 12 per cent also agreed. These findings concur with Fujit (1998) who renowned that the result of good financial management practices will allow the business to succeed and grow, therefore the manager need to adopt to change, raise funds, invest in assets, and manage wisely. Furthermore, (Fujita, 1998) study was harmonised with the previous researchers that performance is one of the most important objectives of good financial management because one goal of financial management is to maximize the owner's wealth.

4.4.3 How poor financial management practices and skills in SMEs is inhabiting growth and profitability of SMEs in Oshakati

The researcher questioned the respondents with the intent for SMEs owners/managers to answer the research question of the study. However, participants were asked how they felt about the poor financial management practices and skills of SMEs in their town. The finding in this context revealed the following results as presented in the figure below.

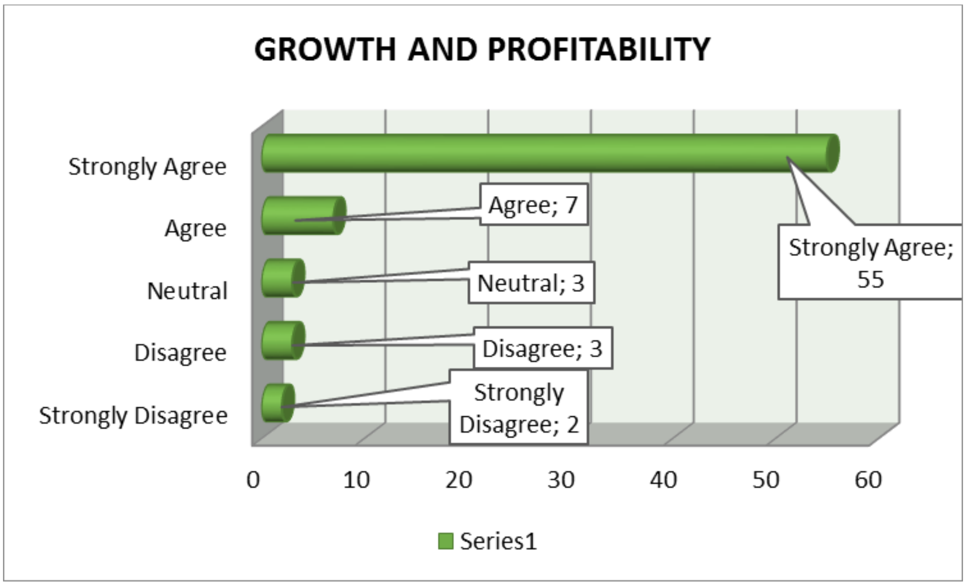

Figure 4. 9 The effect of poor financial management practices and skills.

The findings reflect that 55 of the respondents strongly agree that poor financial management can inhabit growth and profitability, while 3 of the participants disagree and in neutral mode. This is supplemented by 7 respondents who also indicated that they agreed that poor financial management is not health for growth and profitability, while 2 respondents contrast the question. It is evident that poor financial management practices and skills represent a major concern in the area of growth and profitability in the SME sector in Oshakati. These findings support the literature review of Meredith (2006) which indicated that generally the poor financial management of owner-managers is the main cause underlying the problems of SMEs.

However, this study harmonise with the findings of Mazzarol (2014) who indicated that the consequences of poor financial management practice can lead to more debts and close down of business. Regardless, of whether owner-manager or hired-manager, if the financial decisions are poor, profitability of the company will be adversely affected.

4.4.4 SME owners/managers in Oshakati lack the necessary skills to prepare business plans, analyses financial statements and prepare cash budgets.

The question sought to establish if the respondents have the necessary financial management skills. The results therefore are presented in Table 1 below.

Table 4. 3: Financial management skills

Variable	Description	Frequency	Percentange
Preparing business plans	Strongly Disagree	0	*0%*
	Disagree	0	*0%*
	Neutral	1	*1%*
	Agree	7	*10%*
	Strongly Agree	62	*89%*
Analyse financial statements	Strongly Disagree	0	*0%*
	Disagree	0	*0%*
	Neutral	0	*0%*
	Agree	7	*10%*
	Strongly Agree	63	*90%*
Prepare Cash budgets	Strongly Disagree	3	*4%*
	Disagree	5	*7%*
	Neutral	5	*7%*
	Agree	9	*13%*
	Strongly Agree	48	*69%*

The results reveal that 89 per cent of the respondents who participated in the study disclose that they strongly agree, while 10% agree that SMEs in Oshakati lacks the necessary skills in preparing business plans. Similarly the results also revealed that 90 per cent of the participants reflect that they strongly agree that the SMEs in the town of Oshakati lacks the crucial skills in analysing financial statements, while only 10 per cent agreed with the statement above. Table 1 above also indicated that 69 per cent of the respondents strongly agree that the SMEs lacks skills in preparing cash budgets. Only 4 per cent of the respondents strongly disagree that they do believe that the SMEs in Oshakati are lacking the skills in preparing cash budgets. Furthermore, 13 per cent of the respondents reflect that they agree, that SMEs lacks the necessary skills in preparing cash budgets, while 7 per cent disagree and another 7 per cent was neutral on the above question. These findings concur of Rajaram (2008) who noted that it is evident that the presence of financial management skills will contribute to the superior performance of the SME. However, Fatoki (2012) concurred with other researchers that it is vital that small businesses have the required skills to anticipate future cash flow requirements and plan accordingly. It is important that SME sector obtain the necessary skills to prepare budgets so that future cash flow are anticipated.

4.4.5 Utilisation of accounting software in business

The study also tried to find out whether the participants utilize accounting software in their business. The figure below shows the results.

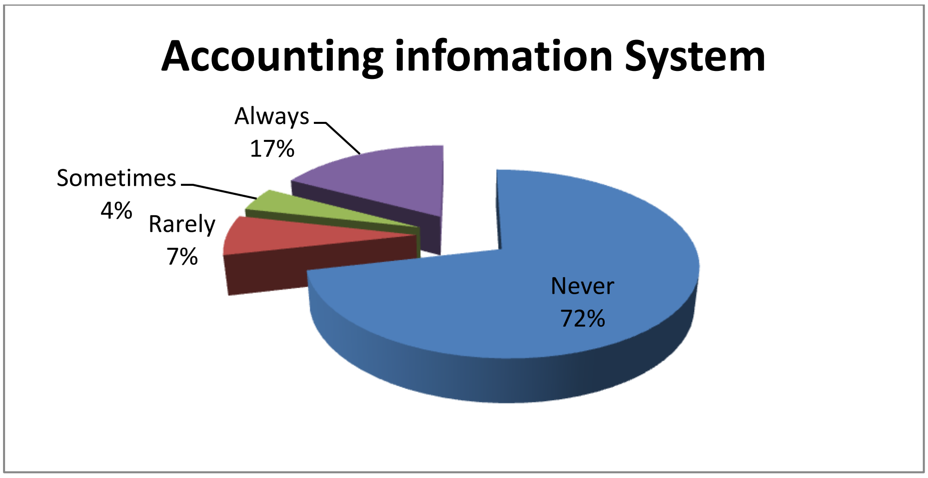

Figure 4. 10: Utilization of accounting software in business

The results reveal an overwhelming 72 % and 7 %, never and rarely use of accounting software in their business is not utilized at all and hardly utilized. This point is further solidified with a minority response of sometimes (4%) and always (17%) that the SME sector in Oshakati uses the accounting software. These findings are consistent with Maseko and Mayan (2011) that indicate that poor accounting system and poor cash-flow becomes a more prevalent financial problem if not well managed. Although most SMEs are not registered as companies, it is important to assess the small business financial statements.

4.4.6 Participants' skills to report and analyse financial statements

In this study's context, this question precisely needed entity owners to clarify skills in financial reporting and analysis of financial statements.

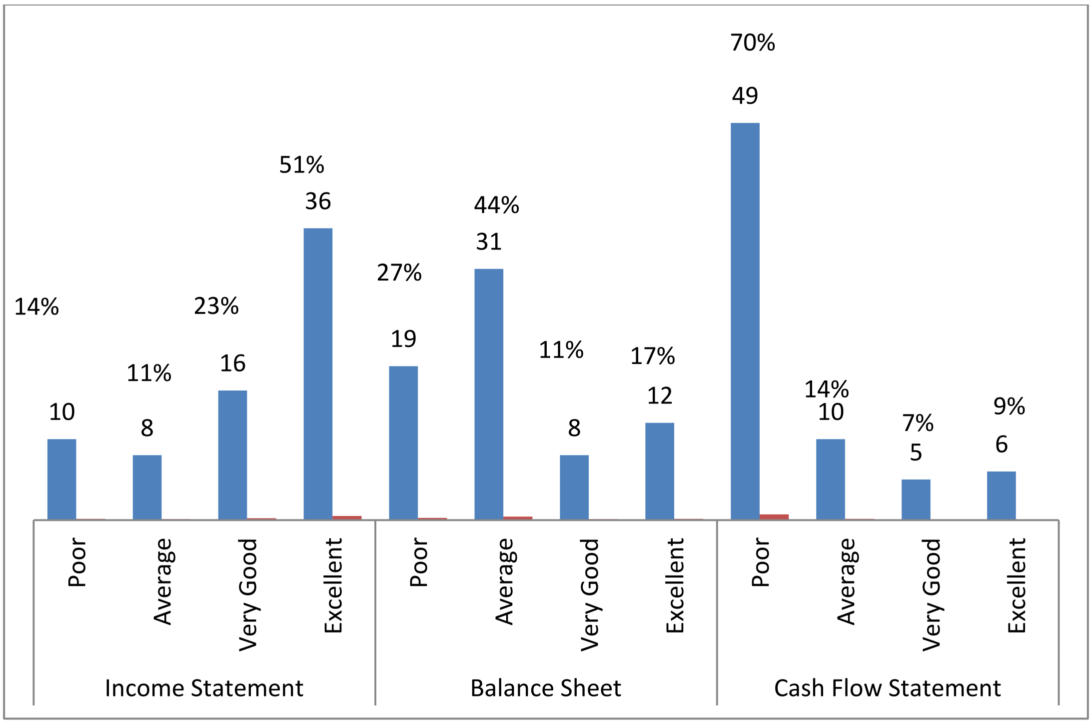

Figure 4.11: The reporting and analysing skills of financial statement by respondents

The Figure above reveals that 51% of the respondents has excellent skills in reporting and analysing the income statement, 14 % of the respondent reveals poor skills, 23% of the respondent reveals very good skills and 11% of the respondents reveals average skills in response to the assertion of SME owners/managers financial statements analysis skills. The observations highlighted the importance of financial reporting and analysing skills in the SME sector and it does appear that these skills are largely available to the SME sector in Oshakati.

As can be seen in Figure 4.10 above the results reveals that 17% of the respondents have excellent skills in reporting and analysing the balance sheet, 27 % of the respondent reveals poor skills, 11% of the respondent reveals very good skills and 44% of the respondents reveals average skills in response to the assertion of SME owners/managers financial statements analysis skills.

The results in table 4.10 above also reveal that 90% of the respondent indicated that they have poor reporting and analysis skills when it comes to cash flow statement. This was depicted by 14% of the respondents indicating average skills, 7% of the respondent's reveals very good skills, and 9% reveals excellent skills when it comes to reporting and analysing skills of the cash flow statement.

These findings support earlier assertions in the literature review relating to the analysis of financial statements. Although the respondents agree that financial statements analysis is important, there is consensus that these skills are unavailable. These findings corroborate with the findings of Rjaram (2008) who stated that in order for the financial statements to be useful to the SME, they need to be understandable, relevant, reliable and timely. He further stated that the preparation of the financial management is important and should meet the above characteristics, the entrepreneur needs skills to analyse the financial statements so that they can be used in the decision-making process.

4.4.7 How often does your business prepare business plan, budgets and review cash budgets?

This question sought to identify how often the participants prepare business plan, budgets and review cash budget. Four options where used to determine the responses were as follows: never, rarely, sometimes and always. However the respondents were to mark the response that best describe their scenario. Results are presented in the table below.

Table 4.4: Shows how frequent the SMEs prepare business plan, cash budgets and review cash budgets

Financial planning and control						
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Never		73		67		66
Rarely		6		10		7
Sometimes		13		13		17
Always		9		10		10
Total		**100**		**100**		**100**

The result in Table 4.2 above revealed that approximately 73% of the respondents never prepare cash budgets, 6% of the respondents rarely, 13% of the respondents indicated sometimes and 9% of respondents always prepare cash budgets.

From Table 4.2, we can also see that about 67% of the participants never review cash budgets, 10% of the participants rarely, 13% of the participants sometimes and 10% of the participants always review cash budgets.

The findings in Table 4.2 similarly reveal that 66% of the SMEs prepare business plans, while 7% of the SMEs rarely, indicating that they hardly prepare business plan because they have no time to plan and draft business plan. The remaining findings revealed that 17% of the SMEs sometimes prepare business. These findings concur with Rajaram (2008) who stated that in order to compile a business plan, small business owners should be able to prepare and analyse financial statements, prepare cash budgets and perform a break-even analysis.

4.4.8 Information on participant's attendance of management training related to financial management.

Financial management skills are regarded as critical for Oshakati SME owners to effectively manage their business so they may survive and grow. These skills can be developed by attending training courses, preferably those specifically designed for the small business. The figure below presents the results on this aspect.

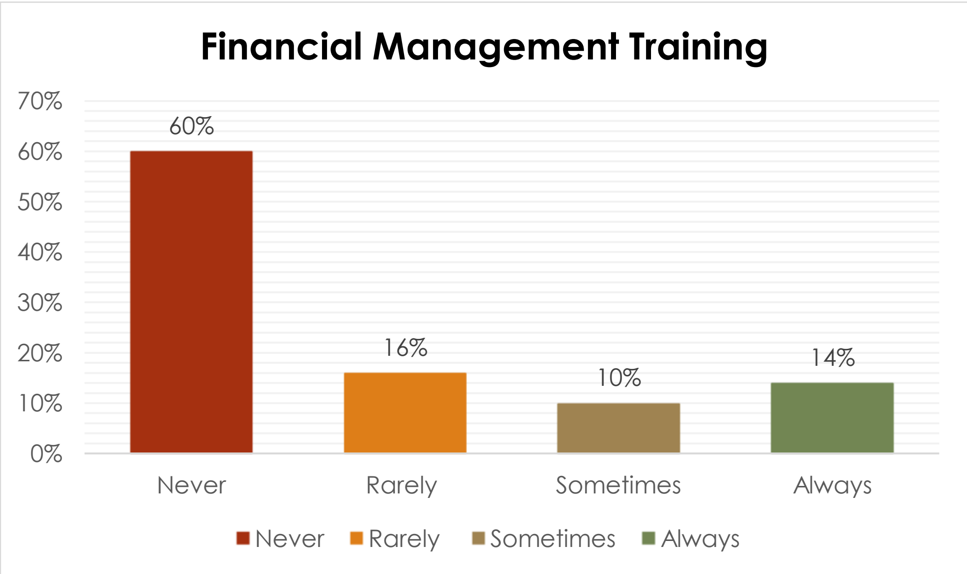

Figure 4.12: Shows the number of respondents who attend financial management training

The information obtained from Figure 4.11 has serious implications for the SME sector, considering the importance of skills and training developments for the continued growth and profitability. It is evident as indicated in Figure 4.11 above, that the SME sector in Oshakati has not provided with adequate financial management training. An overwhelming 60% and 16% never and rarely attended training related to financial management to increase their capacity and knowledge. This point is further solidified with a dominant response of sometimes (10%) and always (14%). Most SMEs are started by entrepreneurs who have no or little financial management experience. In agreement with other researchers Phenya (2011) recommended that in order to assist start-up and existing small businesses in developing their financial management skills, education and training are key interventions.

4.4.9 Whether or not the SME sector in Oshakati will benefit from the financial management training development

The participants were asked whether they will benefit from the financial management training development. The figure below presents the results on this aspect.

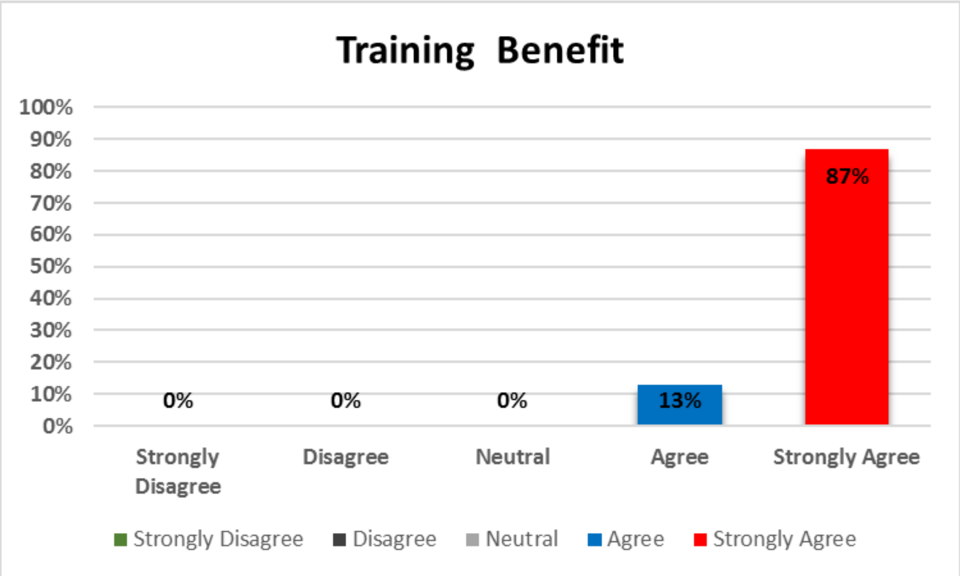

Figure 4. 13: Shows the results of respondent's response to financial management training benefit

The results revealed that majority of the respondents strongly agree 87% and the remaining 13% agree that the SME sector in Oshakati will benefit from the financial management training development.

The literature review revealed that most SMEs are started by entrepreneurs who have no or little financial management experience. However, these findings concurred with Vos and Willemse (2011) who demonstrated that SMEs are less likely to participate in training and skills development than large firms. Kauffimann (2006) also revealed that formal management training can reduce the failure rates of small firms. It is therefore evident according to the above figure 4.12 that the participants strongly prefer and believe that financial management training program will benefit them and the business to prosper to greater heights.

4.5 Analysis of the results from the in-depth face to face group interviews

4.5.1 Demographic information of the participants

This section presents the demographic information of the participants to provide the reader with a better understanding of the study participants as reflected in Table 4.7. The information collected included the respondent's age, gender and education level

Table 4. 5: Demographic details of each participant

Respondents	**Gender**	**Age**	**Education Level**
A	Female		Primary
B	Female		Tertiary
C	Male		Primary
D	Female		Primary
E	Female		Secondary
F	Male		Tertiary
G	Male		Secondary
H	Female		Tertiary

4.5.2 Age

The participants were aged from 26 years to 56 years and five of the participants were females while three were male respondents.

4.5.3 Educational level

Three participants indicated that they were exposed to only primary education. Three participants were exposed to tertiary education while the remaining two participants attended secondary school.

4.5.4 Employment status

Three of the participants that took part in the study are unemployed and two of the participants were SME employees (managers) while the other Six are SME Owners.

4.6 Presentation of the emerging themes

One of the main objectives of this study was to find out the SME owner's' perceptions with regard to the effect of financial management practices and skills. In order to make an evaluation of the SME Owner's' experiences and elicit their perceptions about the effect of financial management, the researcher approach this study by conducting an interviews with the participants. In this study, eight SME owners were randomly selected from the sample to take part in the in-depth face to face interviews. During the analysis of data, three major themes with six related sub-themes emerged, namely: participants perceived good financial management practices and skills lead to growth and profitability of the business, participants perceived poor financial management practices and skills can inhibit growth of a business and participants perceived inadequate training in financial management.

Table 4. 6: Presentation of themes and sub themes

Themes	**Sub-themes**
Theme 1: Participants perceived improvement in financial management practices and skills lead to growth and profitability of the business	Subtheme 1.1: Leads to profitability and wealth maximization of the business. Subtheme 1.2: Leads to an increase in managerial efficiency. Subtheme 1.3: Leads to business growth and improvement
Theme 2: Participants perceived poor financial management practices and skills can inhibit growth of a business.	Subtheme 2.1: leads to poor business performance and bankruptcy. Subtheme 2.2: leads financial consequences Subtheme 2.3: leads to legal consequences
Theme 3: Participants perceived inadequate training in financial management.	Subtheme 3.1: Inadequate training and intrinsic motivation of SME owner/manager regarding financial management. Subtheme 3.2: inadequate practical training in financial management Subtheme 3.3: inadequate financial management training in indigenous

	language Subtheme 3.4: inadequate financial management resources.

4.7 Theme 1: Participants perceived effective financial management practices and skills lead to growth and profitability of the business

In this study effective financial management is defined as financial management that achieves financial objectives without wasting financial resources. Conversely ineffective financial management is not to achieve financial management objectives or achieve the objectives but wasting or without minimizing financial resources utilization (Hutchinson et el., 1997). In this context, the following subtheme narrated by participants:

4.7.1 Subtheme 1.1: Leads to the profitability and wealth maximization of the business

The study result revealed that an improvement financial management practices and skills can leads to the profitability and wealth maximization of the business. In this context, the following were narrated by some of the participants:

> *"The economic purpose of the business is to make profit , in other words the business can only attain profit if the financial management of the business is managed well especially the cash flow and working capital aspects " Respondent A*

> *"My son is qualified Accountant and he is managing the business finances on the daily basis, if it was not because of his good financial management practices , my*

business would not be profitable as now. Therefore I believe that effect financial management can leads to profitability" Respondent C:

" In order for the business to maximize the wealth of the business, the business need to make profit and profit can only be achieved if the owner of the business has employed good financial management practices " Respondent E:

As illustrated by the findings of the study, the participants revealed that the effect of financial management practices and skills can lead to profit and wealth maximization of the business. Some respondents stated that the economic purpose of the business is to make profit. On these findings (Amoako, 2013) contend that profit maximization is concerned as the goal of financial management, therefore in this approach, actions that increase profits should be undertaken and the actions that decrease the profits are avoided. Other participants also stressed that not only profit which is crucial in good financial management but also wealth creation, the business can easily create wealth from the business profit. These findings substantiate with the findings of, Anderson (1997) who contrasted that financial management is not only concerned with profit maximization, but also concerned with wealth maximization. Furthermore, Mazzarol (2014) also concurred the prior researcher that wealth maximization aim to accumulate and create wealth, property and assets over a period of time thus if profit maximization is aimed.

4.7.2 Subtheme 1.2: Lead to an increase in managerial efficiency.

Financial management ensures proper financial discipline in an organization and it also ensures optimal utilization of resources. There was however some participants who acknowledged and perceive that an improvement in financial management practices and skills can lead to an increase in managerial efficiency. The following are how some participants perceived the above mentioned:

> *"I believe efficiency in financial management can be attained if the business owner can controls and plan productivity effectively in order to use wisely the available financial resources" Respondent D*

> *"As a business owner or manager, you need to recognize the importance of financial management and the impact, if you want to manage your business financial affairs accurately you need to be effective and efficient at all times" Respondent F*

> *"Yes, Managerial efficiency can easily lead to profit maximization and this is what is lacking in small business, comparing to giant businesses" Respondent G*

With regards to the interview question if financial management practices and skills can lead to an increase in managerial efficiency? Most of the respondents stated that an improvement in financial management can actually lead to an increase in managerial efficiency. One of the participants stated that efficiency in financial management can be attained if the business owner can controls and plan productivity effectively in order to use wisely the available financial resources. These findings concur with Fatoki (2012) who stated that productivity and efficiency increase the earnings of the business and an increase in the earnings increase the financial strength of the business. Hence that, other participants stated that Managerial efficiency can easily lead to profit maximization and this is what is lacking in small business, comparing to giant businesses. These findings corroborate with the findings of the theoretical framework of this study by Ang (1991) who argues that, small businesses do not share the same financial management problems with large.

4.7.3 Subtheme 1.3: Lead to business growth and improvement

The researcher wanted to know the perceptions and views of the SME sector in Oshakati town regarding the improvement of the financial management practices and skills if they can lead to business improvement in SMEs sector in Oshakati, the following sentiments came from the participants to substantiate this theme:

> *"The business can only improve if the management is willing to improve. If the business improves its financial management practices and skills, the business performances will also improve" Respondent F*

> *"I believe good financial management practices can enable your business to accomplish important growth and improvement in goods and services" Respondent I*

> *"I am not quite sure how an improvement in the financial management practices and skills can easily improve business" Respondent K*

Based on the study findings, the general conclusion is that the SME sector in Oshakati perceives that an improvement in the financial management practices and skills can lead to business improvement. Some of the SME perceive and view that the business can only improve if the management is willing to improve. They also view that good financial management practices can enable your business to accomplish important growth and improvement in goods and services. These findings concur with the findings of Mazzarol (2014) that financial management is at its most powerful when you use it to drive improvements in the business. However furthermore Nguyeni (2001) stated that accurate and up-to-date information puts a business in a position to make intelligent and informed decisions for future improvement.

4.8 Theme 2: Participants perceived lack of financial management practices and skills can inhibit growth of a business.

The study has revealed that lack of financial management practices and skills can inhibit growth of a business. The participants stated that financial management practices and skills are not easy because they can inhibit growth of a business. Participants further narrated that lack of financial management practices and skills can lead to poor business performance and bankruptcy, financial consequences and legal consequences.

4.8.1 Subtheme 2.1: Leads to poor business performance and bankruptcy

The researcher wanted to know the opinion of the SME owner/manager on how they perceive poor financial management practices and skills in the SME sector in Oshakati. According to the findings of the study, majority of the respondents stated that poor financial management practices and skills can lead to poor business performance. The respondents further expressed that poor financial management can also lead to bankruptcy in most cases, as follows in the next verbatim remarks:

> *"Most SMEs in Oshakati lack adequate financial management skills and that results into poor financial decisions leaving the business in to unpayable debts and bankruptcy" Respondent B*
>
> *"Newly established SMEs fail quickly not because of poor service or products, but generally poor financial management, therefor the business cannot grow and in some in cases it will go bankrupt" Respondent F*

"Sometimes it is difficult to say that lack of financial management skills can lead to poor business performance, because you can have a good financial management but the business concept is just not growing " Respondent G

As indicated by the participants the lack of sufficient or poor financial management skills can lead to poor business performance and bankruptcy. Some of the SME's stated that most of the new SMEs fail quickly not because of poor service or products, but generally poor financial management, therefore the business cannot grow and in some in cases it will go bankrupt. These findings corroborate with the findings of Mazzarol (2014) who found out that the consequences of poor financial management practice can lead to more debts and close down of business. Once the business is bankrupt, the employees are made redundant. This might cause serious economic problems especially for the employees based in Oshakati where unemployment rate is rather high and finding a new job is relatively difficult.

4.8.2 Subtheme 2.2: leads financial consequences

The researcher wanted to know the opinion of the SME owner/manager on how they perceive poor financial management practices and skills in the SME sector in Oshakati. The following are what the respondents indicated:

"Poor financial management is serious concern to us as entrepreneurs and it can lead to financial consequences such as repossession" Respondent A

"From my own perspective I think poor financial management will put your business in serious financial consequences. You might close down your business operations early than expected, because of poor financial planning and decisions taken." Respondent D

"Poor financial management can affect your business negatively both in the business world and public. Banks might not respect you because of the creditworthiness and poor financial management" Respondent F

"Financial management or management of the SME entity is completely different from well-established business, because big businesses in most cases employ financial specialists to take care of their financial management. Unlike in a small business were the owner does everything and in most cases you might neglect financial management aspects , due to lack of sills, that will lead you to financial problems" Respondent H

The study revealed that poor financial management can inhabit participants perceived poor financial management practices and skills can inhibit growth of a business and can lead to financial consequences. Some participants viewed that poor financial management will put the business in serious financial consequences such as repossession. Repossession means to take back something that business bought on credit if repayments have not been made. These findings concur with the findings of Jindrichovska (2013) who noted that the effect of poor financial management or lack of financial management altogether is the main cause underlying the problems in SME financial management. Some participant stated that SMEs are the culprits of poor financial management, compare to well-established business that employ financial specialists to take care of their financial management aspects. These findings also concurred with theoretical framework of this study that stated that, small businesses do not share the same financial management problems with large businesses.

4.8.3 Subtheme 2.3: leads to legal consequences

It was brought to light that poor financial management can lead to legal consequences. This is what some participants had to say on the legal consequences:

> *"Your business can be sued by the financial institution or by other stakeholder because of defaults that results of poor financial management" Respondent A*
>
> *"SME partnership business in most cases, especially in the construction industry always ends up courts. Because partners are not transparent when it comes to finance" Respondent B*
>
> *"Due to poor financial management practices, the can be sued by customers and supplier" Responded E*
>
> *"SMEs in the construction industry are faced by huge penalties with man contractors if they fail to deliver on time and sometimes the non -repayment of penalties can end up in courts" Respondent H*

The interview with the participants revealed that poor financial management can lead to legal consequences. Some participants perceive that the business can be sued by customers and suppliers. Suppliers who cannot be fully repaid would of course suffer economically and might sue the business for the outstanding payments. The main customers of the business would also sue the business if the SME fail to deliver the goods orders or bought, the customer would like to be compensated with the losses in their market. These findings concurred with Nguyen (1999) findings who noted that lack of knowledge of financial management and poor management combined with the uncertainty of the business environment often lead SMEs to serious problems regarding financial performances.

4.9 Theme 3: Participants perceived inadequate training in financial management.

From the literature review many previous research believed that education is the key to enhancing SME owner-manager financial management skills and performance. Mazzarol (2014) found out that in South Africa owner-managers who had more knowledge of cash flow management and formal record keeping and their importance were more likely to keep good financial records. Kauffimann (2006) revealed that formal management training can reduce the failure rates of small firms.

4.9.1 Subtheme 3.1: Inadequate training and intrinsic motivation of SME owner/manager regarding financial management.

The study has revealed that there is a lack of financial management training and intrinsic motivation in the SMEs sector in Oshakati. The participants reaffirmed by narrating the following regarding the shortage of training and intrinsic motivation:

> *"Ya, I think we SMEs Owners need an in depth training into financial management of SMEs or mentorship, because we are a bit behind compare to big business "Respondent A:*

> *"Yes there is inadequate training and motivation when it comes to financial management. I strongly believe that accounting profession such Charted Accountant, and Accounting Academics, could play a valuable role in financial management skills development through education and training, considering that they have experience in giving training and teaching" Respondent C:*

"Yes, there is inadequate training in financial management, I run my business financial with the little knowledge I have gained over the years in running my business, would like to acquire more skills" Respondent D

The interviews concurred with literature and results from the SME survey with all the interviewees agreeing that many SMEs did not have the requisite skills to compile a business plan or to manage their finances in a professional manner. They also underscored the need for SMEs to keep professional accounting records, which the banks may use to assess the level of risk involved in providing assistance to the SME. These findings collaborate with Phenya (2011) who acclaimed that in order to assist start-up and existing small businesses in developing their financial management skills, education and training are key interventions. Furthermore the findings also harmonized with Nguyeni (2001) that firms engaged in growth stage, need to learn how to maintain financial records and use financial information to make well informed business decisions.

4.9.2 Subtheme 3.2: Inadequate practical training in financial management

Financial management skills are regarded as critical for the SME owners to effectively manage their business so they may survive and grow. These skills can be developed by attending training courses. The researcher wanted to know the opinion of the SME owner/manager on how they perceive inadequate practical training in financial management in the SME sector in Oshakati. With regard to issues of perceptions and views regarding inadequate practical training on financial management in the SME sector in Oshakati? This is what they had to say:

"My business is an emerging SME and I really need an in-depth practical training in financial management is very rare in Oshakati" respondent B

"We as SME owners need practical training in financial training in financial management, not all of us has accounting background in order for us to read and analyses the financial statements" Respondent E

"I hardly hear or invited to trainings pertaining to financial management, so I am in support of more adequate trainings in financial management" respondent F

The findings from the focus group discussions show that participants have a negative perception towards the inadequate practical training in financial management in the SME sector in Oshakati. These findings corroborate with the findings of Phenya (2011) who recommends that financial management education and training should be practical and not too formal, as well as classroom based.

4.9.3 Subtheme 3.3: Inadequate financial management training in indigenous language

The researcher was interested to know opinion of participants on how they perceive inadequate financial management training in indigenous language in the SME sector in Oshakati. In this context, participants stated the followings:

"I believe that about 98 percent of the SME owners in Oshakati are Oshiwambo speaking and I am of the pinion that if the financial management trainings are offered in Oshiwambo, SME owners will be able to participant effectively during the course. Most SME owner cannot express themselves better in English" Respondent C

"SME owners in most cases do not attend trainings offered to them, because they cannot speak English or neither writes. So I personally perceive that, we need

adequate financial management training in the indigenous language" Respondent G

"We definitely need adequate financial management training in Oshiwambo so we express our self-better and share the same information with our employees" Respondent H

With regards to the inadequate financial management training in indigenous language most of the respondents stated that there is a lack of training in financial management offered in the indigenous language. Some of the participants perceived that adequate financial management training in Oshiwambo is needed so that they can express them self-better and share the same information with their employees. These findings concur with the findings of (Fatoki, 2012) who noted that trainers of financial management must possess sufficient business experience, should support trainers, and preferable speak the home language of the trainers and that should be kept simple in order to be effective. (Fatoki, 2012).

4.9.4 Subtheme 3.4: Inadequate financial management resources.

The study revealed that there are inadequate financial management resources available for the SME sector in Oshakati. Resources refer to financial management information as well as training materials such as training manuals and guidelines. In this context, some participants expressed that they do not get the opportunity to be trained on how to prepare business plans, budgets and financial statements, thus lacking updated knowledge. The following are the opinions of the participants in this regard:

"The financial management resources that are practical to SMEs are very limited in Oshakati" Respondent A

"I got trained years back and need to update my knowledge and skills in with new financial management resources in order to effectively manage by business with the updated information" Respondent D

"Honestly speaking, I do not know where to find financial management resources in Oshakati, I suggest the government to provide us with adequate financial management resources" respondent F

The findings of the study indicate that some of the participants perceived that there are inadequate financial management resources available for the SME sector in Oshakati. In this context, some participants expressed that they got trained years back and need to update their knowledge and skills with new financial management resources in order to effectively manage by business with the updated information. Some respondents also indicated that they need to improve their financial management skills through training interventions. These findings contrast with Vos and Willemse (2011) findings who concluded that despite the importance of upgrading the financial management skills, study's demonstrated that SMEs are less likely to participate in training and skills development than large firms.

4.10 Conclusion

This chapter presented the major research findings from the data collected through questionnaires and interview. It is evident from the research findings that the importance of the effect of financial management practices and skills in the SME sector in Oshakati cannot be overestimated. It is also evident from the study that an improvement in financial management important to the growth and performance of the business. It is however evident from the study findings that the SME sector lack adequate training and intrinsic motivation in financial management practices and skills.

CHAPTER 5:

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter will discuss the conclusion and recommendation of the study on the effect of financial management practices and skills of SMEs in Oshakati. The study brought up new knowledge on how SMEs adopt financial management practices. Due to the complexities of managing an SME ,specific research objectives, research questions and the research gap in this study was fulfilled with the help of the quantitative and qualitative data collection techniques as presented and analysed in chapter 4.and the recommendations as well as areas for further research.

5.2 Quantitative summary discussions of the study findings

The study investigated the effect of financial management practices and skills in SME owners/managers operating in Oshakati. The study focused on the six components shown of financial management practices namely, accounting information systems, financial reporting and analysis, financial planning and control, working capital management, and investment management. The researcher concluded that an improvement in financial management practices and skills in a business can foster growth and profitability. The result indicate that most of the SME in Oshakati do not have accounting systems and most of the SMEs still use the manual method instead of computerized system to record their transactions. This makes it difficult to determine the exact profit and growth of the SME. It has been found that SME owners-managers surveyed lacked the knowledge to compile financial statements such as balance sheet and cash flow statement and they could not analyse the financial statement. In addition the result also indicates that most SMEs in Oshakati do not engage in financial planning and control. A further analysis indicated that SME owners-managers do not prepare business planning, prepare cash budgets and review cash budgets. The study concluded that the financial management practices and skills of the SME sector in Oshakati are very weak in the area of financial planning and control.

Despite the importance of SMEs in contribution towards economic growth, inequality reduction and jobs creation, the SMEs in Oshakati were lacking financial management practices and skills. The study found out that most of the SME owners-managers surveyed have insufficient level of financial management skills. The study also found out that an improvement of financial management practices and skills can enhance growth and profitability and lack of financial management can inhabit growth and profitability in the SME sector in Oshakati. It can be concluded from the study that SME owners-managers in Oshakati have limited basic financial management skills which need to be broaden. The study further conclude that majority of the SME sector in Oshakati are in need of basic training in financial management practices and skills to manage their business successfully. Approximately an overwhelming 60% and 16% never and rarely attended training related to financial management to increase their capacity and knowledge. The survey also found out that the SME owners-managers in Oshakati perceived that sufficient training in financial management practices and skills will benefit the SMEs to run their business successfully and profitable. Based on these findings, recommendations are made in the following chapter regarding appropriate training interventions in order to support the SME owners-managers.

Most of the responses corroborate the literature review undertaken in chapter two. Given the low success rate of the SME sector identified in earlier chapters and the lack of financial management practices and skills that were empirically identified during the research, there is definitely a need for a programme to impart these skills.

5.2 Qualitative summary discussions of the study findings

The conclusions were drawn from the themes and sub-themes that were eminent in the study.

5.2.1 Theme 1: Participants perceived an improvement of financial management practices and skills can lead to growth and profitability of the business.

It is concluded that there is a high perceptions from the participants that an improvement of financial management practices and skills can lead to growth and profitability of the business. Some participants regarded an improvement in financial management as the responsibility of the SME. It can therefore be concluded that an improvement in the financial management practices and skills can lead to growth and profitability of the business. The findings of the study further brought to conclusion that SME owners/managers seems to be oriented with financial management practices and skills as part of their role and responsibility. This statement was also supported by Barrow (1991) who contend that the effect of financial management include analysing the business current and budgeted information, namely profitability and risk, evaluating pricing policies, and their effect on the firm’s sales and profits, analysing the effect on profits of raising funds and taking certain investment decisions, and analysing possible takeovers, amalgamations or reconstructions.

5.2.2 Theme 2: Participants perceived lack of financial management practices and skills can inhibit growth of a business.

As illustrated by the findings of this study, the lack of financial management practices and skills among the SME sector in Oshakati can inhibit growth of a business. It can therefore be concluded that lack of financial management practices and skills are one of the main reasons why SMEs cannot cope with the high demand of financial management. It is also concluded that many SMEs perceive poor financial management can lead to poor business performance and bankruptcy of SMEs in Oshakati. Other participants perceive that poor financial management can also lead to financial and legal consequences. These findings concurred with McMahon (1995) who argues that SMEs that do not see the need for financial management practices are more likely to suffer the problematic consequences of growth and underperforming.

5.2.3 Theme 3: Participants perceived inadequate training in financial management.

Based on the study findings, the general conclusion is that SME owners/managers perceive that there is inadequate training in financial management for the SMEs sector in Oshakati. Participant concluded that there is inadequate training and intrinsic motivation as well inadequate practical training on financial management for the SME sector in Oshakati. Other participants concluded there is inadequate financial management training in indigenous language as well there is inadequate financial management resources for the SME sector in Oshakati. Phenya (2011) is in support of the findings, thus suggested that in order to assist start-up and existing small businesses in developing their financial management skills, education and training are key interventions. The researcher further recommends that education and training should be practical and not too formal, as well as classroom based in order to close the skills gap of the SME's.

5.3 Conclusion

Having said that, a better understanding of the SME segment and the implementation of measures aimed at addressing some of their financial management and other intrinsic weaknesses which resulted to a recommendation of the policy review to cater for the needs of Micro, Small and Medium Enterprises. Measures in this domain might include the scaling up of capacity building programs and the introduction of incentives for SMEs to formalize. Finally, there should be empowerment of SMEs to access not just financial support but also mentorship and entrepreneurial education that gives an effective and enduring strategy to enhance financial management skills of small-scale businesses.

5.4 Recommendation

There is a need to identify and develop appropriate trainings and workshops for the SMEs in Oshakati. SMEs owners-managers need to take greater responsibilities for their own learning. Therefore, they need to create a positive attitude towards financial management training and take efforts to develop their skills and knowledge to ensure that their businesses are managed successfully and continue to generate profit. In light of the above findings, the following recommendations are put forward.

a. SME owner-managers are advised to attend training and workshops on business management offered by SME Compete and Financial Literacy Initiative.
b. SME owners-managers are also advised to register for short learning programmes about financial management with tertiary institution like, University of Namibia (UNAM) and Namibia University of Science and Technology (NUST) and other academic institutions.

c. SME owners-managers who have secondary education and have met the requirements may study financial management at tertiary such as UNAM and NUST.

d. To improve accounting skills, SME owner-manager can approach accounting software installers for more practical accounting skills.

e. SME owners-managers who have access to the internet my study basic financial management skills via platforms available online.

f. Government participation in educating the SME sector on financial management skills is of utmost importance, as it will boost the support for the SMEs, especially the informal enterprises could be turned into formal business.

The study recommend the training and workshops need to be conducted by a trainer with sufficient business experience, who will be able to support trainees and preferably speak the home language of the trainees. The training and workshops need to be practical and not too formal as well classroom based. Qualified accountants , charted accountants and academic experts in the field of accounting and financial management can be consider as potential trainers , provided that they have experience and knowledge in transferring skills.

5.3 Suggestions for future research

This study only looked at the effect of financial management of SMEs operating in Oshakati. The research findings clearly indicate that there is a need to improve the financial management skills in the SME sector in Oshakati. An area for future research could relate to the effective training programme to improve the financial management skills of the SME sector in Oshakati. Future researches my focus on the use of a larger sample size and undertaking a survey of SME owners.

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ANNEXURE A: LETTER TO FNB NAMIBIA MANAGER

REQUESTING PERMISSION TO COLLECT DATA

Mr O.N Negonga

P.O. Box 2310

Oshakati

25 October 2016

The Manager

FNB Namibia –Oshakati Branch

P/Bag 13198

Oshakati

Dear Sir/Madam

Re: Request for permission to conduct research with SME clients banking with FNB Namibia Oshakati Game Branch.

This letter serves to request your good office for permission to conduct research interviews with SME clients banking with FNB Namibia Oshakati Game Branch.

I am a student at the University of Namibia, currently doing Master Degree in Business Administration. The research is entitled ***"Effect of financial management practices and skills on SMEs operating in Oshakati town."***

The purpose of the study is to explore and describe the Effect of financial management practices and skills on SMEs operating in Oshakati town. The significance of this study is that it will create awareness amongst SME owner-managers about the importance of financial management practices and skills in their daily business dealings. It is also of great importance to explore the perceptions of poor financial management practices in order to describe the factors which could have a negative impact on their business growth and performance.

It is against this background that I request your office to grant me permission to conduct the above- mentioned study. Please find attached letters of permission and ethical clearance certificate issued by the University of Namibia Research Ethics Committee.

Thanking you in advance.

Onni Ndangi Negonga

ANNEXURE B: PERMISSION LETTER FROM FNB NAMIBIA

FNB

how can we help you?

FAR NORTH AREA OFFICE
Makalani Real Estate Complex
PO Box 3321
Ongwediva
Namibia

Email: info@fnbnamibia.com.na
Web: www.fnbnamibia.com.na

Tel: +264 65 232 700
Fax: +264 65 232 719

Mr O.N Negonga
P.O. Box 2310
Oshakati

25 August 2016

RE: PERMISSION GRANTED

As the Area Business Manager of First National Bank of Namibia Far North, I give my permission to the researcher, Mr. Onni Ndangi Negonga to obtain data in this organisation relevant to his study. The research is entitled ***"Effect of financial management practices and skills on SMEs operating in Oshakati town".*** The researcher can collect data, conduct interviews and focus group discussions from our stakeholders. All this is done in consultation with our organisation.

Wish you all the best in your study

Sincerely yours

Mr. Tomas Koneka Iindji
Area Business Manager
First National Bank of Namibia
Far North

ANNEXURE C: VERBAL CONSENT LETTER

Informed Consent Document

I, Onni Ndangi Negonga am a student currently registered for MBA Degree with the University of Namibia under Namibia Business School. A requirement for the degree is a thesis and I have chosen the following topic:

"The effect of Financial Management practices and Skills of Small and Medium Enterprises in Oshakati Town"

My academic supervisor is Dr Moses Chirimbana based at the University of Namibia Northern campus. He can be contacted on mchirimbana@unam.na or at telephone 065-223 2289.

I can be reached on Dnegonga@gmail.com or on 0812834542.

The purpose of this research is to ascertain the effect of financial management practices and skills of small and medium enterprises in Oshakati Town. Due to the in-depth knowledge required to make a meaningful contribution to this study, experts such as yourself have been selected as representatives of the SMEs. Information gathered in this study will include data retrieved from the interview that I would require you to answer. Please note that your name or that of your business you represent will not be included in the report. Information will be seen only by supervisor, examiner and I. Your anonymity and confidentiality is of utmost importance and will be maintained throughout the study.

Your participation in completing the interview is completely voluntary and you are no way forced to attend the interview. You have the right to withdraw at any time during the study.

I appreciate the time and effort if would take to time to participate in this study. I will be very grateful for your participation, as it would enable me to complete my thesis.

I ………………………………………. (Full names of participant) consent to participate in this research project.

Date ………………………..

Signature of participant………………………………………

ANNEXURE D: QUESTIONNAIRES

SURVEY OF FINANCIAL MANAGEMENT PRACTICES OF SMEs IN OSHAKATI.

The purpose of this questionnaire is to obtain in-depth information on the effect of financial management skills of SMEs located in Oshakati. Businesses surveyed include small and medium enterprises (SMEs) owners/managers who are responsible for financial functions in the business. Questionnaire will be answered by the managers/owners of the SMES who are responsible for the financial management of the business.

SECTION A: PERSONAL DETAILS OF INTERVIEWEE

1. Please state your gender. (Please tick one that applies)?

Male	
Female	

2. What is your status in your business (Please tick one that applies)?

Owner	
Manager	

3. What are you trading as (Please tick one that applies)?

Sole Proprietor	
Partnership	
Close Corporation	
Company	

3. What is your age (Please tick one that applies)?

A. Under 21 years old	
B. Between 22 and 30 years old	
C. Between 31 and 40 years old	
D. Between 41 and 50 years old	
E. Between 51 and 60 years old	
F. Older than 60 years old	

4. Type of industry of your business operates in (Please tick one that applies)?

A. Manufacturing	
B. Trading	
C. Service	
D. Construction	
E. Others	

SECTION B: THE EFFECT OF FINANCIAL MANAGEMENT PRACTICES AND SKILLS ON SMEs

1. In your own opinion how will you rate your knowledge and skills in financial management? (Tick the (√) in the appropriate box

Very Poor	**Poor**	**Average**	**Good**	**Excellent**

2. In your own opinion can the improvement of financial management practices and skills enhance growth and profitability of SMEs in Oshakati? Oshakati (Tick the (√) in the appropriate box

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

SECTION C: HOW IS POOR FINANCIAL MANAGEMENT PRACTICES AND SKILLS IN SMEs CAN INBIBIT GROWTH AND PROFITABILITY

1 In your opinion are poor financial management practices and skills inhibiting growth and profitability of SMEs in Oshakati. (Tick the (√) in the appropriate box

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

2 Financial management needs of the SMEs in Oshakati are challenging and leads to poor growth and low profitability. Please Tick the (√) in the appropriate box

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

3 SME owners/managers in Oshakati lack the necessary skills to prepare business plans, analyses financial statements and prepare cash budgets.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Prepare business plans					
Analyse financial statements					
Prepare cash budgets					

SECTION D: FINANCIAL MANAGEMENT PRACTICES IN SME SECTOR IN OSHAKATI

A. Accounting Information Systems

1. Does your business ever utilize accounting software? Please Tick the (√) in t appropriate box

Never	
Rarely	
Sometimes	
Always	

B. Financial Reporting and Analysis

1. Indicate your skills in the below mentioned financial statements sets using the followi three-point scale: Please tick the (√) in the appropriate box

	Poor	Average	Very Good	Excellent
Income Statement				

Balance sheet statement				
Cash flow statement				

2. How often does your business analyse financial statements? Please tick the (√) the appropriate box

Never	
Not often at all	
Often sometimes	
Very often	

C. Financial planning and control

3. How frequent does your business prepare, plan and control your business financial? Please Tick the (√) in the appropriate box

	prepare cash budgets	review cash budgets	prepare business plan
Never			
Rarely			
Sometimes			
Always			

SECTION E: TRAINING TO SME OWNER--MANAGERS ON FINANCIAL MANAGEMENT RACTICES AND SKILLS DEVELOPMENTS

1. Have you ever attend management training programs related to financ management? Please Tick the (√) in the appropriate box

A. Never	
B. Rarely	
C. Sometimes	
D. Often	
E. Always	

2. The SME Sector in Oshakati will benefit from the financial management training and workshops. Please Tick the (√) in the appropriate box

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

ANNEXTURE E: INTERVIEW GUIDE

The perceptions of Oshakati SME owners/managers on the effect of financial management practices and skills.This section seeks to elicit your perceptions about the effect of financial management practices and skills

Date of Interview: …………………… Venue of Interview:

Interview starting time: Interview ending time: (50-60) minutes

This Interview guide has three sections: Section A, Section B, and Section

Section A: Respondents perceptions about the improvement of financial management practices and skills can lead to growth and profitability of the business.

Section B: Respondents perceptions about the lack of financial management practices and skills can inhibit growth of a business.

Section C: Respondents perceptions about inadequate training in financial management.

1. **Reminders to Interviewer: Before the interview, the interviewer must remember the following:**

i. Identify the person/persons to be interviewed.

ii. Arrange and agree on the interview venue.

iii. Remember to read those perception responses that require probing.

iv. Explain to the interviewees about the purpose of the interview.

v. Assure the interviewees of confidentiality and anonymity.

vi. During the interview, the interviewer must first Introduce himself

vii. Request for permission to record the interview proceedings.

viii. Remember to thank the interviewees for their enriching information

ix. Remember to clarify to the interviews that they are free to ask for clarifications on questions they don't understand.

x. Remember to probe and stimulate the interviewees, explaining to them on related financial management practices and skills.

Section A: Respondents perceptions about the improvement of financial management practices and skills can lead to growth and profitability of the business.

- Can effective financial management practices and skills lead to the growth and profit
  of a business?
- Can effective financial management practices and skills lead to increase in managerial efficiency?
- Can effective financial management practices and skills lead to business improvement?

Section B: Respondents perceptions about the lack of financial management practices and skills can inhibit growth of a business.

- Do you believe that poor financial management practices and skills can inhibit growth performance of your business?
- Do you believe that poor financial management practices and skills can lead to financial consequences?
- Do you believe that poor financial management practices and skills can lead to legal consequences

Section C: Respondents perceptions about inadequate training in financial management.

- In your opinion is there adequate training and intrinsic motivation of SME owner/manager regarding financial management in SMEs operating in Oshakati?
- In your opinion is there inadequate practical training in financial management in the SME sector in Oshakati?
- In your opinion is there inadequate financial management training in indigenous language?
- In your opinion are there inadequate financial management resources?