MIDLANDS STATE UNIVERSITY

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

DISSERTATION

AN INVESTIGATION INTO THE FINANCIAL MANAGEMENT PRACTICES ON THE PERFOMANCE OF ELEPHANT LODGE.

BY

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APPROVAL FORM

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Submitted by Fungisai Sandra Muridzo (R133597B) in partial fulfilment of the requirements of the Bachelor of Commerce in Accounting (Honours) Degree at Midlands State University.

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DEDICATION

I dedicate this dissertation to my family, you have been my inspiration. Thank you for your undying support but above all glory is to the Almighty for the divine guidance throughout this period.

ACKNOWLEDGEMENTS

A deep and heartfelt acknowledgement goes to my supervisor who helped to nurture this dissertation into a sound and meaningful document. I thank my parents, daughter, brother and sisters for the assistance they always gave me and for their undying support throughout this research. Many thanks to the staff members at Elephant Lodge for the information they provided that was essential to this research.

ABSTRACT

The study's intention was to investigate how financial management practices were impacting the operational performance of Elephant Lodge Private Limited. It looked at the overall financial management practices in the Small to Medium Size Enterprises (SME) sector but focusing on Elephant Lodge. The study's statement of the problem revealed that, the decrease in revenue and escalation of operating expenses resulting in losses in the entity is a cause for concern since it has crippling the vision of the lodge of improving to a higher level. The researcher's objectives outlined the financial management practices in use at Elephant Lodge, the financial management implementation guideline, challenges in implementing guidelines, personnel adequacy, controls and reviews of the financial management practices and the best practices. The descriptive survey research design was used and data was gathered through the use of structured questionnaires and interviews. From the findings, controls and reviews over the financial management policy have an effect on financial management practices and a system of sound controls can help ensure and improve the financial performance and improve the organisation's profitability. The researcher provided recommendations on dealing with financial management practices such as employee participation in financial management policy formulation, promptly review their financial management policies, enhancement on financial reporting, accounting systems and information technology, staff training and development, strengthening internal control and shortening the cash conversion cycle.

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SME	Small to Medium-sized Enterprises

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CHAPTER 1

Introduction

1.0 Introduction

This chapter heralds the beginning of this research and presents the background to the study, statement of the problem and the topic.

1.1 Background

The basic or major goal for Small to Medium enterprises is always survival. This is because SMEs are vulnerable to bigger entities with more resources, market share among other things. SMEs invest time and capital to ensure they survive and at least stay afloat but like many companies some do not survive. Kambwale (2015) highlights that only 52% manage to survive narrowly the first three years in business while the rest collapse and shutdown. The author also highlighted that 81% of these SMEs do not grow or expand but just struggle to stay in business.

Elephant Lodge (Private) Limited an SME, was incorporated in 2009, with its primary focus on tourism and hospitality. From 2013 to 2015, the company has been facing repeated losses resulting in financial challenges. The entity lost 30% of its key customers. Employees are given allowances and not full salaries since March 2014. 95% of creditors are above 90 days thus the entity is unable to pay creditors on due dates. Historic records show the trend in terms of performance of financial results as in **table 1.1** from 2013 to 2015.

Table 1.1: Financial Performance (2013-2015)

Year	**2013**			**2014**			**2015**		
	Budgeted	**Actual**	**Variance**	**Budgeted**	**Actual**	**Variance**	**Budgeted**	**Actual**	**Variance**
	$	$	$	$	$	$	$	$	$
Revenue	50,000	23,000	(27,000)	80,000	34,000	(46,000)	100,000	38,000	(62,000)
Operating Expenses	(26,000)	(42,000)	(19,000)	(46,000)	(48,000)	(2,000)	(50,000)	(63,000)	(13,000)
Financing Expenses	-	-	-	-	-	-	-	(10,000)	(10,000)
Profit	24,000	(19,000)	(46,000)	34,000	(14,000)	(48,000)	50,000	(35,000)	(85,000)

Source: Elephant Lodge Management Accounts 2013 to 2015

Budgeted revenue in 2013 was $50 00 but the actual revenue was $23 000 thereby giving an adverse variance of $27 000. Budgeted operating expense were $26 000 and the actual were $42 000 resulting in an unfavourable variance of $19 000. Budgeted Profit was $24 000 but the actual was $19 000 resulting in an adverse variance of $46 000

Revenue increased by 49% in 2014 as compared to 2013. However as per the budgeted figures there was an adverse variance in revenue of $46 000. The budgeted expenses for the same year was $46 000 and the actual stood at $48 000 resulting in an adverse variance of $2 000.Operating expenses for 2014 increased by 14, 2% compared to that of 2013. On the other hand profit for 2014 decreased by 26% compared to that of 2013. The business trend in 2014 was of concern to management since the company was experiencing escalation of expenses and decrease in profits and revenue. It was captured in the management minutes of December 2014 that, the losses were impairing the vision of business expansion of the lodge to a three star Hotel, resulting in long range plans being shelved due to the entity's financial performance.

The loss trend did not improve in 2015, for the loss increased by 150% in comparison to that of 2014. Budgeted figures for revenue were $100 000 but the entity achieved $38 000 as the actual revenue, giving a variance of $62 000. Budgeted operating expenses were $50 000 but the actual amount was $63 000 giving an adverse variance of ($13 000). Operating expenses escalated by 31.2% in comparison to that of 2014. The entity suffered a loss of $10 000 in financing charges because of an unpaid loan which was meant to resuscitate the lodge.

Profits kept deteriorating from 2013 to 2015 if compared to the period of establishment to 2012. The trend was the main agenda of an extra ordinary meeting held by management in October 2015.Minutes of the meeting indicated that the Managing Director was concerned about the financial performance of the entity for it was captured that "the repeated losses are impairing the vision of business expansion and of the lodge and it was of concern that the business owners are troubled to the extent that the lodge business could face closure if the losses kept on emanating.

1.2 Problem Statement

An analysis of Elephant Lodge's financial performance trend from 2012 to 2014 shows decrease in revenue and escalation of operating expenses resulting in losses. These losses are crippling the vision of the lodge of improving to a higher level. Management has raised concern about this problem hence the purpose of this research.

1.3 Topic

An investigation into the financial management practices on the performance of Elephant Lodge.

1.4 Sub Research Questions

The main topic gives rise to the following sub research questions;

i. What financial management practices are in place at Elephant Lodge?
ii. What financial management implementation guidelines are in place?
iii. What challenges are in place over the implementation of those guidelines?
iv. How adequate is personnel at Elephant Lodge to implement the guidelines
v. What controls are in place to ensure proper implementation?
vi. What would be the best approach towards effective financial management at the Lodge?

1.5 Research Objectives

i. To examine the financial management practices in use at Elephant Lodge.
ii. To assess the financial management implementation guidelines in place.
iii. To understand the challenges in implementing guidelines at Elephant Lodge
iv. To assess the adequacy of personnel at Elephant Lodge over the implementation guidelines.
v. To assess controls in place to ensure proper implementation of guidelines at Elephant Lodge.
vi. To formulate the best practice in financial management at the Elephant Lodge.

1.6 Significance of the Study

To the researcher

The research is of importance as it will be carried out in partial fulfillment of the requirements of the Bachelor of Commerce Honors Degree in Accounting.

To Elephant Lodge (Private) Limited

The researcher will make possible suggestions to be adopted by the entity.

To the University

The study will provide information on which future research maybe based.

1. 7 Delimitations

The research concentrated on Elephant Lodge in Gweru for the period 2013 to 2015.

1.8 Limitations

Time

Being a student and an employee posed time constraints. The researcher had to work for long hours to mitigate the time constraint.

Confidentiality

Company information was deemed confidential but the researcher gave assurance that the information was to be used for academic purposes only. Obtaining reliable raw data relating to financial management practices was a problem.

1.9 Abbreviations

SME **-** Small to Medium Size Enterprises

1. 10 Summary

This chapter highlights the problem under study, its background, research questions and objectives. Other information on the guidelines of the study are stated including the delimitations and its significance.

CHAPTER TWO

LITERATURE REVIEW

2. 0 Introduction

In this section, the researcher analyses and makes a thorough review of literature available concerning financial management practices in place at Elephant Lodge (Pvt) Ltd, financial management implementation guidelines, challenges over the implementation guidelines, personnel adequacy to implement the guidelines and controls in place over the financial management implementations .The chapter also seeks to provide literature on the best practices.

2.1 Definitions

2.1.1 Strategy Implementation

Buul (2011) defines strategy implementation as the process of putting into action the strategies drawn up by the organisation towards meeting their goals and objectives. This is supported by Feo (2001) who states that this is a step by step process of translating goals into actions and activities. Guohui (2010) adds that when implementing strategies, management and supervisors begin to allocate the task and activities to be done to achieve the set targets of the entity. Overall this process is a key in business as it determines the level and amount of success an entity achieves. This study examines strategy implementation as a major variable that are considered important in business.

2.1.2 Small to Medium-sized Enterprises (SMES)

Small Enterprise Development Cooperation (SEDCO) defines an SME as a business with not more than 100 permanent employees (SEDCO, 2011). According to SEDCO (2011), small businesses are those employing less than 50 permanent employees and registered, medium businesses those employing less than 100 permanent employees and registered and micro businesses are those employing less than 5 employees and is not registered. SEDCO has actually dropped the use of capital and turnover base after the adoption of multi-currency system due to valuation challenges. Andersen (2014) also highlighted that businesses generally are defined or classified on quantifiable characteristics such as number of employees, sales volume or worth of assets. However the classification based on number of employees is commonly used in management research. (2014) further alludes that there are characteristics that are universally associated with SMEs for instance limited manpower resources, personalised management or family run and informal, flexible structures.

Nyamanza (2014) alludes that the characteristics describe SMEs in different senses allowing for the identification of objectives and strategies formulated by the businesses. The writer will consider the number of employees in carrying out this study.

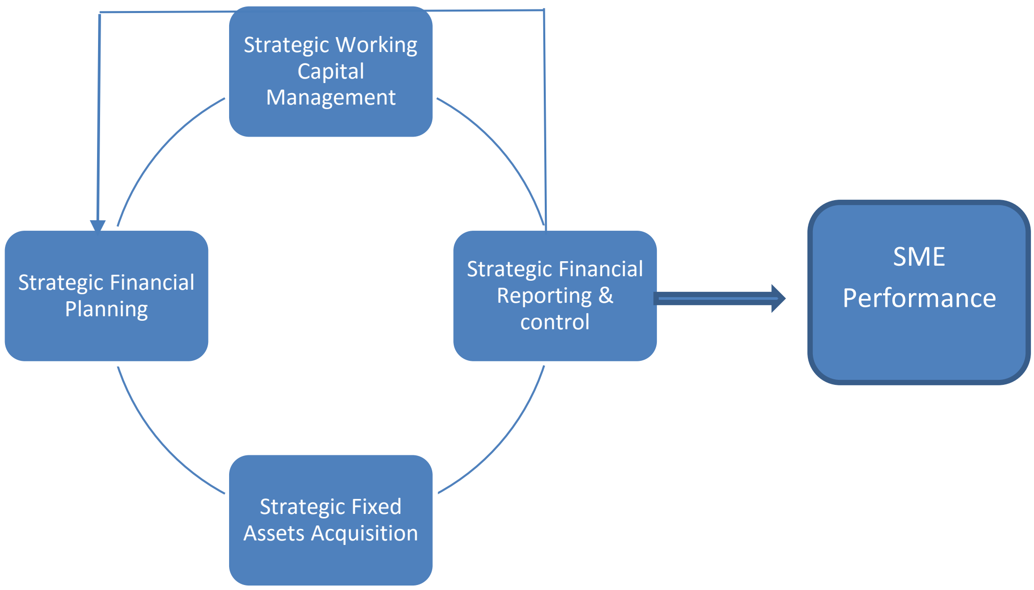
2.2 Financial management practices

Turyahebwa et al (2013) states that financial management forms part of the total operation of an organisation. As such, it relates to the other functional disciplines in the organisation, as well as across various managerial levels Correia, at el (2003). The author further states that weak financial modes lead a lot of companies into liquidation especially SMEs which are run and manned by unqualified people.

Dumbo and Chadamoyo (2012) illustrated those SMEs face financial problems because they do not know proper financial management systems. It is clear that financial planning and control are an essential part of the overall management process. The practice and awareness of financial management practises of an entity and relates that to the outcomes that organisations might expect. However there is are no universal financial management practices for these vary from one entity to the other.

Financial Management Models

2.2.0 Fig 2.1 : Strategic Financial Management Model



Source: Karadag 2015

Karadag (2015) emphasizes that management and supervisors have an active role to play in all the stages of the model. He further explains that attention has to be given to all working capital related transactions payables, receivables and cash especially.

The elements of the model correlate with each other financial planning sets the plan for asset acquisition while working capital facilitates the servicing of the assets and day to day operation. Finally all these are considered in the drawing of financial reports ad controls regarding them are reviewed, Karagan(2015).

2.2.1The CIPFA Model

The CIPFA Model is recognised by the Treasury (in public finance management) as setting out the fundamentals of best practice financial management within a public sector organisation(stuart.fair@cipfa.org.uk). The Model uses a scoring system to provide an objective measure of financial management performance including the identification of strengths, weaknesses and areas for improvement.

Table 2.1 – Management Styles/Dimensions Matrix

	Management Dimensions			
Financial				
Securing				
Supporting				
Enabling				

Source: www.stuart.fair@cipfa.org.uk

The following characteristics of financial management are considered in this model:

- **Securing Stewardship** – This focuses on accountability of management and employees on transactions performed ad following requirements and standards.
- **Supporting Performance** – Working as a team to ensure customer satisfaction, goals are reached and there is an incentive to continuous improvement of performance.
- **Enabling Transformation** – Encouraging innovation, ability to manage risks and change and stay abreast with the dynamic environment.

The above mentioned characteristics complement each other, team work, accountability and agility directed towards customer satisfaction, business growth and market dominance. The Model is also organised by 4 management dimensions. These cover both "hard edged" attributes that can be measured, as well as "softer" features such as communications, motivation, behaviour and cultural change. These are:

1. **Leadership** – focuses upon strategic direction and business management, and the impact on financial management of the vision and involvement of the organisation's Board members and senior managers.
2. **People** – includes both the competencies and the engagement of staff. This aspect generally faces inward to the organisation.

3. **Processes** – examines the organisation's ability to design, manage, control and improve its financial processes to support its policy and strategy.
4. **Stakeholders** – deals with the relationships between the organisation and those with an interest in its financial health, whether Treasury, inspectors, auditors, taxpayers, suppliers, customers or partners. It also deals with customer relationships within the organisation, between finance services and its internal users (stuart.fair@cipfa.org.uk).

This helps analyse the current financial management strategy against the 38 best practises listed in appendix 1 below. Each statement is scored from 0-4 with half point increments, which we then turn into a RAG rating to establish an overall picture of strengths and weaknesses in terms of financial management. The table below shows how the 38 statements fit into the Best Practice Matrix.

2.3 Financial Management in SMEs

2.3.1 **Record keeping and financial reporting**

According to the Zimbabwe Companies Act 24.03 Section 140,

"*(1) Every company shall cause to be kept in the English language proper books of account with respect to—*

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company;

(c) the assets and liabilities of the company.

(2) For the purposes of subsection (1), proper books of account shall not be deemed to be kept with respect to the matters aforesaid if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain transactions.

SMEs have been incorporated in the state regulations for all companies to allow them in equal chance to compete and strive on the market. However some of the regulations are complex and detrimental to the performance of SMEs thus leading to their failure to apply. The SMEs are also naturally disadvantaged in the market especially competing against big companies that enjoy economies of scale the SMEs don't and this discourages the entry of small businesses, Nyanga et al (2013). The author concludes that the SMEs still need to earn profits and survive, their size and lack of qualified experienced personnel are some of the reasons they end up compromising the following of proper accounting prices.

Masked and Manyani (2011) also concluded that SMEs do not keep complete records of accounts because of lack of knowledge in accounting and the cost of engaging professional accountants. From the above information most scholars agree that, most SMEs lack record keeping practices in their operations because of lack of accounting background. On the other hand others argue that SME s have no mandatory regulations for bookkeeping practices as in companies. SME owners and management have to ensure proper accounting practices to facilitate financial management practices that elaborate the actual performance and credibility of the entity.

2.3.2 Accounting systems and technology to support record keeping

Shahabi et al (2014) states that a well-designed system basically prevents, detects and prompts for correction of errors and irregularities. Masked (2009) supports that it management and accountant's duties to identify a proper system for adoption and ensure that financial and management accounting reports are prepared and generated to assist in decision making. Dumbo and Chadamoyo (2012) stated that these firms face financial problems because they do not know proper financial management systems. They added that the unavailability of a sound accounting system results in errors, fraud and other irregularities going undetected.

The IFRS for SMEs was adopted in 2009 and is expected to bring standardisation and better accounting practises but this effort may be thwarted by local laws, ICAZ (2010). Chimanikire (2011) asserts that it is a long road towards solving the recording keeping problems in SMEs and the standard alone will not do that but just emphasise on reporting practises. The illiteracy of SME owners coupled with their inability to employ skilled and experienced personnel has related in poor finance management and ultimately the collapse of SMEs in Turkey according to Cetin (2006). However, Everaert et al (2006) argues that the high cost of contracting professional accountants makes SME owners to relegate management of accounting information.

Chivasa (2014) indicated that lack of audits of the records results in poor financial management. Though most SMEs indicated the appreciation of record keeping, only

33% indicated that their records especially the financial records are audited and 67% indicate that auditing expose the financial secretes of the organisation to individuals who have nothing to do with the business and sometimes the owner/manager fears that the auditor might pirate some of his ideas and also disclose the information to the tax man (ZIMRA) Chivasa(2014).

Dumbu and Chadamoyo (2012) stated that SMEs‘s calculations of profit and loss are not known thus making financial statements undependable. Wadesango (2015) postulates that, quality records are essential for the preparation of current financial statements, such as statement of comprehensive income, statement of financial position and cash flow statement, these statements in turn are crucial in maintaining good relationship with Banks and other financial institutions. Wadesango (2015) however added that due to lack of resources and ignorance SME owners do not out of their way to get these services.

2.3.3 Financial management skills and expertise in SMEs

Financial management skills are the ability to control cash and it proved to be a major challenge to the SMEs Dumbu and Padamoyo (2012). Muranda (2003) highlights that SMEs size, experience, risk a version, inadequate knowledge, skills and unsupportive economic environment constrain the growth or survival of SMEs. Chivasa (2014) the owner is the one responsible for most of the decisions done in the organisation which include the financial operations and human resources decisions. This has an effect on the performance of the entity as it blocks new ideas from coming into the organisation.

Nyamwanza (2014) stated that SME owners who manage their business lack wide and extensive management skills, knowledge and experience although they may be well versed with the product or service they are offering. Some authors have argued that most businesses fail due to management deficiencies. From the above observations scholars argue that management skills and expertise is essential in the operation of SMEs whilst others dispute that managerial expertise is not so important since all final decisions are made by the business owners. A review of financial management practices should include an examination of the appropriateness of personnel qualifications and skill.

2.3.4 Current asset Management

Cetin (2006) also highlighted that many decisions in SMEs are random and not structured or planned especially when it comes to the purchase of non-current assets or he use of other current assets. This leads to the misuse of the current assets especially cash and inventory leading to unfavourable liquidity ratios. The neglect of accounts receivable also leads to bad debts as money cannot be recovered in time. All above increase the burden and reduce the profit of the enterprise, thus an evaluation of current asset management has to be included in financial management practices.

2.3.5 Working capital management

Shahabi (2014) states that most SMEs have limited working capital because most banks do not issue them loans for the reason of collateral security. Abuzayed (2011) also supports that the majority of SMEs also have limited funding and restricted access to loans and other sources of capital thus they resort to owner financing for everything. Chipangura and Kaseke (2012) assert that owners' ignorance on cash flow issues can lead to abrupt bankruptcy of an enterprise.

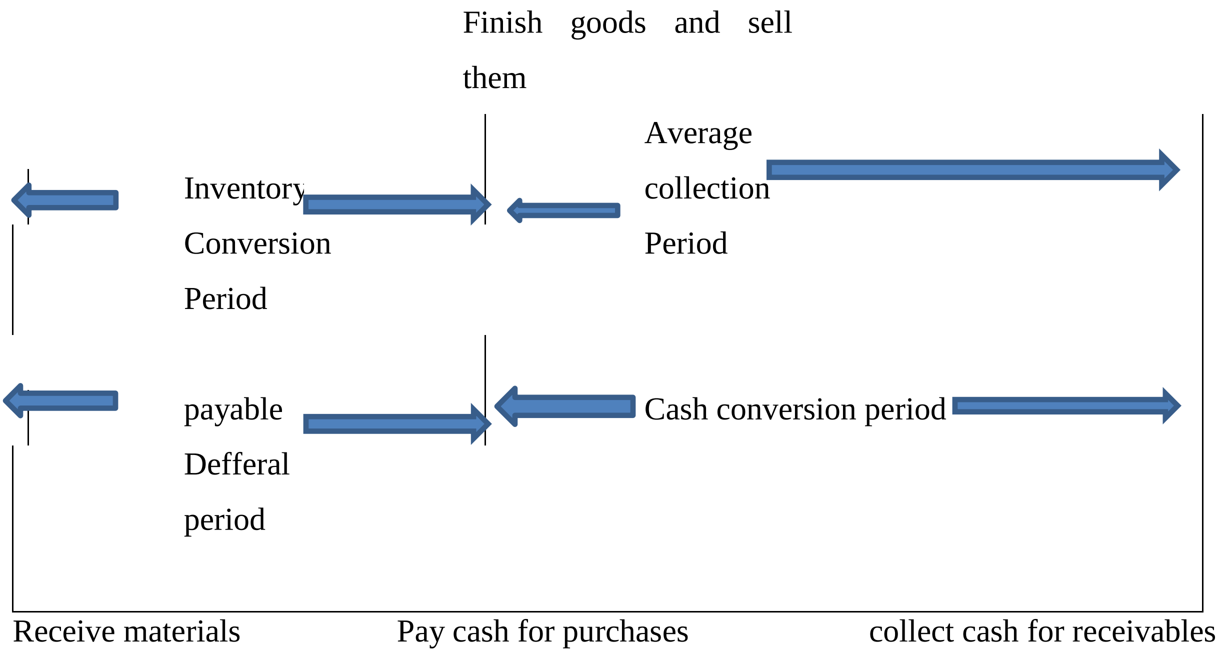
The main examples of cash flow mismanagement of SMEs include the poor inventory management systems employed, excess withdrawals for personnel properties, generous and unrealistic credit terms, bad debtors and general mispurchases of slow moving or unprofitable goods according to Cetan (2006). Slow moving or excessive stock and cash wasted on unprofitable products or services also worsen the situation (Van Aardt et al., 2002). Most SMEs unquestionably employ less or weak cash flow management practises and controls.

The researcher agrees that favourable liquidity ratios brought about by firm financial management practises lead to growth and improvement of businesses. Turyahebwa (2013) asserts that even if everything else is handled and managed well, poor working capital management destroys businesses fast. Uluyol (2013) observed that lack of working capital management implies deficiencies in the implementation processes of working capital management. This research shall scan whether working capital management is an essential element of financial management practices.

2.3.5.1Working capital management models

Cash Conversion Cycle

2.3.5.1 Fig 2.3.5.1.: **Cash conversion cycle**



Source Brigham and Houston (2010)

The cycle shows the time it takes an entity's inventory and other current assets to convert to cash. Viskari (2012) also explains that it is the time taken for the cash tied up in company currents assets to be recovered. Viskari (2012) also assets that the cash conversion cycle measures the efficiency of working capital management as it measures the time funds are tied up to inventories and receivables, less the number of days that payment to vendors is deferred.

2.3.5.2 Net Working Capital

Net working capital (NWC) is defined by the formula below.

NWC = Cash + other current assets – current liabilities

This ratio highlights the ability of an organisation's current to be cover its current liabilities. A positive ratio shows that the current assets can cover the current liabilities fully while a negative is unfavourable as it shows that the current assets are not enough to cover current liabilities, Certin (2006).

2.3.5.3 Current and Quick Ratio

Current Ratio= Current Asset

Current Liabilities

Ross et al (2008) assets that the interpretation of the working capital ratio and the current is the same. Other authors use the terms interchangeably as the current ratio still measures if the current assets in an organisation cover current liabilities and a ratio greater than 1 is favourable.

Quick Ratio = Current Asset – Inventory

Current Liabilities

Ross et al (2008) also states that inventory unlike other current assets cannot be easily turned into cash especially in a short space of time. Strong current and quick ratios are usually good thing but they could signal too large investments in working capital or inefficient use of working maybe in too much inventory or huge bank balance or receivables.

2.3.6 Budgeting and Forecasting

One major weakness is that SMEs do not plan for future finance Dumbu and Padamoyo (2012). They achieve targets without monthly or annual estimation of expenditure, income and profits expected. Many businesses spend money without formal calculations Dumbu and Padamoyo (2012). The lack of investment budget decision-making function of funding Operators generally pay less attention to the capital plan and budget. SME behaviour often shows a lack of long-term planning and decision-making, usually made by the operator by virtue of his own experience Xuhui and Ruoxi (2013). Xuhui and Ruoxi (2013) further stated that at the same time due to the unsound organizational structure of SME and the low number of financial officers who generally are busy with the day-to-day financial work, so they don’t have more energy to work in the budgeting area.

2.4 Financial management implementation guidelines

2.4.1 Personnel Competence and Adequacy

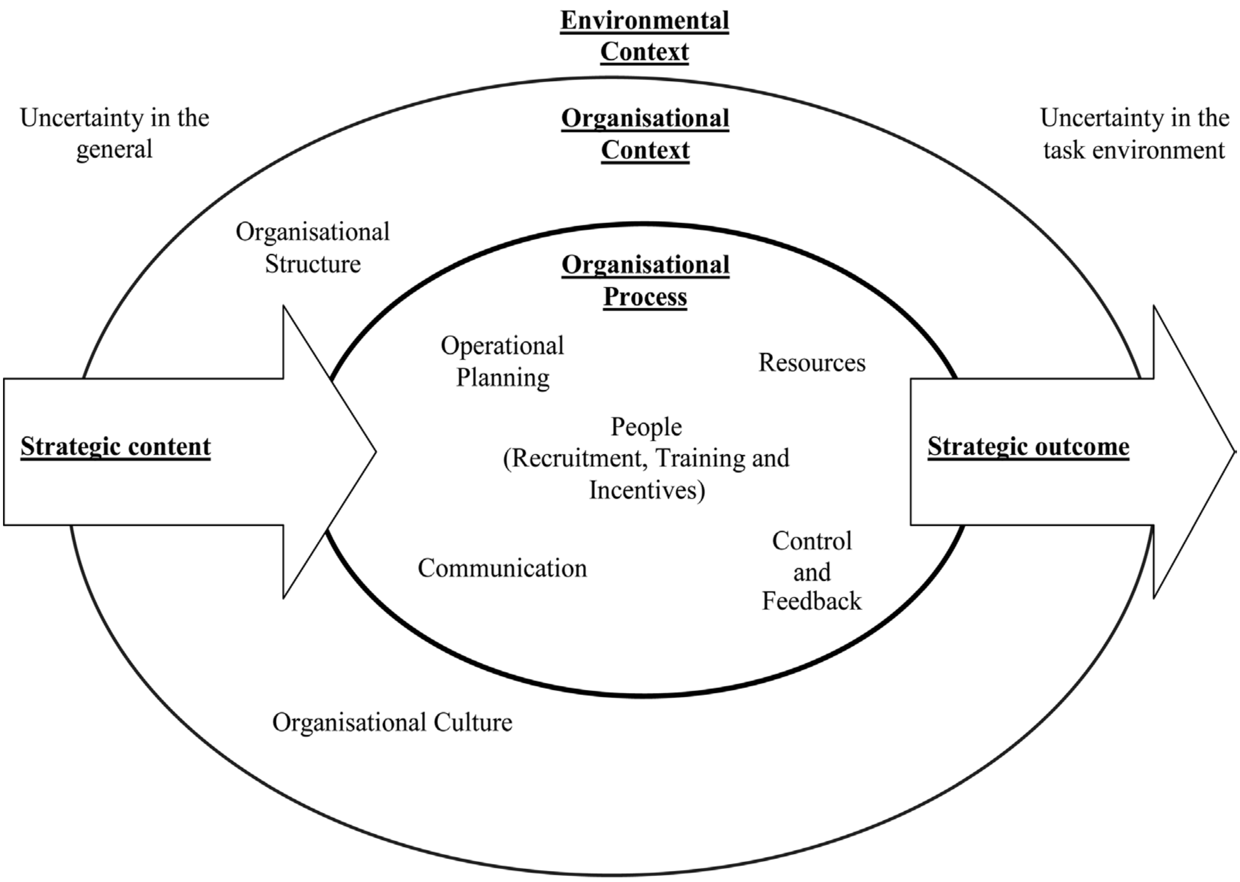
Chipangura and Kaseke (2012) allude that for guidelines to be successfully implemented, there is need for adequate personnel to ensure each employee has a reasonable and manageable workload. The authors further argue that the workforce and should also have the right qualifications, skills and experience to avoid implementation hiccups and wastages. It is highly likely that a business run by an educated individual strive than one manned by a self-made uneducated manager.

Owners with exposure to previous entrepreneurial activities are better enlightened on how to run a business, access finance and solve other SME challenges thus their businesses thrive, ECA (2001). Scholars agree to greater extent that entities with educated qualified personnel are highly successful resulting in positive business performance. This research seeks to establish the relationship of personnel competence and financial management implementation guidelines. The guiding principle in human resource management is to ensure that the recruitment policy of an entity select only those employees who are competent enough to ensure satisfactory of an entity's strategic goals.

2.4.2. Strategy implementation Frameworks

The model below highlights the major categories of implementation frameworks, Okumus (2001).

Figure2.4.2.1 Strategy implementation Frameworks



- This framework is not meant to be all-inclusive, rather its purpose is to provide a direction or a train of thought for executives faced with implementing strategies.
- It is argued that to implement a strategic decision, there should be a 'fit' or 'coherence' between the strategy and these variables and between all variables themselves.

Source: Okumus (2001) International Journal of Contemporary Hospitality, 13/7 (2001)

Li et al (2008) observes that strategies are systematically followed or adopted. Okumus (2001) explains that all the variables above are important and they are applied together to ensure the success of the implementation process.

Okumus (2001) further alluded that operational process variables are the core variables used in the implementation process and companies can control them in the short term. Process variables however assist in the step by step implementation of guidelines while context variables are merely taken into account due to obstacles and problems in the implementation process. Finally, Okumus (2001) notes that, the outcome variables are regarded as the expected results of the initiated strategy. Researchers emphasize on the importance of contextual variables which act as guidelines to strategy implementation whilst others argued that entities control these variables. This suggests that there are numerous challenges in strategy implementation and that SMEs should adapt their implementation approaches in light of the fact that there is no single way to achieve successful implementation.

2.5 Policy Implementation Guidelines

Guidelines are the map and or framework of activities done by the company to ensure that organisational structures are working efficiently towards the achieving of goals, Sorroshian et al, 2010).

Synthesis Approach

2.5.1 Top-down approach

Matland (1995) asserts that management gold the keys to and determine the success of the implementation process. This approach highlighted conditions needed for effective implementation for instance clear objectives, committed officials and supportive interests groups Sabatier (2005). This approach focuses on policy development and management theories and ignores line workers by taking the process as administrative only, Matland (1995).

2.5.2Bottom-up approach

The bottom up approach then concentrate on the implementers and service deliverers arguing that policy reforms, guidelines and policy action is done by line workers Matland (1995). The developers of this approach Hanf, Hjern and Porter (1978) disagrees with the top down approach and assert that emphasis should be made not on management but the general workforce.

Bottom-up approaches do not present prescriptive advice, but rather describe what factors have caused difficulty in reaching stated goals Matland (1995). It is significant that strategies are flexible so that they can adapt to local difficulties and contextual factors. The approach is however criticised because it over emphasizes on local workforce who without direction and guidance cannot come up with their own guidelines or successfully implement them.

2.5.3 Combined approach

Suggett (2011) asserts that the best way to implement the guidelines is by combining the two approaches and take advantage of each approach's merits. The author also acknowledges that both approaches can be applied differently in sections for instance in the management of finance the top down can be used as it assumes more supervision thus safeguards money and resources while the actual service delivery may require bottom down strategies to allow for participation an involvement of employees.

2.5.4 Agency theory

According to Kiser (1999) agencies of implementation maybe used with monitoring to achieve the policy goals. However the selection and monitoring of agents may become a problem in selecting them and overseeing their work, Kiser (1999). Rational choice does not offer solutions for all cases and contexts like this theory is better at explaining outcomes when preferences are settled, rather than clarifying the origin of preferences and the reason for change, John (2003).

2.5.5 Rewards and Punishments (Carrot and Stick Approach)

Since Skinner (1953), research has shown that reinforcements and punishments are important forms of situational feedback that promote learning and performance (for an overview, see Kazdin, 2001). Performance and learning are outcomes that are relevant to the individual, and they typically serve one's own self-interest in the shorter term, in the case of performance (e.g., receiving a high grade), or longer term, in the case of learning (e.g., mastering a particular skill) (Balliet et al 2011). In contrast, incentives in the context of social dilemmas are conceptually distinct, in that they serve as motivators of cooperation and include both (a) a cost to oneself and (b) a benefit to all other members of the group. Moreover, the benefit for others, in absolute terms, is greater than the cost to oneself. Thus, in social dilemmas, incentives seek to motivate people to act against their immediate self-interest so as to serve the collective interest (Balliet et al 2011).

2.5.6 Procedural Approach:

Appropriate procedures and processes are more important in an organizational structure than anything else. Implementation process is heavily dependent on managerial and technical skill. Procedures are introduced to control, set pace, coordinate, scheduling timeline, monitoring progress and management. Procedures define managerial boundaries, control, logical sequence, allocation of resources. These procedures, techniques and tools enhance the probability to move in the right direction, timeline management and anticipate risks(Lang 1977).SMEs should implement strategies depending on the situation on the ground should experiment the different models to enable achievement of better financial management practices.

2.6 Challenges in implementing financial management practices

2.6.1 Lack of access to labour markets

Certin (2006) states that the other major constrain for SMEs is their inability to ire qualified personnel. The author further explains that the recruitment process and maintenance of the experienced people are of high costs for SMEs. This lack of access to labour markets is a constraint to their growth and development as this raises wastages, reduce flexibility in managing operations and the business lacks expertise and experience of managing the business and general day to day operations are routine such that any changes in the economic environment leads to business collapse, Jansen (2003).

2.6.2Unavailability of Raw Materials

According to Bari (2005) SMEs also lack access to cheaper and better raw materials especially because they lack basic value chain skills to identify suppliers, negotiate and get the supplies. This is also worsened by their lack of funding to acquire the raw materials of quality. In the end they produce poor products from the poor quality raw materials that do not sell fast or at all. Better quality raw materials are generally exported or are available only to larger firms and their suppliers tend to be oligopolies. This leaves the SMEs with no choice except to source the raw materials from the local suppliers at high prices or do without resulting in them producing low quality products which cannot compete on the market, Bari (2005).

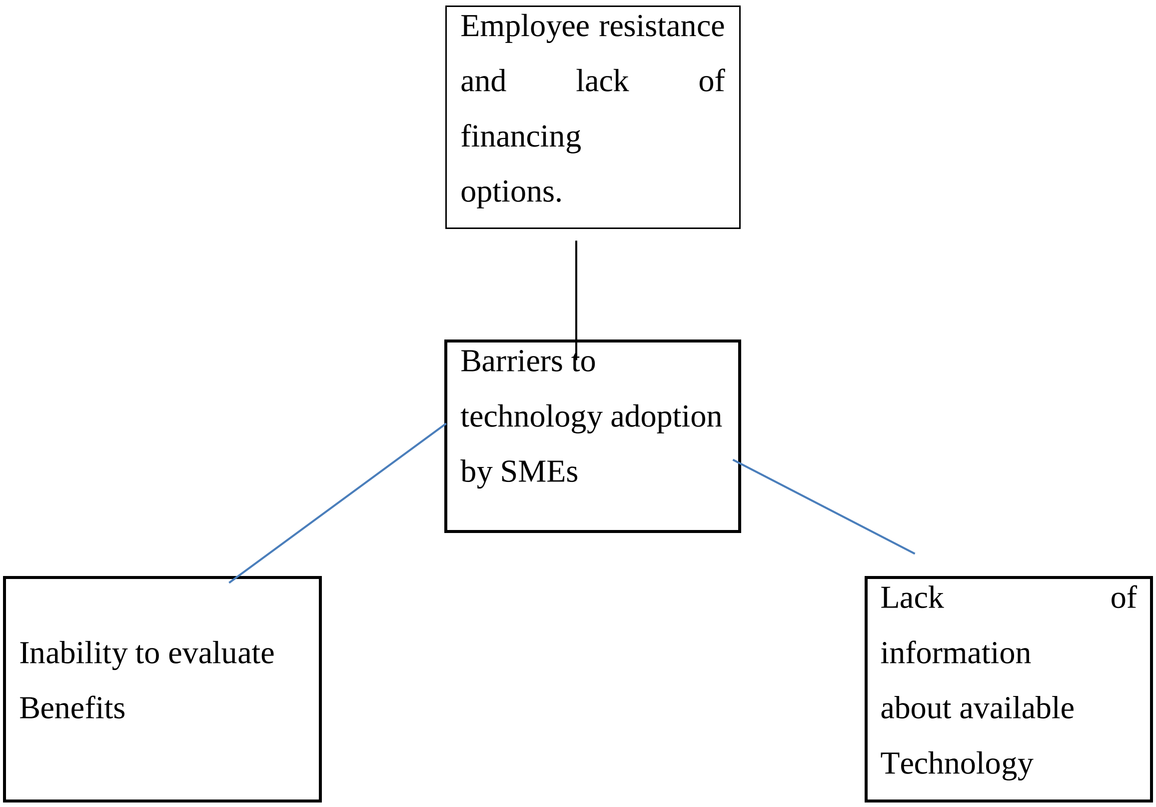
2.6.3 Capacity to Administer Regulatory Requirements

Shengoma (2010) states that business regulatory requirements constrain SMEs especially in Zimbabwe initial registration costs and high taxes are the major costs identified by many owners as constraining their business growth. In the end, many SMEs evade paying taxes and following legal routes, adopting health and environmental requirements and procedures. Robertson (2003) states that for SMEs any diversion of cash or resources from profit-generating activities is not productive or necessary thus discouraging expansion

2.6.4 Information Barriers Record Keeping and Accounting Information Systems

Jansen (2003) postulates that the other necessary strength or tool for any business is its development of networks for professional, personal and public support. The links created in business open opportunities for more customers, cheaper suppliers, and opportunities for financial assistance among others.

Fig 2.6.4.1: Barriers to technology adoption by SMEs



Source: Adopted from Storey and Westhand, (1994) in Nyanga et al 2013

As illustrated in Fig 2.6.4.1, most SMEs are finding it difficult to finance the adoption of modern technologies which are crucial in increasing production. There is strong shortage of skilled IT and management personnel who can help SMEs to tide over problems Nyanga et al 2013.SMEs also fail to get business opportunities, business linkages, technicians, sector based trade associations and clients/customer linkages. Ishengoma and Kappel (2007) observed that limited access to business services like marketing information, counseling and consultancy services are some of the factors that hinder the growth potential of small businesses. The problem tends to be acute for small businesses that tend to face greater information barriers than larger businesses because of their limited resources. Without proper advice, the wrong sources of capital may be used for the right purpose which creates problems for the business (Tentime and Pansiri, 2004). Without such a system it will be very difficult for SMEs to determine performance, identify customer and supplier account balances and forecast future performance of the organization.

2.6.5 Reasons why SMEs do no use or keep accounting records.

Table 2.6.5.1.Summary of Challenges of using and keeping accounting records

Factor	**Mean Standard Deviation**	**Rank**
Time consuming	3.80 1.18	4
It is costly	3.96 1.15	3
Requires skills & knowledge	4.05 1.04	1
More staff required	3.67 1.28	5
More tax charges	2.87 1.78	7
Financial position will be exposed	4.01 1.18	2
System maintenance is costly & difficult	3.54 1.48	6

Source : *Smirat (2013) Research Journal of Finance and Accounting*

The above table illustrates the challenges faced by SMEs in using and keeping accounting records. The majority of the SMEs encounter problems of lack of accounting knowledge(Smirat 2013). The primary purpose of an accounting information system (AIS) is the collection and recording of data and information regarding events that have an economic impact upon organizations and the maintenance, processing and communication of such information to internal and external stakeholders (Stefanou, (2006) in Smirat (2013) .

2.6.6 Social Factors

Other issues that affect the performance of SMEs are social factors for example demographic aspects such as culture, location, general society welfare among other things. Tustin (2001) asserts that in the SA communities, there is high prevalence of HIV/AIDS cases such that a good number of customers are not employed and so the earnings of SMEs are affected.

2.6.7Access to Credit Facilities

Smith-Hunter (2009) also emphasized that the fact that SMEs do not keep proper records makes them less eligible to get loans and financial assistance from banks and other financial service companies. Shahabi et al (2014) also adds that banks prefer to give loans to big organisations unlike SMEs because these do not have the assets to attach as collateral in the case that they fail to pay.

2.6.8 Stringent Government requirements and regulations.

Nyanga et al (2013) postulated that developing countries have worked to incorporates SMEs in government laws and regulations but these requirement and regulations are long costly processes that SMEs cannot afford. In addition these regulations are also complex that SME owners cannot digest or interpret them because of their lack of expertise and in the end they ignore the regulations that were made to protect them as they consider them harmful, Certin (1996). Furthermore, lack of IT support is big hurdle which hinders the SMEs in upgrading themselves to complete the global and domestic market.

2.7 Adequacy of Personnel over the implementation of financial management practices

Dumbu and Chadamoyo (2012) illustrated that one of the pillars of successfully managing an organisation is the human resources management function. Dumbu and Chadamoyo (2012), stated that staffing the right calibre of employees is very essential. Chivasa (2014) stated that where the SMEs have some other people managing their business, mostly these individuals are related to the owner with no relevant qualifications. Individuals tend to pursue family interests instead of business interests thus resulting in family affairs affecting the business in an undesirable manner according to Chivasa (2014).Managers of

SMEs are generalists rather than specialists and are thus responsible for allocating resources and cannot afford to make poor decisions.

Prior studies established that personnel management in the SMEs is not properly done. Yin (1994) asserts the fact that owners of SMEs are not well equipped to manage the entities translates into poor human resources practices. When new employees are employed, supervision is not done thoroughly and there is no employee appraisal and motivation carried out Dumbu and Chadamoyo (2012). Training and induction to the new employees is seen a waste of time by the managers or owners SMEs Dumbu and Chadamoyo (2012).

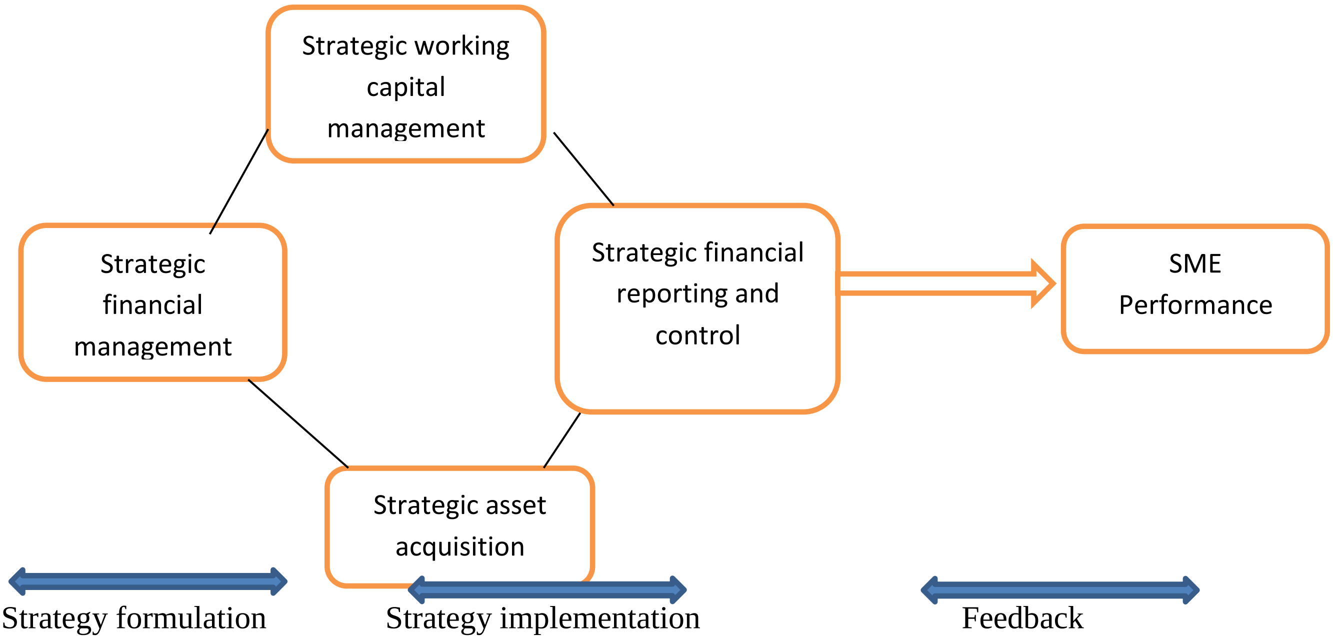
Nyamwanza (2013) argued that management deficiencies lead to collapse of many businesses because it is characterised by poor decision making, poor execution of strategy and incompliance with set guidelines, requirements and regulations. McPherson (1998) in Nyanga et al (2013) notes that the root causes of either SMEs failure or poor performance is almost invariably a lack of management attention to strategic issues.

2.8 Controls in place over the financial management implementation

2.8.1 Controls in Turkey

The flow and interrelationships of the strategic financial management practices with respect to SME performance are illustrated in the strategic management model of financial management practices in Table 2.5.1. As being significantly correlated with SME performance in Turkey.

Table 2.8.1: Strategic management model of financial management practices in SMEs



Source: Karadag 2015 Financial Management Challenges In Small and Medium-Sized Enterprises: Journal on- A Strategic Management Approach Volume 5 No 1

2.8.2 .1Strategic financial planning has a positive impact on SME performance.

Alpkan (2012) states that the first and basic control that any organisation applies is coming up with a plan. Strategic financial planning gives the business a framework on how finances are used and generated. Budgets are the major financial planning tools used or prepared to allow businesses identify objectives and the funds required to finance operations. In budgets funds are also allocated and this helps even in reviewing organisations performance. Nyamwanza (2012) argues in Turkey, as in most developing economies many SMEs do not prepare budgets or do any financial planning and reviews of reports are also not carried unless and until the business is bankrupt or out of cash.

2.8.3 Receivables and bad debts

The management and control of specific currents assets is also another weaknesses SMEs have, Nyamwanza (2012). Cetin (1996) states that debtors aging analysis should be done together with reconciliation statements to monitor receivables. The author further states that bad debts should be correctly accounted for and only credit worth customers should be given goods on credit. Cert (1996) also states that proper inventory management techniques that are applicable and beneficial to the particular organisation should be adopted so that ash is not trapped in inventory, warehousing costs, pilferage and theft of the inventory are prevented. There must also exist physical controls on the cash systems and inventories for instance authorisation of bank transactions for cash and security guarding of inventory and maintaining a bean card system to monitor usage of the inventory, Karadag (2015).

Empirical studies show that, the profitability of the enterprise can be increased by accurately managing the cash in and out movements, besides minimizing the amount of excess cash, Hirt (2004). SMEs are however popular for not investing in controls such that in the end there is rife abuse and misallocation of funds and property.

2.8.4 Inventory Management

In Turkey, management of inventories has the least managerial priority compared to cash and receivables management, which constitutes the other important reason for high inventory costs, decreasing profitability and eventually poor financial performance (Cetin, 2006; Topal et al 2006). Combining the influence of the three key factors of working capital management over SME performance would be more successful in terms of financial and overall performance Karadag (2015) .

2.8.5.4Strategic non-current asset management (capital budgeting)

Karadag (2015) alludes that the purchase of non-current assets costs large amounts of money thus require proper planning and strategizing. The purchase of non-current assets is a worthwhile investment especially when it is done with proper planning and wit the right motives, Certin (1996). The outcomes are likely to be more positive when these vital decisions are made considering the organizational goals such as growth or profitability and directing the limited resources accordingly Karadag (2015). The author also postulated that the maintenance of the assets yield profits and better financial position results for organisations.

However in SMEs, non-current assets are bought without proper decision making procedures as the managers are the owners and they are not guided by any standards of running businesses.

2.8.6 Uganda

Garcia-Teruel and Martinez-Solano (2007) alluded that the majority of developing countries SMEs major problems is the poor management of inventories. The authors further stated that many organisations keep cash trapped in inventories and have long debt collection periods. Mathuva (2009) examined the influence of working capital management components on corporate profitability by using a sample of 30 firms listed on the Nairobi Stock Exchange (NSE) for the periods 1993 to 2008. The findings from his study revealed that there exists a highly significant negative relationship between the time it takes for firms to collect cash from their customers and that the there exists a highly significant positive relationship between the period taken to convert inventories into sales.

2.9 The best practice in financial management

Alias et al defined (2012) described best practices as optimum ways of performing work to achieve high performance. Alias et al (2012) further suggested that as a proven process to deliver measurable improvements in efficiency and or effectiveness and help speed progress towards performance improvement and to guide around pitfalls that might slow or halt initiatives. Kent (2013) defined best practices as a collection of work pieces around subject as safety performance, constructability and front end planning. According to Kapiye and Smith (2007) best practices have a great impact on the firm’s performance and the strategy might improve or obstruct the practices.

2.9.1Australia

Table 2.9.1.1 Recommended best practices in Financial Management of SMEs

i.	Properly manned Accounts department with the experience and skills.
ii.	High computer literacy.
iii.	Training and familiarisation with the Accounting package used by the organisation.
iv.	Monthly reporting and review of the reports.
v.	Deadline for the closure of monthly accounts.
vi.	Annual budgets to be prepared and monthly reviews to be done for variance analysis purposes.
vii.	Monitor working capital variable: receivables, payables, cash and cash equivalents and inventory.
viii.	Get regular advise from the financial advisor or banker on financial management issues and possible strategies and services to use or adopt.
ix.	Evaluate organisation compliance with statutory requirements at least yearly.
x.	Have internal interim audits to monitor and improve control systems.
xi.	Follow proper procedures when purchasing non-current assets and also encourage the purchase of only budgeted assets.
xii.	Efficient cost management, review costs reports and continuously find ways of cost reduction.

Source-Financial Management for SMEs(Korah.com)

2.9.2 United States

According to Alias et al (2012) for survival and growth of SMEs there is need to efficiently manage the cash flow position. The author further states the following ways to improve the cash flow position: shortening the inventory and receivables conversion period and increasing the payables deferral period. This allows the firm to maintain cash and be able to invest the cash.

Methods of inventory management maybe adopted to lessen costs of holding stock but improve its turnover. Ross et al (2008) states that the following methods can be used to maintain a favourable working capital ratio: vendor-managed inventory, just-in-time inventory management, cross docking and total quality management by optimization materials requirements planning and order quantities to maintain reasonable inventory levels.

Hofman et al (2009) asserts that organisations should also offer cash discounts to encourage prompt payments and other benefits for early payments for debtors to shorten the receivables cycle and maintain less debts. The credit period offered to customers may also be reduced to ensure that cash is not trapped in debts and also reduce the possibility and amounts of bad debts, Certin (1996). Credit standards may also be raised for instance an increase in the interest percentage by 5% every month such that customers pay faster to avoid getting caught up in paying higher interest, Moss and Stine (1993). Products can be produced per order to ensure less inventory is held and cash and upfront payments are encouraged, Chen et al (2009).

2.9.3 China

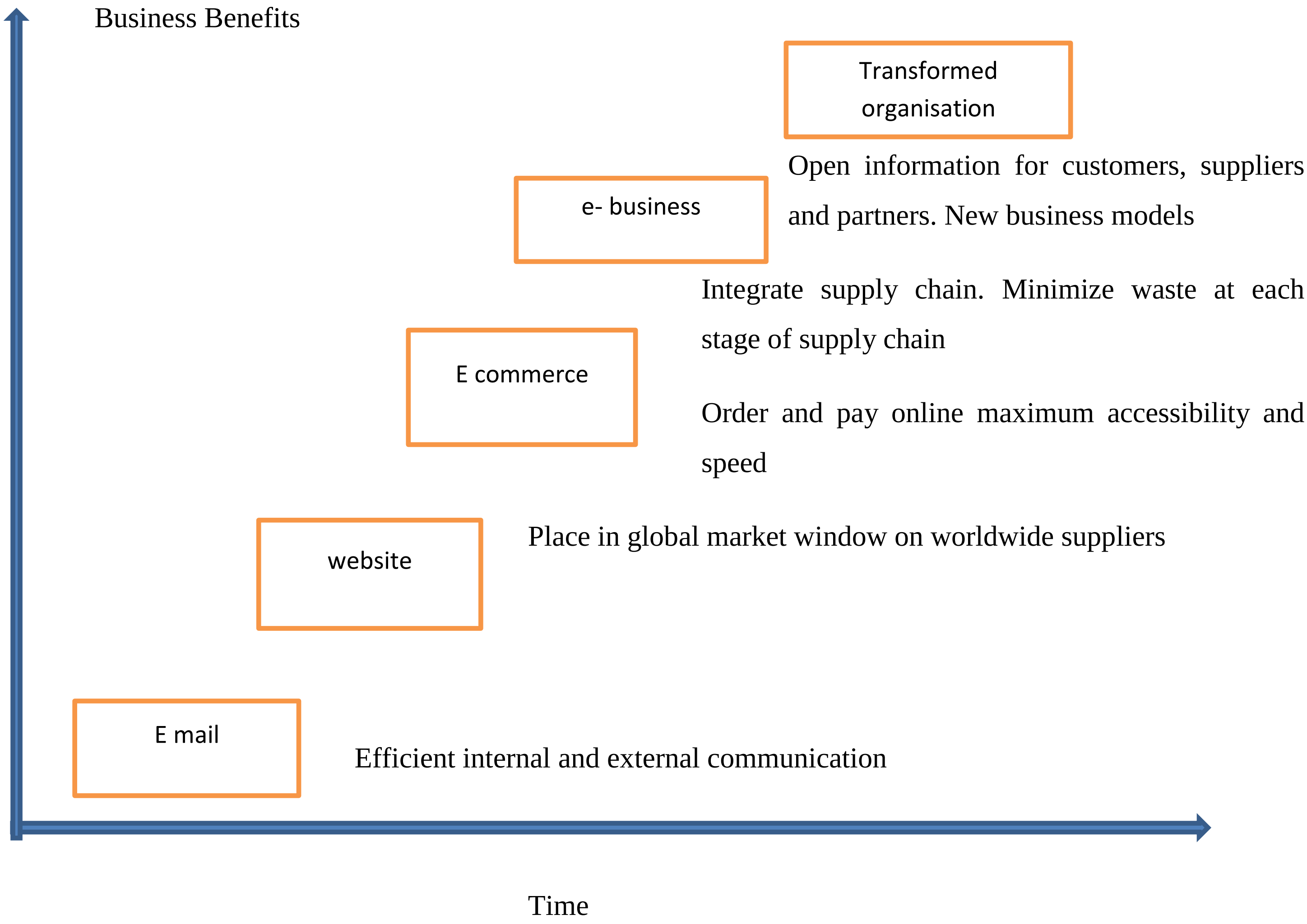
Prayag (2007) asserts that the more than 50% of the tourism sector is made up by SMEs. Smith (2000) alluded that for tourism SMEs efficiency, benchmarking is of high benefit to such firms. (Smith, 2000) also defines the relationship between benchmarking and quality management; identifies and advocates the benefits of best practice in services operations and explains why the focus has shifted to process benchmarking. In services marketing literature, process benchmarking is regarded as useful for managers to analyse the effectiveness of client handling, regarded as important within service sector studies (Ladenburg, 2006; Hwang a ND Lockwood, 2006).

Lockwood (2006) emphasises that benchmarking educates managers on customer handling and the different techniques that can be employed and their results. Hence, small service organizations has been the emergence of qualitative benchmarking techniques that reflect a simpler approach to facilitate comparisons, Holloway (2001).

2.9.4 Britain

The third millennium makes us the witnesses of the development of the electronic trade which revolutionize the management of a business and the international trade according to information on liliana@m7electronics.ro. The first impact is already experienced in the transactions between firms, not because they would have an easier access at the new technology, but because the phenomenon will be felt soon by the consumers too (liliana@m7electronics.ro). Such changes will offer the consumers new possibilities to choose and even to look for the most competitive products on the world's market (liliana@m7electronics.ro). Table illustrates the stages of electronic business adoption.

2.9.4.Fig: UK-E Business Adoption Ladder



Source: UK Extent Organisational and sophistication

The British Library staircase model indicates that SMEs can move up or down the staircase depending on various factors, which include challenges, business needs, expectations and information strength (Zappala & Gray, 2006).According to the ladder scheme, organizations fall into different levels of e-commerce adoption. Business efficiency is enhanced as organization moves up the ladder. UK-DTI (2000 as cited in Selim, 2008) expanded on each of the 5 stages that a firm may advance through as summarised in the below Table :

Table 2.9.4.2 E adoption Stages

Stage of adoption	Explanation
e-mail	Use is made of email text messages between business and consumers or business and suppliers or within the organisation. Email enables both internal and external communication
Website	Customers are provided with online access to company product and service through a web site. Customers can check the availability of products and services on line
E Commerce	There is online interaction between a firm and its customers. Online activities included are not limited to issuing and receiving invoices and electronic payment
E Business	Use is made of ecommerce to support the business relationship between a customer and a supplier for example thru interactive orders progress tracking or online support. Integration of the supply chain links suppliers and the delivery therefore improving efficiency and minimizing waste
Transformed Firm	All the above activities within the internal process of a firm is customer Oriented

Source : Selim 2008

Niranjanamurthy 2013 illustrated the following benefits of e business, faster buying/selling procedure, as well as easy to find products. Buying and selling throughout the day. More reach to customers, there is no theoretical geographic limitations. Low operational costs and better quality of services (Niranjanamurthy 2013). No need of physical company set-ups. Easy to start and manage a business. Customers easily select products from different providers without moving around physically (Niranjanamurthy 2013).

2.9.5 Strategic planning and implementation

Nyamwanza (2013) illustrated that proper planning must be done to facilitate successful implementation of any policy in SMEs. Ekwulugo (2006) also supported that firms need to stay in touch with happenings in the general business environment and stay abreast to changes thereon as reflective in their flexible to ensure policies are properly implemented. The new business environment requires SMEs owners and managers to engage in proper business management practices, particularly those relating to strategy formulation and implementation Nyamwanza (2013).

2.9.6 Business Diversification

Chrisman et al (1998) explains that success of some SMEs is attributed to diversification. The author further describes that diversification can be in the production of new products, venturing into new markets, targeting a different kind of clientele and other forms of diversification. Diversification must create incremental benefits that cushion losses of the major products or support financing, Chivasa (2014).

2.9.7 Customer Satisfaction

Customers are the fuel for the movement and growth of any business, Cartel (1996). Customer thereby keeps a business afloat and assures the business survival even in economic recessions. SMEs need to remain consistent in all aspects for customer satisfaction especially by offering tailor made goods and services to satisfy the customers and increase loyalty according to Myles (2010). The author states that following examples as the ways for SMEs to maintain customer loyalty: offering smaller packages of goods, flexible payment term (for instance specific terms for civil servants) and interesting promotion activities.

Nyanga (2013) further alludes that SMEs have the opportunity of becoming one stop shops where customers get all their needs. He further argues that they can also be strategically and conveniently located just for the sake of the customer and also offer quality goods and services. Engaging the community is also found to an effective tool in the marketing of the SME, this ensures that the name of their business remain visible Nyanga (2013).

2.9.8 Employee Motivation

According to Herzberg's 2factor theory employee motivation reduces wastages, results in faster and effective implementation of company policies. Nyanga (2013) also asserts that a motivated workforce achieve set goals and objectives. However to motivate the employees a number of factors have to be considered and Heirzberg identifies hygiene and motivator factors that include financial incentives, promotions, training and other factors. It is the author's opinion that SMEs fail to motivate their employees especially because they are not aware of the motivation factors, sometimes do not have the resources and most importantly because they just do not value the workforce enough as they only concentrate on profit making.

2.9.9 Adjusting to technological and environmental advancement

The Financial Management of the Small Enterprise conducted by Ismail (2009) emphasized the common belief that better financial information means better control and higher chance of success. Zhou (2010) asserts that the hiring of IT consultants allows the SMEs to acquire knowledge about technological advancements and also adopt efficient accounting systems.

Zhou (2010) also emphasizes the need for SMEs to continuously scan the environment for any changes so that they are not left out and that they stay abreast with market demands. The writer acknowledges the need for owners of small enterprises to stay abreast with changes in the dynamic environment so as to survive especially as far as technology is concerned.

2.9.10 Communication

Communication ties all the strategies together to ensure policies and goals are well known and the guidelines followed according to Enz (2012). Nyamwanza (20102) supports that if targets, guidelines and duties are not well communicated the workforce will work aimlessly and in the end implementation will be unsuccessful. According to Ross (2008), SMEs are better placed in terms of control unlike large organisation because their workforce is easier to manage and communicating across multiple levels is also easier as their structures have fewer levels. However, there still exist the need to improve employee participation in policy formulation to encourage morale within the workforce, Nyamwanza (2014).

2.10 Literature Gap

Most developing countries formulate strategies to stimulate economic growth through SMEs.. The Zimbabwean government introduced the funding policy were the government and other commercial markets try to enable easier access of finance to SMEs which experience financial problems. The policy is in support of SMEs as they are providing funds for them as access to these funds is one of the major drawbacks affected by SME ,thus strategies meant to enhance the growth of SMEs are not being implemented by government.

It is not mandatory to use IFRS meant for SMEs thus there is no uniformity in financial statements by SMEs in Zimbabwe which makes it impossible to have comparability on performance of SMEs in in the same sector since each business's has its own financial reporting strategy.

2.11 Chapter Summary

The chapter provided literature on financial management practices in place at Elephant Lodge (Pvt) Ltd, financial management implementation guidelines, controls in place over the financial management implementation, challenges over the implementation guidelines and the best practice in financial management practices. Chapter 3 will look at the research methodology.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter describes research design, population and sample size, sampling procedures, data presentation and data analysis techniques to be employed. It basically explains the research methodology used by the researcher.

3.1 Research Design

According to Guy et al.(1987) research design is a plan of procedures for data collection and analysis that are undertaken to evaluate a particular theoretical perspective. Bryman and Bell (2003) define a research design as a structure that guides the execution of a research method and the analysis of the subsequent data. Kothari (2007) defines a research design as a conceptual structure for the collection, measurement and analysis of data which combines relevance and economy.

Thus a research design is a plan that shows how all the major parts of the research project come together. A research design can be described as a series of advance decisions that taken together comprise a master plan or model for the conduct of the investigation (Beller and Greenberg (1978). A variety of designs exist for researchers to choose from for instance exploratory, descriptive and empirical research design.

3.1.1 Exploratory Research Design

Wyk (2001) defines exploratory design as the method of collecting data or carrying out a research process for an area that is little know. Ozge (2010) supports that the design seeks to identify the problems and seek initial solutions to the problems at hand. This is because there is not much data in the area under study and so thorough research has to be done to come up with meaningful conclusions. For the purposes of this research, the researcher considered a variety of information sources to answer all questions bordering on the research problem from financial statements to textbooks, newspapers and other sources.

Advantages of explanatory research design

Babin (2010) highlights that the exploratory research is better understandable since the researcher gathers all information to clearly identify the problem and give all evidence to point to the problem. Wyk (2001) also states that this is an initial research and so most or all information used will be based on findings from that particular study and moreover it is flexible when it comes to sources of data as customers can also be considered.

Disadvantages of explanatory research design

Wyk (2001) also argues that in this research the sample chosen will most likely not represent or give an average opinion of the entire population. He further states that in some cases there is also a lack of statistical strength such that it is difficult to come up with accurate conclusions.

3.1.2 Case study research design

Yin (1994) defines a case study as an empirical inquiry that investigates a contemporary phenomenon within its real life context especially when the boundaries between are clearly evident. Cases studies are a form of qualitative research and the facts and information used are drawn from a direct and real situation or circumstances, Fowler (2002). A case of Elephant Lodge Private Limited was used for carrying out the research.

Advantages of the case study approach

Willis (2008) asserts that case studies allows for more information and understanding to be gathered through observations and experience of the researcher in the situation or circumstances. The case study is also interesting as it allows for more than conversation but an opportunity for experiments and experience for the research and the individuals participating, Babin (2010).

Disadvantages of the case study approach

Case study research however produces results, findings and or conclusions that may not be applied to the entire population as the research is narrow, Fowler (2002).

Descriptive Survey

Descriptive survey is defined by Picardi and Masick (2014) as "a statement driven theory, data or direction that specifies a relationship between variables and are used for describing behaviour and phenomena". Descriptive research can be used to accomplish a wide variety of research objectives. However, descriptive data become useful for solving problems only when the process is guided by one or more specific research problems, much thought and effort, and quite often exploratory research to clarify the problem and develop hypotheses.. Survey research method includes self-report measures such as questioners and assessments as well as interviews Picardi and Masick (2014).

Advantages

Lots of information can be acquired through description. It is useful for identifying variables and hypothetical constructs, which can be further investigated through other means. Descriptions can be used as an indirect test of a theory or model with behaviours or situations cannot be studied by any other way

Disadvantage

Cause identification is almost impossible since setting is completely natural and all variables present.

3.2 Population

Polit and Hungler (1999:37) refer to the population as an aggregate or totality of all the objects, subjects or members that conform to a set of specifications. The study population constituted of the entity's finance and accounts department, managers and managers assistant.

3.3 Sample

A sample is a finite part of a statistical population whose properties are studied to gain information the whole (Winner and Dominick 2006). Picardi and Masick (2014), Ferber (1974) defines sampling as a representative group of cases from the population, ideally consisting of all characteristics of the population as a whole. Sampling is a very important aspect of research where the depth of the study is important rather than its breadth, this is because of its practicality (Beck and Manuel, 2008). Table 3.1 shows aggregate distribution of sample unit from the chosen population.

Table 3.1 Population

Respondents	Sample size
Finance manager	1
Accountant	1
Bookkeper	2
Store Controller	1
General Manager	1
Operations Manager	1
Human resource manager	1
Managing Directors	1
Assistant Human resource manager	1
Total	**10**

3.4 Sampling techniques

According to Fowler (2002) there probability and non-probability sampling techniques. The researcher applied the purposive techniques discussed below.

3.4.1 Purposive Sampling

This sampling technique is normally used for small groups where representatives are chosen for each group by the researcher, Willis (2008). It is called selective sampling since the researcher chooses representatives using her own judgement according to Reis et al (2004). Ozge (2010) also supports that the researcher selects participants he or she deems to be able to contribute meaningfully to the research. In this research, a lists compiled by management stating each individual's responsibilities and was used to select respondents using the researcher's judgement of who could provide relevant and meaningful information for the research.

Merits of purposive sampling

Willis (2008) alludes that purpose sampling encourages the use of known experts as respondents and this normally results in quality and accurate data collection. The author also adds that this method maybe convenient and saves time as the sample is selected from a list that is available already.

Demerits of purposive sampling

Willis argued that the main disadvantages of this technique are that selection is done using human judgement and this may cause bias which can compromise on the data collected and the individuals selected cannot represent the whole group.

3.4.2 Stratified Sampling

The statistical sampling method called stratified sampling is used when representatives from each subgroup within the population need to be represented in the sample Picardi and Masick (2014). The first step in stratified sampling is to divide the population into subgroups (strata) based on mutually exclusive criteria Wegner (1993) . Random or systematic samples are then taken from each subgroup. The sampling fraction for each subgroup may be taken in the same proportion as the subgroup has in the population Kothari (2004)

3.4.3 Random Sampling

The first statistical sampling method is simple random sampling. In this method, each item in the population has the same probability of being selected as part of the sample as any other item Picardi and Masick (2014). For example, a tester could randomly select 5 inputs to a test case from the population of all possible valid inputs within a range of 1-100 to use during test execution, To do this the tester could use a random number generator or simply put each number from 1-100 on a slip of paper in a hat, mixing them up and drawing out 5 numbers. Random sampling can be done with or without replacement. This method ensures that each item in the entire population has an equal chance of being included in the sample Wegner (1993). If it is done without replacement, an item is not returned to the population after it is selected and thus can only occur once in the sample Kothari (2004).

3.5 Data sources

The researcher used both secondary and primary data as sources of data. **.**

3.5.1 Primary sources of data

Drury (2000) states that primary data refers to data that are collected for the first time in the field. Tanur 1992, primary data is collected specifically for a project. The information is crucial to the research project as it specifically addresses issues of interest to the study area (Janconwincz (2003). Primary data concentrate on the additional information in order to update or refine the secondary information obtained. The main method of data collection was interviews. The primary data is the data collected from the interviews and questionnaires.

Advantages of primary sources of data

According to Bokin (2009), the primary data are original and relevant to the topic of the research study so the degree of accuracy is very high. It can be also collected across the national borders through emails and posts. It can include a large population and wide geographical coverage Moreover, primary data is current and it can better give a realistic view to the researcher about the topic under consideration and reliability of primary data is very high because these are collected by the concerned and reliable party.

Disadvantages of primary sources of data

The disadvantage is that there can be distortions when compiling the data from different sources. In addition the collection fo primary data is costs and very time consuming.

3.5.2 Secondary sources of data

According to Welman and Kruger (2003) secondary data may be contemporary or historical and the data may be quantitative or qualitative and usually needs adjustments and validation before being put to use. Secondary sources include official statistics (produced monthly/annually),Mass media and text books and content analysis for example newspapers, historical and contemporary records. In assessing the reliability of secondary sources, these factors must be considered authenticity, credibility, completeness, reliability and authorship

Advantages of secondary sources of data

Babin (2010) alludes that secondary data is less costly and less time consuming to gather than primary data. Secondary data also allows the researcher to come u with new ideas from those already published.

Disadvantages of secondary sources of data

The major demerit of using secondary data according to Babin (2010) is that the sources used contain data collected for other researches which may be irrelevant or inapplicable to the current study

3.6 Research instruments

3.6.1 Questionnaires

Reis et al (2004) describes questionnaires as data collection tool that had a series of questions. Ozge (2010) also supports that questionnaires are documented scripts of questions for the respondents to fill out their answers. The questions can either be closed ended or open ended.

Advantages of using questionnaire

Wimmer and Dominick (1994:37), point out that large amounts of data can be collected with relative ease from a variety of people. This assertion is further supported by Babbie and Mouton (2004:263) who state that questionnaires make large samples feasible. Willis also points out that questionnaires allows for better analysis of information than interviews which are not restricted, but questionnaires there is a restriction on space or simply the answer to be given.

Disadvantages of questionnaire

The problem with questionnaires as stated by Fowler (2002) is that respondents are not able to ask questions or get clarity where they do not understand or in the case that the questionnaire is badly structured. The space limit on questionnaires is also another challenge as respondents are limited.

3.6.2 Interviews

Fox (2009) regards an interview as a conversation initiated by the interviewer for the specific purpose of obtaining research relevant information. An interview involves the collection of data through direct, verbal interaction between individuals Williams (2007).

Advantages of interviews

Winner and Dominick (2006) state that the interview provides the respondents' opinions, values, motivations, relocations, experiences and feelings. This can help a researcher grasp even the most basic and obvious aspects of a situation Babbie and Mouton (2004). The interviewee also has the chance to ask questions where ever they do not understand or need clarity.

Disadvantages of interviews

Interview responses maybe biased as respondents may give the answer they think is right or that they feel us expected of them. Respondents may also feel intimidated being interviewed face to face about intimate information about the organisation.

3.7 Types of questions

Willis (2008) and Reis et al (2004) identify questions as open ended or closed ended.

3.7.1 Closed Questions

These questions have dined or explicit choices of answers for respondents for instance Yes or No questions, Willis (2008). The author further states that closed ended questions make data presentation, arrangement and interpretation easy since respondents are limited to answers that can be statistically arranged. The researcher used closed ended questions in questionnaires where the Lirket scale was used. The scale gives respondents explicit answers that rank their choice to agreeing or disagreeing.

Advantages of using closed questions

These normally result in a higher response rate as they are easy and faster to administer and answer. Responses to closed ended questions are easy to interpret and statistically analyse thus it is easier to come up with conclusions on the subjects under study according to Reis et al (2004).

Disadvantages of using closed questions

Closed ended questions are limiting as there are explicit answers to choose form and moreover respondents are forced to pick one of the answers even when they had a completely different opinion.

3.7.2 Open Ended Question

Willis (2008) assert that open ended questions are free and allow the respondents to air out their opinion without confining them to any options. Such questions provide rich qualitative information on broad subjects related to the topic. Open ended questions was used on face to face interviews in this study.

Advantages of using open ended question

Ozge (2010) highlights that open ended questions allow for the gathering of more qualitative information as respondents have the platform to air out their view without being limited.

Disadvantages of using open ended questions

However the interpretation, presentation and analysis of findings from open ended questions is complex to digest as it is cumbersome, Reis et al (2004).

3.7.3 Likert scale

It is a summary of the respondent's opinion highlighting their level of agreement with the question or statement given according to Reis et al (2004). The scale is a model used in research as a closed ended question form giving respondents choices from strongly agree to strongly disagree as highlighted in table 3.2 below.

Table 3.2- The Likert Scale

Item	Strongly agree	Agree	Undecided	Disagree	Strongly disagree
Points	1	2	3	4	5

Advantages of Likert scale

It is easy to understand since it uses a universal method of data collection. Working with quantitative data, it is easy to draw conclusions, reports, results and graphs from the responses. The responders are not forced to express either or opinion, rather to be neutral should they choose so choose.

Disadvantages of Likert scale

Respondents have a tendency of automatically avoiding ‘extremes’, therefore answering the way they think are expected to, rather than giving real honesty. There is a social desirability bias since respondents may agree with statements as presented to portray themselves or their organisations in a more favourable way. Attitudes and opinions are complex and not readily summarized in a scale. Ranked questions do not provide means for respondents to elaborate on or explain reasons behind the stated degree of satisfaction. Summary statistics are powerful and if based on poorly designed questionnaires can be damaging.

3.8 Data Validity.

The term validity means that an instrument measures what it is intended to measure and it measures this correctly, Melvilee & Goddard (1996:37). This therefore refers to the appropriateness and usefulness of a specific inference made from the test score. Peterson (1982:345) refers to validity as the degree to which a scale performs the function it was designed to perform. Data is said to be valid if it provides a true picture of what is being studied.The research is considered to be valid because only relevant information was used in the analysis of the research. Joppe (2000:1) states that validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are.

The researcher made sure the data collected was valid by matching the data collected to the research questions. The researcher also went to cross check the data after collection to ascertain whether or not the data was similar to the study area.

3.9 Data Presentation

The presentation of data entails grouping or arranging and showing the data gathered, Willis (2008). The research first grouped the data, then presented it in tables as figures and percentages then used graphs and pie charts. Presentation tools like pie charts and graphs aid in visualizing the findings and even in interpreting and analysing the data.

3.9 Data analysis

Reis et al (2004) alludes that data analysis is done to come up with a conclusion from the data presented. This means a summary has to be used for such a purpose then comparisons made with the research questions to ensure findings are relevant and reliable to the research. Modes used in analysing data to come with conclusions include the mean, median, mode, variance and standard deviation.

The researcher used the mode to come up with conclusion from the research findings. The mode is the most common answer used by respondents according to Reis et al (2004).

3.10 Summary

The chapter focused on the research methodology used by the researcher identifying the research design, data source, population, sampling procedures used, data analysis and data presentation. The next chapter will focus on presentation and analysis of findings.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

The chapter focuses on the analysis, presentation and discussion of data collected from Elephant Lodge Pvt Ltd through the use of questionnaires and interviews. The use of statistical descriptions involving the construction of tables, line graphs, and bar charts was preferred. However, in cases where data could not lend itself to statistical analysis, content analysis was used. The results of the study are presented below.

4.1 Response rate

Below are a summary of questionnaire and interview response rate and a comparison of targeted and successful interviews

Table 4.1: Questionnaire response rate analysis

Respondents	**Issued**	**Response**	**% Success rate**
Finance manager	1	1	100
Accountant	1	1	100
Bookkeeper	1	1	100
Store Controller	1	1	100
General Manager	1	1	100
Operations Manager	1	1	100
Human resource manager	1	1	100
Managing Directors	1	1	90
Assistant Human resource manager	1	1	100
Total	**10**	**10**	

Source; Primary Data

On analysing the respondents' rate on questionnaires and above (see Table 4.1), ten questionnaires were distributed, ten were collected giving a 100% response rate.

This was mainly due to easy follow up and availability of the managers in all the departments. All questionnaires were hand delivered and collected by the researcher. This gave the researcher the opportunity to establish rapport with respondents and further explain the purpose of the study.

Table 4. 2: Interview Response Rate analysis

Finance manager	1	1	100
Accountant	1	1	100
Bookkeeper	1	1	100
Store Controller	1	1	100
Total	**5**	**5**	**100**

Source; Primary Data

On analysing the respondents' rate interviews as indicated in the table above success rate is 100% in both of the data collection instruments. The interviews which took place were all successful and the researcher managed to get the responses and could further elaborate what the interview questions required.

As indicated table 4, 2 above the finance manager, accountant, bookkeeper and stores controller were the target population because these people are the ones most closely in touch with financial management processes and they are aware of effects associated with the rise continuous losses in the organisation's operational performance.

4. 3 Academic qualifications

Table 4, 3; Academic qualifications of respondents

Responses	O Level	A Level	Diploma	Degree	Professional	TOTAL
Number of responses	4	2	2	1	1	10
Percentage	40	20	20	10	10	0

Source; Primary Data

The table above shows that 4/10 hold an Ordinary Level certificate, 2/10 (20%) of the respondents hold an Advanced level certificate, 20% hold a diploma, 1/10 (10) % hold a degree and 10% hold a professional qualification.

As a result the researcher managed to obtain responses from semi-skilled and qualified personnel thus making information more reliable since responses covered the whole spectrum of personnel.

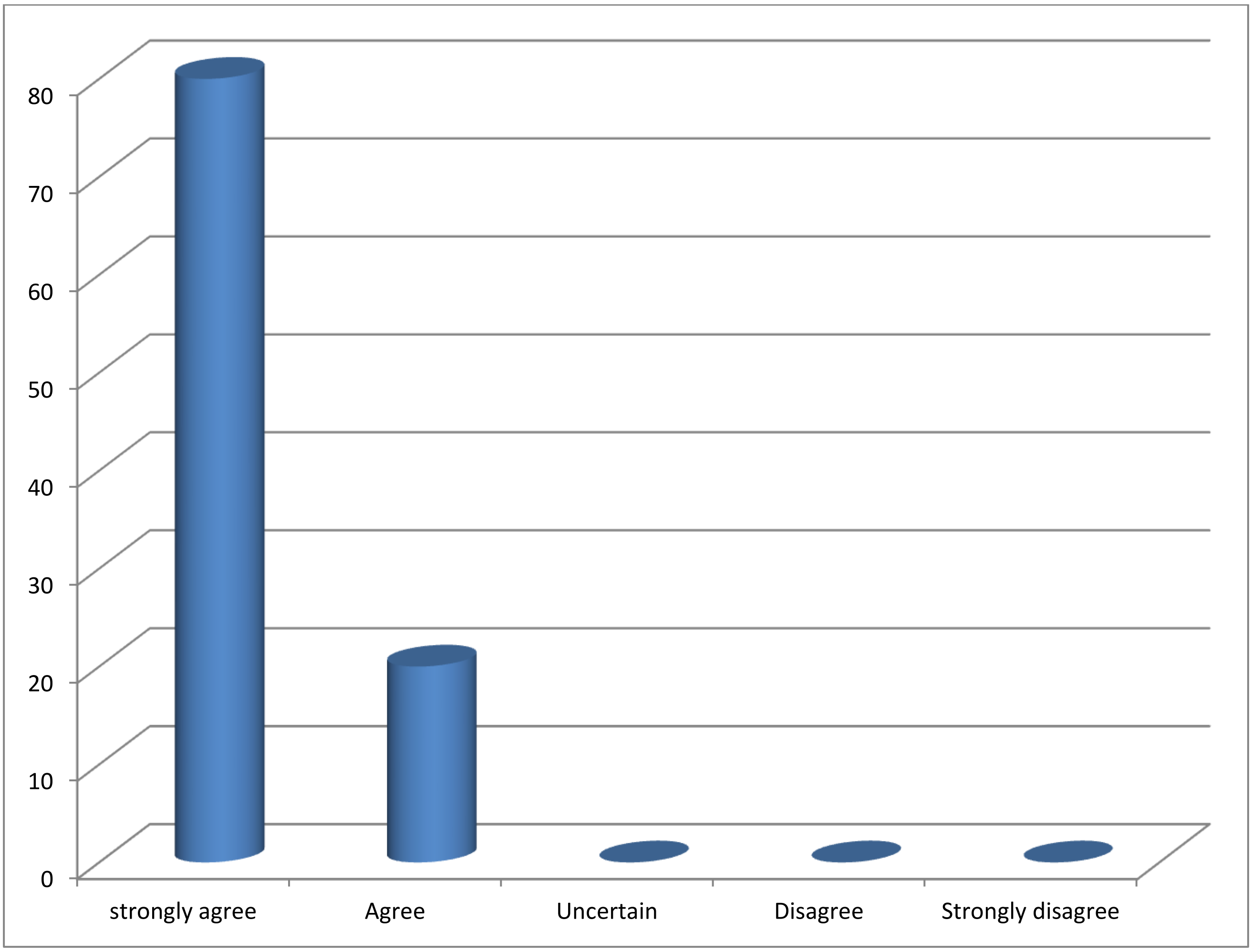
4. 4 Financial Management Policy at Elephant Lodge

Table 4, 4: Responses on the existence of a financial management policy

Responses	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Number of responses	8	2	0	0	0	20
Percentage	80	10	0	0	0	100

Source; Primary Data

Figure 4. 1: Responses on the existence of a financial management policy



Source; Primary data

The study findings in table 4, 4 and figure 4, 1 show that 8/10 (80%) respondents strongly agreed, 2/10 agreed, 0/10 were uncertain, 0/10 disagreed, 0/10 strongly disagreed

As a whole 100% of the respondents agreed that the entity has a financial management policy in place. The mode also shows that a policy is in place

4.5 Responsibility for formulating the financial management policy

Table 4. 5: Departments responsible for formulating the financial management policy

Department	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
i) Directors	8	2	0	0	0	10
Percentage	80	20	0	0	0	100
ii)Finance department	4	6	0	0	0	10
Percentage	40	60	0	0	0	100
iii)Human resources department	0	4	4	2	0	10
Percentage	0	40	40	2	0	100
iv)Other managers	0	9	1	0	0	10
Percentage	0	90	10	0	0	100

Source ; Primary Data

i) Directors

Findings from table 4, 5 above show that 8/10 (80%) respondents strongly agreed, 2/10 (20%) agreed, 0/10 uncertain, 0/10 disagreed and 0/10 strongly disagreed that the directors are responsible for formulating the financial management policy.

On the whole 100 % agreed that the directors are responsible for formulating the financial management policy. Based on the mode the results show that the directors are responsible for formulating the financial management policy

Interview respondents also articulated that the directors are responsible for formulating all policies, which govern the entity.

ii) Finance Department

Table 4, 5 above show that 4/10 (40 %) strongly agreed, 6/10 (60%) agreed, 0/10 (0%) uncertain, 0/10 (0%) disagreed, 0/20 (0%) strongly disagreed that the finance department is responsible for formulating the financial management policy.

On the whole 100 % of the respondents agree that the finance department is also responsible for formulating the financial management policy. Based on the mode, the finance department is also responsible for formulating the financial management policy

iii) Human Resource Department

Table 4, 5 also shows that 0/10 (0%) strongly agreed, 4/10 (40%) agreed, 4/10 (40%) uncertain, 2/10 (20%) disagree, 0/10 (0%) strongly disagree that the human resource department is responsible for formulating the financial management policy.

On the whole 40 % percent agreed that branch managers also formulate financial management policies while 60% disagreed.

Based on the mode the human resource department is not responsible for formulating the financial management policy.

iv) Other Managers

Results in table 4, 5 above indicate that 0/10 (0%) strongly agreed, 9/10 (90%) agreed, 1/10 (10%) uncertain, 0/10 (0%) disagree, 0/10 (0%) strongly disagree.

On the whole 90 % agreed that the other managers are also responsible for formulating the financial management policy while 10% disagreed

Based on the mode respondents agree that other managers are also responsible for formulating the financial management policy

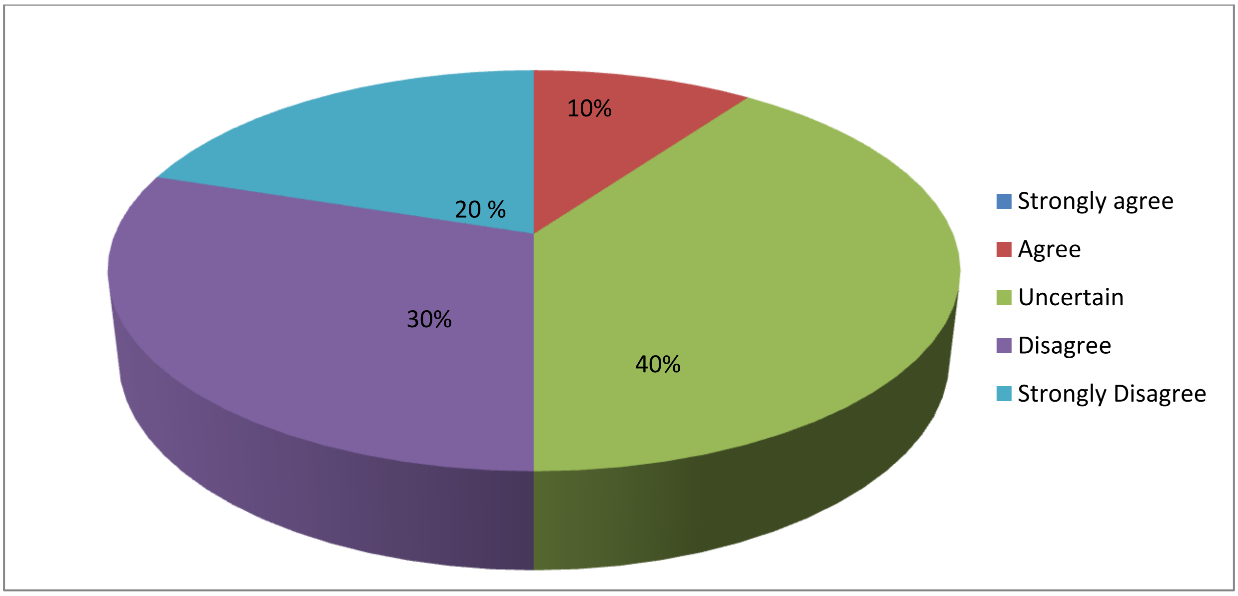
4. 6 Communication of the financial management policy

Table 4:6 Responses on communication of the financial management policy

Responses	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Number of responses	0	1	4	3	2	10
Percentage	0	10	40	30	20	100

Source; Primary Data

Figure 4 2: Responses on communication of the financial management policy



Source; Primary Data

Findings from table 4, 2 show that 0/10 (0%) of the respondents strongly agree, 1/10 (10%) agree, 4/10 (40%) uncertain, 3/10 (30%) disagree, 2/10 (20%) strongly disagree that the financial management policy is communicated to all employees. On the whole 10% agree while the other 90 % disagree that the financial management policy is communicated to all employees. Based on the mode the financial management policy is not communicated to all employees.

The findings from table 4. 6 was supported by interview respondents cited that the financial management policy is limited to certain departments and employees for privacy reasons

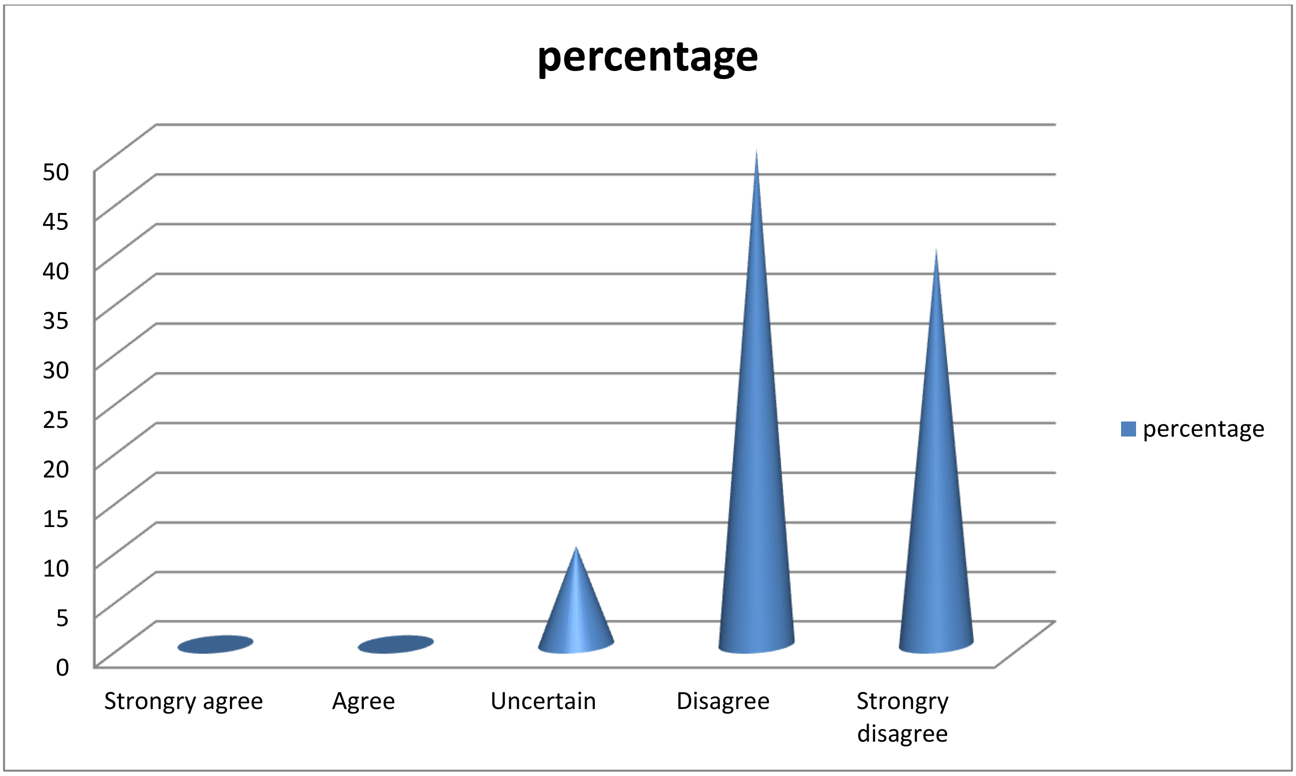
4.7 Training programmes for employees to familiarise themselves the financial management policy

Table 4. 7: Responses on training programmes for employees

Responses	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Number of responses	0	0	0	5	5	10
Percentage	0	0	0	50	50	100

Source ; Primary Data

Figure 4.3: Responses on training programmes for employees



Source; Primary Data

Findings in table 4, 7 and figure 4, 3 show that 0/10 (0%) of the respondents strongly agree, 0/10 (0%) agree, 1/10 (10%) uncertain, 5/10 (50%) disagree, 4/10 (40%) strongly disagree that there are training programmes for employees to familiarise themselves the financial management policy.

As a whole 0 % agree and 100% disagree that training programmes for employees to familiarise themselves the financial management policy. Based on the mode respondents disagree that training programmes are in place.

4.8 Financial management practices guidelines

Factors considered when developing a financial management policy

Table 4. 8: Factors considered when developing a financial management policy

Responses	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
i) Overall entity strategy	4	4	1	1	0	10
Percentage	40	40	10	10		100
ii) Industry norms	0	4	6	0	0	10
Percentage	0	40	60	0	0	100
iii) Existing financial management policy	1	3	6	0	0	10
Percentage	10	30	60	0	0	100
iv) Present Economic conditions	0	6	4	0	0	10
Percentage	0	40	60	0	0	100

Source; Primary Data

i) Overall entity Strategy

Finding in table 4, 8 show that 4/10 (40%) strongly agree, 4/10 (20%) agree, 1/10 (10%) uncertain, 1/10 (0%) disagree, 0/10 strongly disagree that the overall entity strategy is considered when developing a financial management policy. On the whole 90% of the respondents agree that the overall entity strategy is considered when developing the financial management policy. Based on the mode the results in the table 4, 8 show that the entity considers the overall entity strategy when developing its financial management policy

ii) Industrial Norms

For the industry norms 0/10 (0%) strongly agreed, 4/10 (40%) agreed, 6/10 (0%) uncertain, 0/10 (0%) disagreed, 0/10 (0%) strongly disagreed.

As whole 4/10 (40%) of the respondents agree and 6/10 (60%) of the respondents disagree that industry norms are considered when the financial management policy is developed.

Based on the mode responses in table 4, 8 highlight that the entity does not considers industry norms when developing its financial management policy

iii) Existing Financial Management Policy

Table 4, 8 also shows that 1/10 (10%) strongly agree, 3/10 (30%) agreed, 6/10 (0%) uncertain, 0/10 (0%) disagreed, 0/10 (0%) strongly disagree that the existing financial management policy is considered when developing a financial management policy.

4/10 (40%) agree and 6/10 (60%) disagree that the existing financial management policy is considered when developing a financial management policy.

iv) Present Economic Conditions

Findings in table 4, 8 above show 0/10 (0%) strongly agree, 6/10 (60%) agree, 4/10 (40%) uncertain, 0/10 (0%) disagree, 0/10 (0%) strongly disagree that the entity considers economic conditions in the country when developing the financial management policy

On the whole 6/10 (60%) agree while the other 4/10 (40 %) disagree that the entity considers the economic conditions when developing its financial management policy.

The mode shows that economic conditions are considered when developing the entity's financial management policy

Interview respondents cited that the financial management guidelines implemented by the entity are not suitable with the current economic conditions thus the entity does not consider the current economic conditions when developing its financial management policy.

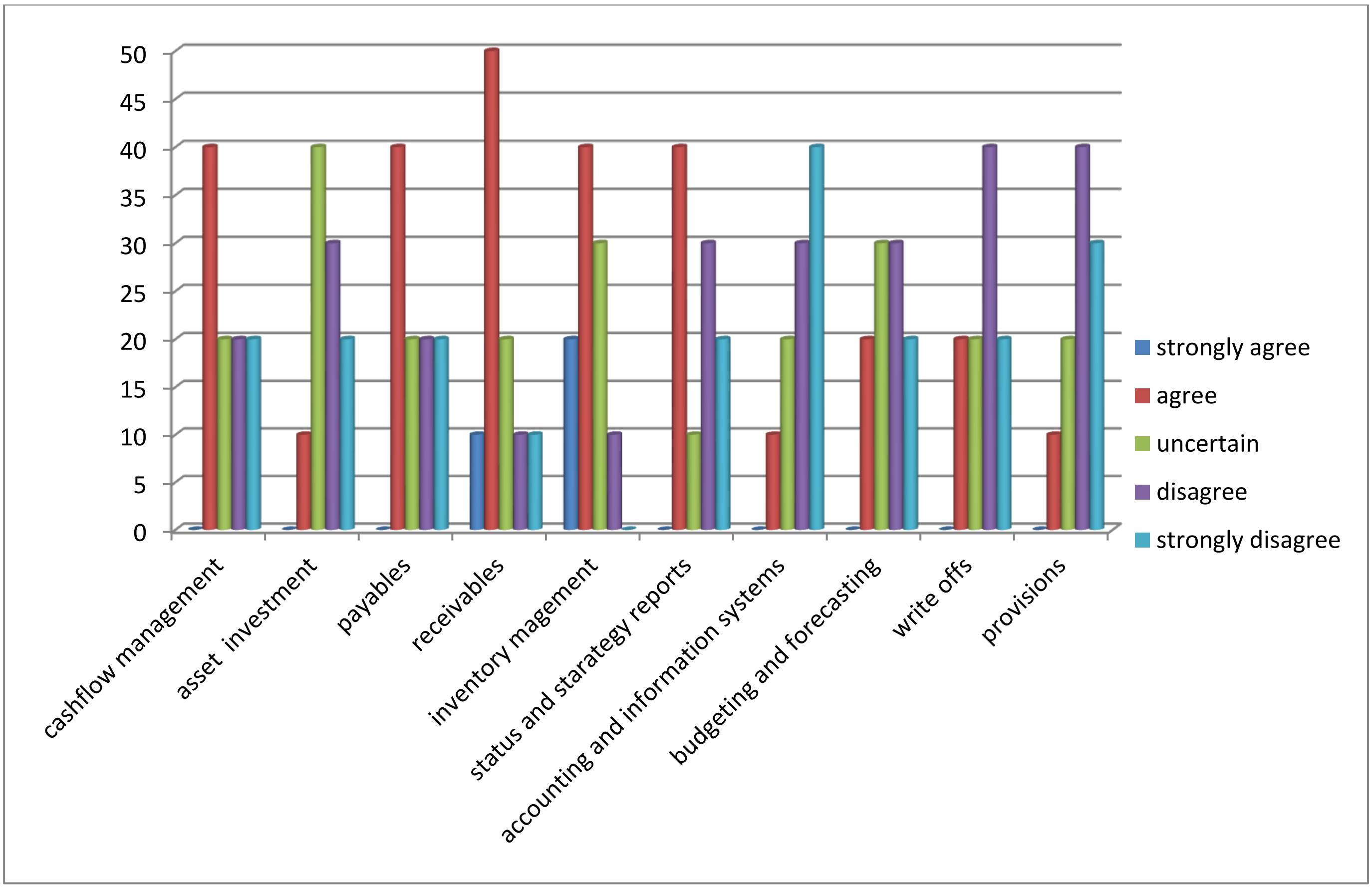
4. 9 Procedures followed as part of the financial management policy implementation guideline

Table 4. 9: Procedures followed as part of the financial management policy implementation guideline

Responses	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
i) Cash flow management	0	4	2	2	2	**10**
Percentage	0	40	20	20	20	100
ii) Asset investment policy	0	1	4	3	2	**10**
Percentage	0	10	40	30	20	100
iii) Payables	0	4	2	2	2	**10**
Percentage	0	40	20	20	20	100
iv) Receivables	1	5	2	1	1	**10**
Percentage	10	50	20	10	10	100
v) Inventory Management	2	4	3	1	0	
Percentage	20	40	30	10	0	100
vi) Strategy Reports	0	4	1	3	2	**10**
Percentage	0	40	10	30	20	100
vii) Accounting and information systems	0	1	2	3	4	10
Percentage	0	10	20	30	40	100
viii) Budgeting and forecasting	0	2	3	3	2	10
Percentage	0	20	30	30	20	100
ix) Write offs	0	2	2	4	2	10
Percentage	0	20	20	40	20	100
x) Provisions	0	1	2	4	3	10
Percentages	0	10	20	40	30	100

Source; Primary Data

Figure 4. 5: Responses on procedures followed as part of the financial management policy implementation guidelines



Source; Primary Data

i) Cashflow Management

Findings from the above the table above show that 0/10 (0%) strongly agree, 4/10 (40%) agree, 2/10 (20%) uncertain, 2/10 (20%) disagree and 2/10 (20%) strongly disagree. that cashflow management is a procedure followed as part of the financial management implementation guideline

On the whole 40% of the respondents agree and 60% disagree that cashflow management is a procedure followed as part of the loan implementation guideline

The results in table 4, 9 shows that cashflow management is not a procedure followed as part of the financial management policy implementation guideline, based on the mode.

ii) Asset Investment Policy

Results in table 4, 9 show that 0/10 0%) strongly agree, 1/10 (10) agree, 4/10 (40%) uncertain, 3/10 (30%) disagree, 2/10 (20%) strongly disagree that asset investment policy is part of the financial management policy implementation guideline.

On the whole 10 % of the respondents agreed that asset investment policy is part of the financial management policy implementation guideline while the other 90 % disagree

The mode from in table 4, 9 shows asset investment policy is not part of the financial management policy implementation guideline.

iii) Trade Payables

For trade payables 0/10 (0%) strongly agreed, 4/10 (40%) agreed, 2/10 (20%) uncertain, 2/10 (20%) disagree, 2/10 (20%) strongly disagree.

On the whole (40%) agree and 60% disagree that trade payables are part of the financial management policy implementation guideline,

Based on the mode the results in table 4, 9 above show that financial management policy implementation guideline does not include trade payables

iv) Trade Receivables

Results in the above table show that (10%) respondents strongly agree, 5/10 (50%) agree, 2/10 (20%) uncertain, 1/10 (10%) disagree, 1/10 (10%) strongly disagree that trade receivables are part of the loan implementation guidelines.

On the whole 60 % agreed and 40% disagreed that trade receivables are part of the financial management policy implementation guideline.

From the results in the table the mode show that trade receivables are part of financial management policy implementation guideline

v) Inventory Management

For inventory management 2/10 (0%) strongly agree, 4/10 (10%) agree, 3/10 (30%) uncertain, 1/10 (40%) disagree, 0/10 (0%) strongly disagree that inventory management are part of financial management implementation guideline.

As a whole 60% agreed that inventory management is part of the financial management policy implementation guideline.

Based on the mode inventory management is part of the financial management policy implementation guideline.

vi) Accounting Information Systems

For accounting information systems 3/10 (30%) strongly agree, 4/10 (40%) agree, 2/10 (20%) uncertain, 1/10 (10%) disagree, 0/10 (0%) strongly disagree that write offs are part of financial management policy implementation guideline.

As a whole 70% agreed and 30% disagreed that accounting information systems are a part of the financial management policy implementation guideline.

Based on the mode, accounting information systems is part of the financial management policy implementation guideline.

vii) Write Offs

For write offs 0/10 (0%) strongly agree, 1/10 (10%) agree, 2/10 (20%) uncertain, 4/10 (40%) disagree, 3/10 (30%) strongly disagree that write offs are part of financial management policy implementation guideline.

As a whole 20% agreed that write offs are a part of the financial management policy implementation guideline.

Based on the mode write offs are not part of the financial management policy implementation guideline.

4.10 Financial management policy guidelines

Table 4, 10: Financial management policy guidelines

Responses	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
i) Credit evaluation/appraisal	3	4	2	1	0	10
Percentage	30	40	20	10	0	100
ii) Credit approval	2	4	2	2	0	**10**
Percentage	20	40	20	20	0	100
iii) Budgeting	3	4	2	1	0	**10**
Percentage	30	40	20	10	0	100
iv) Financial Reporting	5	1	2	1	1	**10**
Percentage	50	10	20	10	10	100
v) Inventory Management	4	3	1	1	1	**10**
Percentage	40	30	10	10	10	100
vi) Staff members roles and responsibilities	5	2	1	1	1	**10**
Percentage	50	20	10	10	10	100
vii) Monitoring	3	3	1	2	1	10
Percentage	30	30	10	20	10	100
viii) Control	5	2	1	1	1	10
Percentage	50	20	10	10	10	100
ix) Financial management practices guidelines	30	30	20	10	10	10
Percentage	30	30	20	10	10	100

Source; Primary Data

i) Credit Evaluation/ Appraisal

Finding in table 4, 10 show that 3/10 (30%) strongly agree, 4/10 (40%) agree, 2/10 (20%) uncertain, 1/10 (10% disagree, 0/10 (0%) strongly disagree that credit evaluation/appraisal is a policy guideline. As a whole 70% agree and 30 % disagree that credit evaluation/appraisal is a policy guideline. Based on the mode the entity has credit evaluation/appraisal is part of the policy guideline.

ii. Credit Approval

Results in the table 4, 10 show that 2/10 (20%) strongly agree, 4/10 (40%) agree, 2/10 (20%) uncertain, 2/10 (20%) disagree, 0/10 (0%) strongly disagree that credit approval criteria is a policy guideline.

Overally 60% percent agree and 40 % disagree that credit approval a criterion is a policy guideline.

iii. Financial Reporting

For financial reporting 5/10 (50%) strongly agree, 1/10 (10%) agree, 2/10 (20%) uncertain, 1/10 (10%) disagree, 1/10 (0%) strongly disagree that financial reporting criteria is a policy guideline.

Overally 60% percent agree and 40 % disagree that financial reporting a criterion is a policy guideline.

The mode shows that that credit approval a criterion is a policy guideline.

Table 4.11: Responses on policy guidelines

Policy Guideline	Strongly agree	Agree	Uncertain	Disagree	Strongly Disagree	Total
Roles and responsibility staff members	5	2	1	1	1	10
Percentage	50	20	10	10	10	100
Monitoring	4	3	1	1	1	10
Percentage	40	30	10	10	1	100
Financial management practices guidelines	30	30	20	10	10	10
Percentage	30	30	20	10	10	100

Source; Primary Data

iv. Financial Reporting

Findings in table 4, 11 show that 5/10 (50%) respondents strongly agree, 2/10 (20%) gree, 1/10(10%) uncertain, 1/10(10%) disagree, 1/10 (10%) strongly disagreed that roles and responsibilities of staff is stipulated in the financial management policy

As a whole 6/10 (60%) of the respondents agreed and 4/10 (0%) disagreed that responsibilities of staff is a control policy guideline

Based on the mode responsibilities of staff is a control policy guideline.

v. Monitoring

Results from table 4, 11 above show that 4/10 (40%) strongly agree, 3/10 (30%) agree, 1/10 (10%) uncertain, 1/10 disagree, 1/10 (10%) strongly disagree that monitoring and control is a policy guideline.

Overally 70 % agree and 30% disagree that monitoring and control is a policy guideline.

Based on the mode monitoring is a policy guideline.

vi. Control

Results from table 4, 11 above show that 4/10 (40%) strongly agree, 3/10 (30%) agree, 1/10 (10%) uncertain, 1/10 disagree, 1/10 (10%) strongly disagree that monitoring and control is a policy guideline.

Overally 70 % agree and 30% disagree that monitoring and control is a policy guideline.

Based on the mode is a control policy guideline.

vii. Financial Management Guidelines

For financial management guidelines 3/10 (30%) strongly agree, 3/0 (30%) agree, 2/10 (20%) uncertain, 1/10 (0%) disagree, 1/10 (0%) strongly disagree

Overally 60% agree and 40 % disagree that financial management guidelines is a policy guideline.

The mode shows that financial management guidelines are policy guideline.

4.12 Controls that in are in place over the financial management policy implementation

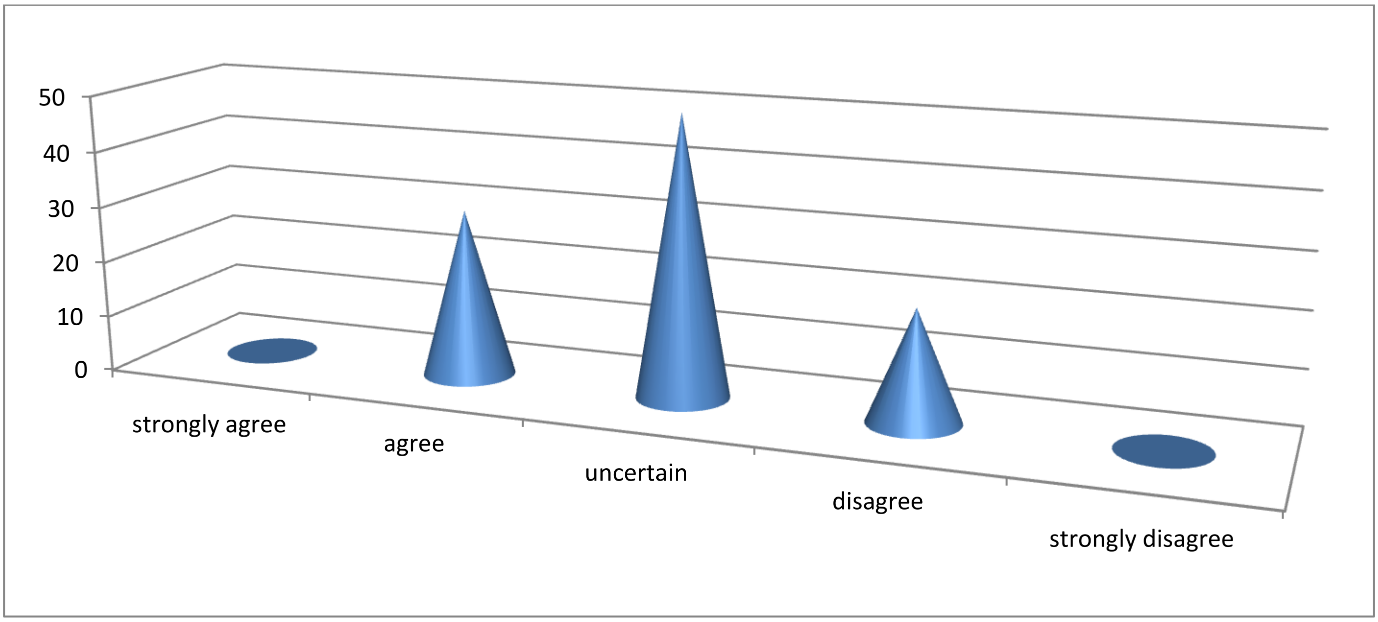
4. 12. 1 Does the entity have a written credit control policy which has been approved by the board is in place?

Table 4.12: Responses on credit control policies

Responses	**Strongly agree**	**Agree**	**Uncertain**	**Disagree**	**Strongly disagree**	**Total**
Number of responses	7	6	0	0	0	10
Percentage	70	30	0	0	0	100

Source; Primary Data

Figure 4. 6: Responses on credit control policies



Source; Primary Data

Findings in table 4, 12 above and in figure show that 7/10 (70%) of the respondents strongly agree, 6/10 (30%) agree, 0/10 (0%) uncertain, 0/10 (0%) disagree, 0/10 (0%) strongly disagree that a written credit control policy which has been approved by the directors is in place.

As a whole 100% of the respondents agree that a written credit control policy which has been approved by the directors is in place. Based on the mode the entity has a written credit control policy which has been approved by the board is in place.

Interview respondents also cited that the financial management policy itself is a control measure that is in place as it promotes adherence to laws, regulations and it sets out roles and responsibility staff members, monitoring and control measures and Guidelines on financial management practices.

4. 13: The objectives of an effective Internal Control System

Table 4.13: Objectives of an effective Internal Control System

Purpose	Agree	Strongly agree	Uncertain	Disagree	Disagree	Total
i) Maintains the organization's efficiency	7	3	0	0	0	10
Percentage	70	30	0	0	0	100
ii) Collects reliable information that is relevant for the operations of the entity	10	0	0	0	0	10
Percentage	100	0	0	0	0	100
iii) Promotes adherence to laws ,regulations and management Directives	10	0	0	0	0	10
Percentage	100	0	0	0	0	100
iv)Encourage better Performance	9	1	0	0	0	20
Percentage	90	10	0	0	0	100

Source; Primary Data

i) Maintenance of the organisation efficiency

Findings in the table 4, 13 above shoe that 7/10 (70%) of the respondents strongly agree, 3/10 (30%) agree, 0/10 (0%) uncertain, 0/10 (0%) disagree, 0/10 (0%) strongly disagree that maintaining the organization's efficiency and objectives of an effective Internal Control System.

As a whole 100% of the respondents agree that the objectives an internal control system are to maintain the organization's efficiency

Based on the mode the internal control system’s objectives are to maintain the organization's efficiency

ii) Collection of reliable information

The table 4, 13 shows 10/10 (100%) strongly agree, 0/10 (0%), 0/10 (0%) uncertain, 0/10 (0%) disagree, 0/10 (0%) strongly disagree that the objectives an internal control system is to collect reliable information that is relevant for the operations of the entity

As a whole 100% of the respondents agree that the objective internal control system is to collect reliable information that is relevant for the operations of the entity

Based on the mode the results in the above table show that collection of reliable information that is relevant for the operations of the entity is an objective of internal control objective

iii) Adherence to laws, regulations and management directives

Results in table 4, 13 show 10/10 (100%) strongly agree, 0/10 (0%), 0/10 (0%) uncertain, 0/10 (0%) disagree, 0/10 (0%) strongly disagree that internal controls promote adherence to laws, regulations and management directives.

Overally 100% of the respondents agree that those internal controls promote adherence to laws, regulations and management directives.

Based on the mode the internal control system promote adherence to laws, regulations and management directives.

iv) Encourage better performance

Results in table 4, 13 show that 9/10 (90%) strongly agreed, 1/10 (10%) agree, 0/10 (0%) uncertain, 0/10 (0%) disagree and 0/10 (0%) strongly disagree that internal controls encourage better performance

As a whole 100% of the respondents agree that the objectives encourage better performance.

Based on the mode the internal control system’s objectives encourage better performance.

4.14 Controls that in place over the financial management policy

Table 4.14: Controls that in place over the financial management policy

Factor	Strongly Agree	Agree	Uncertain	Disagree	Strongly disagree	Total
i) Performance monitoring and control procedures	7	3	0	0	0	10
Percentage	70	30	0	0	0	100
ii) Authorization and approval	10	0	0	0	0	10
Percentage	100	0	0	0	0	100
iii) Segregation of duties and responsibilities	10	0	0	0	0	10
Percentage	100	0	0	0	0	100
iv) Completeness and accuracy	0	2	4	3	1	10
Percentage	0	20	40	30	10	100
v) Clear documentation of control procedures	0	4	2	2	2	10
Percentage	0	40	20	20	20	100

Source; Primary Data

i) Performance monitoring and control procedures

Findings in the above table 4, 14 show that 7/10 (70%) respondents strongly agree, 3/10 agree, 0/10 (0%) uncertain, 0/10 (0%) disagree, 0/10 (0%) strongly disagree that performance monitoring and control procedures is a control that is in place over the financial management policy

As a whole 100% of the respondents agree that performance monitoring is a control in place over the financial management policy. Based on the mode performance monitoring is a control in place over the financial management policy.

Greuning H and Bratanovic (2003), support this finding by stating that entities need to enunciate a system that enables them to monitor the quality of the credit portfolio on a day-to-day basis and take remedial measures as and when any deterioration occurs. and establishing an efficient and effective credit monitoring system would help senior management to monitor the overall quality of the financial management and its trends.

ii) Authorization and approval

Results in the table 4, 14 also show that 10/10 (100%) respondents strongly agree, 0/10 agree, 0/10 (0%) uncertain, 0/10 (0%) disagree, 0/10 (0%) strongly disagree that authorization and approval is a control that is in place over the financial management policy

As a whole 10/10 (100%) of the respondents agree that authorization and approval is a control that is in place over the financial management policy and 0/10 (0%) disagree

Based on the mode authorization and approval is a control that is in place over the financial management policy

Interview respondents also articulated that no work is processed in the entity is processed without the approval of the responsible authority

iii) Segregation of duties and responsibilities

For segregation of duties and responsibilities 10/10 (100%) respondents strongly agree, 0/10 agree, 0/10 (0%) uncertain, 0/10 (0%) disagree.

As a whole 100% of the respondents agree that segregation of duties and responsibilities is a control that is in place over the financial management policy.Based on the mode segregation of duties and responsibilities is a control that is in place over the financial management policy

iv) Completeness and accuracy

The table 4, 14 above shows that 0/10 (0%) strongly agree, 2/0 (20%) agree, 4/10 (40%) uncertain, 3/10 (30%) disagree, 1/10 (10%) strongly disagree that completeness and accuracy is a control that is in place over the financial management policy.

Overally 20% of the respondents agree and 80% disagree that completeness and accuracy is a control that is in place over the financial management policy.The mode from the results shows that completeness and accuracy is a control that is not in place over the financial management policy.

Interviewees also expressed that the entity lacks systems designed to detect incompleteness of processed information

v) **Completeness and accuracy**

Results from table 4, 14 show that 0/10 (0%) respondents strongly agree, 4/10 agree, 2/10 (20%) uncertain, 2/10 (0%) disagree, 2/10 (20%) strongly disagree that clear documentation of control procedures is control that is in place over the financial management policy

On the whole 40% of the respondents agree and 60% that clear documentation of control procedures is control that is in place over the financial management policy. The mode from the results shows that clear documentation of control procedures is not control that is in place over the financial management policy

Interview respondents also stressed that some policies that in place in the entity have procedure manuals thus they are documented.

vi) **Receivables follow up**

Results in the above table show that 6/10 (60%) strongly agreed, 4/10 (40%) agreed, (0%) uncertain, 0/10 (0%) disagree and 0/10 (0%) strongly disagree that debtors follow up is a control that is in place over the financial management policy.

Overally 100% of the respondents agreed that debtor's follow up is a control that is in place over the financial management policy
Based on the mode debtor's follow up is a control that is in place over the financial management policy.

Saunders A and Cornett M (2004) also support the findings when they state that proactive effort should be taken in dealing with obligors to implement remedial plans, by maintaining frequent contact and internal records of follow-up actions.

4. 15 Existence of internal audit department

Table 4, 15: Responses on Existence of internal audit department

Responses	**Strongly agree**	**Agree**	**Uncertain**	**Disagree**	**Strongly disagree**	**Total**
Number of responses	6	4	0	0	0	20
Percentage	60	40	0	0	0	100

Source; Primary Data

Findings table 4, 15 show that6/10 (60%) respondents strongly agree, 4/10 agree, 0/10 (0%) uncertain, 0/10 (0%) disagree, 0/10 (0%) strongly disagree that the internal audit department exist. As a whole 100% of the respondents strongly agree that internal audit department is in existence.

The findings is also supported by Basel III (2012), which state that an entity must have independent control units that are responsible for the design, or selection, implementation and performance of their internal rating systems.

4. 16 Frequency of audits

Table 4, 16: Responses on frequency of audits

Time frame	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
i)Quarterly	0	0	0	0	10	10
Percentage	0	0	0	0	100	100
ii)Semi annually	10	0	0	0	0	10
Percentage	0	0	0	0	100	100
iii)Annually	10	0	0	0	0	10
Percentage	100	0	0	0	0	100
iv)Seldom	10	0	0	0	0	10
Percentage	0	0	0	0	100	100
v)Never	0	0	0	0	10	10
Percentage	0	0	0	0	100	100

Source; Primary Data

i) Quarterly

Findings in table 4, 16 show that 0/10 (0%) respondents strongly agree, 0/10 (0%) agree, 0/10 (0%) uncertain, 0/10 (0%) disagree10/10 (100%) strongly disagree that audits are done quarterly.

As a whole 100 % agreed that no audits are done quarterly.

Based on the mode departments are not audited quarterly

ii) Semi Annually

Findings in table 4, 16 show that 10/10 (100%) respondents strongly agree, 0/10 (0%) agree, 0/10 (0%) uncertain, 0/10 (0%) disagree0/10 (0%) strongly disagree that audits are done semi-annually.

As a whole 100% agreed that departments are audited semi annually

Based on the mode departments are audited semi annually

iii) Annually

Results in table 4, 16 show 10/10 (100%) respondents strongly agree, 0/10 (0%) agree, 0/10 (0%) uncertain, 0/10 (0%) disagree0/10 (0%) strongly disagree that audits are done annually.

As a whole 100% agreed that audits are done annually

Based on the mode departments are audited annually

iv) Seldom

The table 4, 16 above shows that 10/10 (100%) respondents strongly agree, 0/10 (0%) agree, 0/10 (0%) uncertain, 0/10 (0%) disagree0/10 (0%) strongly disagree that audits are done annually. that audits are done rarely

As a whole 100% agreed that departments are audited rarely

Based on the mode departments are rarely audited.

v) Never done

Results in table 4, 16 show that 0/10 (0%) respondents strongly agree, 0/10 (0%) agree, 0/10 (0%) uncertain, 0/10 (0%) disagree, 0/10 (0%) strongly disagree that audits are never done.

As a whole 0/10 (100%) respondents agree and 10/10 (100%) respondents disagree that departments are never audited.

Based on the mode respondents disagree that departments are never audited

Interviewees also articulated that that audits are done annually.

4. 17 Review of the financial management policy

4. 17. 1 Frequency of financial management policy review

Table 4, 17: Responses on frequency of financial management policy review

Time frame	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
i)Quarterly	0	0	0	0	10	10
Percentage	0	0	0	0	100	100
ii)Semi annually	0	0	0	0	10	10
Percentage	0	0	0	0	100	100
iii)Annually	2	8	0	0	0	10
Percentage	20	80	0	0	0	100
iv)Seldom	0	0	0	0	10	10
Percentage	0	0	0	0	100	100
v)Never	0	0	0	0	10	10
Percentage	0	0	0	0	100	100

Source; Primary Data.

i) Quarterly

Findings in table 4, 17 show that 0/10 (0%) respondents strongly agree, 0/10 (0%) agree, 0/10 (0%) uncertain, 0/10 (0%) disagree, 10/10 (100%) strongly disagree that controls are reviewed quarterly.

As a whole 100% disagreed that controls are reviewed quarterly. Based on the mode departments are not controls are reviewed quarterly.

ii) Semi Annually

Findings table 4, 17 show that 0/10 (0%) respondents strongly agree, 0/10 (0%) agree, 0/10 (0%) uncertain, 0/10 (0%) disagree, 10/10 (100%) strongly disagree that controls are reviewed semi-annually.

As a whole 0/10 (0%) agreed and 10/10 (100%) disagreed that controls are reviewed semi annually

Based on the mode controls are not reviewed semi annually

iii) Annually

Results in table 4, 17 show 2/10 (20%) respondents strongly agree, 8/10 (80%) agree 0/10 (0%) uncertain, 0/10 (0%) disagree, 0/10 (0%) strongly disagree that that controls are reviewed annually.

As a whole 100% agreed that that controls are reviewed annually

Based on the mode controls are reviewed annually

Interview respondents cited that annually the financial management policy receivable, payables, inventory management and cost reduction procedures are mostly reviewed.

iv) Seldom

Results in table 4, 17 show 0/10 (0%) respondents strongly agree, 0/10 (80%) agree 0/10 (0%) uncertain, 0/10 (0%) disagree, 10/10 (100%) strongly disagree that that controls are reviewed annually.

As a whole 100% agreed that that controls not are reviewed rarelyBased on the mode controls are reviewed annually.

v) Never

Results in table 4, 17 show 0/10 (0%) respondents strongly agree, 0/10 (80%) agree 0/10 (0%) uncertain, 0/10 (0%) disagree, 10/10 (100%) strongly disagree that that controls are never reviewed.

As a whole 100% disagreed that that controls are never reviewed. Based on the mode controls are reviewed annually

4.18 Best practices

Table 4.18: Responses on best practices

Factor	**Strongly Agree**	**Agree**	**Uncertain**	**Disagree**	**Strongly disagree**	**Total**
Cashflow management	5	5	0	0	0	10
Percentage	50	50	0	0	0	100
Fixed asset management	6	4	0	0	0	10
Percentage	60	40	0	0	0	100
Inventory management	6	3	1	0	0	10
Percentage	60	30	10	0	0	100
Financial reporting and control	6	4	0	0	0	10
Percentage	60	40	0	0	0	100
Budgeting	5	3	2	0	0	10
Percentage	50	30	20	0	0	100
Cost reduction	6	4	0	0	0	10
Percentage	60	40	0	0	0	
Accounting systems and information systems	5	5	0	0	0	10
Percentage	50	50	0	0	0	100

Source; Primary Data

Findings in table 4, 18 show that 5/10 (50%) strongly agree, 5/10 (30%) agree, 0/10 (0%) uncertain, 0/10 (0%) disagree, 0/10 (0%) strongly disagree that cashflow management is a best practice.

As a whole 100% agree and 0% disagrees that cashflow management can improve the financial management practices in SMEs

As a whole 100% agree and 0% disagree that fixed asset management is a best financial management practice.

Based on the mean fixed asset management can improve financial management practices.

For inventory management 6/10 (60%), 3/10 (30%) agree, 1/10 (10%) uncertain, 0/10 (0%) disagree, 0/10 (0%) strongly disagree.

As a whole 90% agrees and 10% disagree that inventory management can improve financial management. Based on the mode respondents agreed that inventory management can improve financial management.

The table 4, 18 above shows that 6/10 (0%) strongly agree, 4/10 (0%) agree 0/10 (0%) uncertain, 0/10 (0%) disagree, 0/10 (0%) strongly disagree that budgeting improves financial management practices

As a whole 100% agree that budgeting can improve financial management practices.

Based on the mode respondents agreed that budgeting can improve financial management practices.

Interview respondents also cited that it budgeting techniques need to be employed to improve the efficiency in financial resources allocation. Respondents also cited that budgeting avoids spending on items and services that do not contribute to the attainment of the entity's financial goals of the entity and avoid misuse of financial resources.

Findings in table 4, 18 show that 5/10 (50%) strongly agree, 5/10 (30%) agree, 0/10 (0%) uncertain, 0/10 (0%) disagree, 0/10 (0%) strongly disagree that accounting systems and information systems are best practices.

As a whole 100% agree and 0% disagree that accounting systems and information systems can improve the financial management practices in SMEs

4. 19 Summary

The chapter focused on the presentation and analysis of research findings. The mode was used as a measure central tendency. The next chapter focuses on chapter summaries conclusions, major findings, recommendations and suggestions for future research

CHAPTER 5

FINDINGS, CONCLUSION AND RECOMMENDATIONS

5. 0 Introduction

This chapter outlines the research findings, conclusions based on the extent to which research findings confirm to the empirical findings. The research findings were then used to recommend lending best practices, which might improve financial management practices and overall operational performance. Weaknesses the researcher observed during the time of her research were used to draw up recommendations and the possible improvements that could be made.

5.1 Chapters Summaries

The first chapter introduced the research problem which was an investigation into the financial management practices on the performance of Elephant Lodge Pvt Ltd. The chapter also covered the background to the study, statement of the problem, the research questions which gave rise to the objectives of the study, the significance of the study, the delimitations and limitations of the study, the assumptions and the definition of key terms.

Chapter two presented the related literature from different authors and scholars. Karadag H Wadesango O and Nyamwanza T are some of the scholars who made contribution to the literature review. Dumbo and Chadamoyo (2012) amongst others illustrated that SMEs firms face financial problems because they do not know proper financial management systems. The authors abetted the researcher to instate and understand whether financial controls are reviewed. The researcher managed to gain a perception on the research objectives.

The third chapter availed the research methodology used to gather data, it showed the research design, population and the data collection instruments which were questionnaires and interviews and how the researcher ensured validity and reliability. The researcher used the descriptive survey. Purposive sampling was used as a sampling technique. Data was presented using tables, pie charts and graphs and analysis was done using the mode a measure of central tendency

Chapter four elaborated on data findings from interview respondents. The chapter also presented interpreted and analysed data. The use of statistical descriptions involving the construction of tables, line graphs, pie charts and bar charts was preferred in data presentation. The mode was used as a measure central tendency.

5. 2 Major Findings

During the course of the research the researcher came up with the following findings;

- The entity has a financial management policy in place. The directors, finance department and other managers are responsible for formulating the financial management policy other employees are not involved in the financial management policy formulation.

- There is no written and filled document on most financial management policy. The directors have a final say in policy implementation entity. A top down implementation approach is used by the entity. Cashflow management, trade receivables and inventory management are procedure followed as part of the financial management implementation guideline.

- The entity faces challenges in inadequate supply of skilled workers, lack of networks that benefit the growth of the business. There is shortage of information and accounting systems and lack of access to credit facilities.
- There is insufficient supply of skilled workers .Management lack managerial skills yet they are key decision makers. The entity does not offer any training programmes for employees to familiarise themselves the financial management policy nor does it support employee training programmes on this aspect.
- Budgeting, stock takes, authorization and approval are used as key control tools by the entity. There is an internal audit section in place but there is no external auditing.
- Cashflow management, fixed asset management, inventory management, budgeting accounting systems and information systems are best practices that can improve financial management practices.

5. 3 Conclusion

The research was a success as the researcher managed to come up with findings and recommendations that can be developed for sound financial management.

5. 4 Recommendations

To appropriately develop best financial management practices in the entity and other SMEs the following recommendations should be taken on board:

- There is need for every employee to participate in the financial management formulation. This can only be done through employee training and development in financial management facilitated by the employers.
- The entities should promptly review their financial management policies and documentation more often and according to changes in the macro-environment and industrial norms. The entity must update their internal policies, accounting systems and procedures, as this determines the effectiveness sound decision formulation.
- The entity need to improve on financial reporting, accounting systems and information technology. The entities should look for alternative ways of utilising idle space for example letting and producing their own inputs (through gardening). The entity should also look for alternative means of selling its products through e commerce and e business so as to widen its market base.
- There is also need to ensure that employers and employees are accorded an equal opportunity to attend courses and trainings financial management and in strategy formulation. There is also need for employees joining the entity especially those who will be working in the finance and operations departments to read all documentation and policies concerning financial management during their induction period. Dumbu and Chadamoyo (2012) illustrated that, human resource management is a critical component of the management of the firm that it can be regarded as the pillar of the production function in any industry.

- There is need to strengthen internal control imperative in financial management and all positions should improve the oganisation’s performance and this should minimize persistence of losses.
- The entity can create value in improving its cash flow by reducing the number of days for which their accounts are outstanding. Moreover, shortening the cash conversion cycle may improve the business profitability. Inventory optimization and increasing

the payables deferral period are quite important in working capital management. In China, services marketing literature, process benchmarking is regarded as useful for managers to analyse the effectiveness of client handling, regarded as important within service sector studies (Ladenburg, 2006; Hwang a ND Lockwood, 2006)

5. 5 Suggestions for future research

In order to come up with a detailed analysis of financial management practices in SMEs research is needed to evaluate the effectiveness of internal controls and evaluating the importance of financial management practices in SMEs.

5. 6 Summary

The chapter covered the chapter summaries, research findings, conclusion, recommendation, and suggestion for future research.

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APPENDIX I

COVER LETTER

Midlands State University

Faculty of Commerce

Department Of Accounting

P Bag 9055

Gweru

08-03-2016

Elephant Lodge Pvt Ltd
Lot 1 of Lot 6
Brickford
Greenvale
Mvuma Road
Gweru

Dear Sir/Madam

RE: Authority to carry out research

Muridzo Fungisai Sandra is my name. I am a student at Midlands State University studying for a Bachelor of Commerce in Accounting Degree. As part of my degree programme, I am conducting a research entitled “An investigation into the financial management practices on the performance of Elephant Lodge”.

I am asking for your assistance by way of administering questionnaires carrying out interviews to make this project a success. The views you will provide will be used for academic purposes only and shall be treated with the greatest degree of confidentiality

Yours faithfully

Fungisai S Muridzo

Registration number R133597B

APPENDIX II

INTERVIEW GUIDE QUESTIONS

1) Which financial management practices are in place?

2) How do staff members participate in financial management policy implementation?

3) What factors, strategies and conditions does the organisation consider in developing a financial management policy and procedures?

4) How does your organisation encourage and provide resources to staff to undertake appropriate training to improve their skills in financial management practices?

5) When employing these policies in the everyday application of financial management procedures, what challenges are experienced?

6) What factors has the organisation put in place to create an effective internal control

7) Which accounting systems and books of accounts are used by the organisation, and state the reasons for use?

8) How do you assess the validity and reliability of your internal control systems in place?

9) Listed below are aims and purposes of Internal Controls. Please tick in the spaces provided below on how they have impacted in your organization.

Purpose	Agree	Strongly agree	Uncertain	Disagree	Disagree
Maintains the organization's efficiency					
Collects reliable information that is relevant for the operations of the organization					
Promotes adherence to laws ,regulations and management Directives					
Encourage better Performance					

10) What else can be done to improve financial management practices in the organisation?

APPENDIX III

QUESTIONNAIRE

The following questions are on the analysis of financial management practices on the operational performance of Elephant Lodge Private Limited. Kindly answer all the questions by filling in the blank spaces and using a tick where appropriate.

1. Which department do you work in?

Finance ☐ Operation ☐ Human Resources ☐

2. For how long have you been employed by the organisation

1-5 years ☐ 5-10 years ☐ over 10 years ☐

3. State your highest academic qualifications?'

No formal education ☐ O'level ☐ A' level ☐ Degree ☐ Professional qualification ☐

Specify……………………………………………………………………………………….

Any other qualification (Specify) ☐

………………………………………………………………………………………..

4. The organisation has a financial management policy in place.

Strongly agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly disagree ☐

5. The organisation has a documented financial management policy?

Strongly agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly disagree ☐

6. The following are responsible for formulating financial management policies;

Department	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
i. Directors					
ii. finance department					
iii. human resource department					
iv. other managers					

Specify……………………………………………………………………………………..

7. The financial management policy is communicated to staff members.

Strongly agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly disagree ☐

7. The financial management policy is well understood by staff members.

Strongly agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly disagree ☐

8. Programs are in place for employees to familiarise themselves with financial management implementation guidelines

Strongly agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly disagree ☐

9. The following factors were considered when developing a financial management policy;

Factor	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
i. Overall organisation strategy					
ii. Industry norms					
iii. Existing financial management policy					
iv. Economic conditions in the country					

10. The following procedures form part of your financial management policy implementation guideline.

PROCEDURE	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
i.cash flow management					
ii. Asset investment policy					
iii. Payables					
iv. Receivables					
iv. Inventory management					
vi. Status and strategy reports					
vii. Accounting systems and information technology					
viii. Budgeting and forecasting					
ix. Write offs					
x. Provisioning					

11.There are guidelines on the following aspects:

Policy Guideline	Strongly agree	Agree	Uncertain	Disagree	Strongly Disagree
i.Credit evaluation/appraisal process					
ii. Credit approval					
iii. Budgeting					
iv. Financial reporting					
v .Inventory management					
vi. Roles and responsibility staff members					
vii. Monitoring					
viii. Control					
ix. Guidelines on financial management practices					

12. A written financial management policy which has been approved by the directors is in place.

Strongly agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly disagree ☐

13. The following are the objectives of an effective Internal Control System.

Purpose	Agree	Strongly agree	Uncertain	Disagree	Disagree
i. Maintains the organization's efficiency					
ii. Collects reliable information that is relevant for the operations of the organization					
iii. Promotes adherence to laws ,regulations and management Directives					
iv. Encourage better performance					

14. The following are the controls that in place over the financial management policy.

Factor	Strongly Agree	Agree	Uncertain	Disagree	Strongly disagree
i. Performance monitoring					
ii Control procedures					
iii. Authorization and approval					
iii Segregation of duties and responsibilities					
iv. Completeness					
iv. Accuracy					
vi. Clear documentation of control procedures					
vii. Debtors follow up					

Any other (specify)

……………………………………………………………………………..………………………

………………………………………………………………………………………………….

15. Below are the controls over the financial management policy.

Aim	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
i. Monitoring individual credit limit					
ii. Establishing monitoring system					
iii. Status report and review					
iv. Inventory management					
v. Working capital and reserves					

16. The Accounts department is audited both (i) internally and externally.

Strongly agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly disagree ☐

17. The department is audited,

Time frame	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
i. Quarterly					
ii. Semi annually					
iii. Annually					
iv. Seldom					
v. Never					

18. Operations departments also audited for adherence to the financial management policy of the organisation

Strongly agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly disagree ☐

19. The operations department is audited.

Time frame	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
i. Quarterly					
ii. Semi annually					
iii. Annually					
iv. Seldom					
v. Never					

20**.** The financial management policy is reviewed.

Time frame	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
i. Quarterly					
ii. Semi annually					
iii. Annually					
iv. Seldom					
v. Never					

21. Employees participate in the control policy review?

Strongly agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly disagree ☐

22. The directors and management adheres to the following in reviewing their financial management policies

Factor	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
i. Performance evaluation					
ii. Approval of strategic operational plan					
iii. Administrative matters					

23. The following files are part of the file review procedure

File	Strongly Agree	Agree	Uncertain	Disagree	Strongly disagree
i. Financial management policy					
ii. Budgeting guidelines					
iii. Working capital reserves					
iv. Financial Statements					
v.Procedure and manuals					

24. The following aspects are the best practices in financial management policy administration

Factor	Strongly Agree	Agree	Uncertain	Disagree	Strongly disagree
i. Cashflow management					
ii. Fixed asset management					
iii. Inventory management					
iv. Financial reporting and control					
v. Budgeting					
vi. Cost Reduction					
vii. Accounting systems and information technology					

25. Any other factors that may enhance financial management practices.

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Thank you