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An assessment of corporate finance strategies and practices by the business organizations in Ethiopia

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1.1 Introduction

In the globalized world, business organizations play a role in absorbing labor, penetrating new markets and generally enhancing an enabling environment for entrepreneurship (Padachi, 2006). Most economies in both developed and developing countries acknowledge the role and importance of business organizations in generating employment, stimulating growth and creating social cohesion (Gatt, 2012).

In Ethiopia, there is no clear classification of businesses organizations as micro, small, medium and large. But, parameters such as the level of paid-up capital, the number of workers employed and the level of automation are used for the classification. According to the EMTI (1997), the classification is based on the level of capital investment of the firm, while the ECSA classifies business organizations into different categories based on the number of workers employed in the firm and the level of automation of the firm. As a result, the researcher depends on the Ethiopian Income tax proclamation. The Ethiopian Income tax proclamation No.286/2002 specifies that business organizations that earn annual turnover of more than Br. 100,000 are required to keep books of accounts.

The capability of any business relies on the ability of efficient financial management. Efficient financial management is likely to help business enterprises to strengthen their business efficiency. On the other hand, inefficient financial management often led business enterprises to fail to survive. Hence, without addressing the problems concerning with financial management practices of a business, their business performance and significant contribution for the development of a nation cannot be literary achieved. Given that, financial management is one of the key aspects for the well being and survival of a business; the researcher believes that, it is important to examine the financial management practices of business organization. This study is aimed at examining the financial management practices of business organizations found in Dessie town focusing on those variables of financial management such as, accounting information systems, financial reporting and analysis, working capital management, financial planning, capital budgeting and capital structure.

1.2 Statement of the problem

Business organizations play a pivotal role in the socio-economic development and growth of nations. They have greater contribution in terms of economic growth, job creation, and to the alleviation of poverty (Hallberg, 2000). However, these business organizations in Africa face a number of constraints that hinder their growth and therefore reduce the weight of their potential contribution to the national economy.

In Africa business organizations face various constraints ranging from limited ability of financial managerial, to lack of access to markets and finances, costly business environments with high taxes and restrictive regulations, low access to appropriate technology and poor access to quality inputs and infrastructure (World Bank, 2009). Literatures (Meredith, 2006; Hall, 2002; and Paramasivan et al, 2009) from various parts of the world indicated that financial management among many others is central to the survival and growth of business organizations.

Though research on the contribution of business organizations is deficient, the study by Siyum (2015), Yodit (2015) and Assefa (2014) confirmed that the SME sector has the potential to contribute to economic growth, employment generation and poverty alleviation in Ethiopia. However, business organizations in Ethiopia face a number of constraints that hinder their performance. This includes lack of proper financial management, shortage of capital, lack of qualified employees, and marketing problems.

There is scarcity of empirical evidences about the practice of financial management in Ethiopia. Moreover, there is no previous study on the assessment of financial management practices of business organizations in Dessie town. Therefore, the researcher believed that it is vital to conduct a study on financial management practices of business organizations.

1.3 Objectives of the Study

- To assess the demographic profile of the selected business organizations in the dessie
- To examine the specific areas of financial management practices pursued in the business organizations

1.4 Significance of the Study

This study may help all concerned bodies in addressing some of the problems related to financial management by providing possible ways for the improvement of financial management practices of business enterprises. It also contributes to the literature on financial management practices. Since this study focuses on local organizations where only no research has been conducted, the findings of this study are also hope to provide an insight for concerned managers at local level.

1.5 Limitation of the study

This study was faced with different limitations. Firstly, in some of the enterprises, most of the time owners/managers of enterprises were not found; this makes the research process more problematic. Secondly, some respondents did not return the questionnaires on the promised time which resulted to some sort of delay to the researcher in execution of research process. Thirdly, there was limitation of organized secondary sources of data relevant to the issues under study. For instance, there were no organized secondary data in Dessie town trade and industry office that support the issues of financial management of business organizations. And lastly, respondents also show a tendency of unwillingness; this is because they perceive the data may create problems.

2. REVIEW OF RELATED LITERATURE

In consideration of research questions and objectives of the study, certain empirical literatures related to the topic of the study are presented as follows.

McMahon (1995) suggested a way of identifying the major decisions of financial management is to look at the balance sheet of a business. There are many decisions regarding items on the balance sheet. However, they are classified into three main types: investment decisions, financing decisions and dividend (profit distribution) decisions. Similarly, Ang (1992) indicated three main financial decisions including the investment decisions, financing decisions and dividend decisions.

Accordingly, financial management is one major constraint on the growth of business enterprises. Regarding on the effect of financial management on performance, Deresse and Prabhakara (2012), studied the effect of financial management practices and characteristics on profitability of business enterprises in Jimma town. Both primary and secondary data were collected from 37 business enterprises in Jimma town. The study found that; profitability was significantly affected by efficiency in financial management practices such as accounting, reporting, & analysis, working capital management, fixed asset management and financial planning and financial characteristics such as current ratio and debt ratio.

This implies that, there is lack of empirical evidences in emerging economies like Ethiopia on small and medium businesses financial management practices. Now days, the empirical evidences on financial management practices of small and medium businesses in Ethiopia are appears to be scarce. This study aimed to provide empirical evidence by filling those gaps that prior studies bothered little or none to see the performance of financial management practices of business firms, and factors that inhabit the application of sound financial management practices.

3. RESEARCH METHODOLOGY

3.1 Design of the study

This research study is designed to describe the financial management practices of Business organizations in Dessie town. Thus, “descriptive method” was viewed as an appropriate research type.

3.2 Population of the study

Due to limitation of time and fund, the target population in this research is limited to business organizations in Dessie town, Ethiopia. As per the Ethiopian Income tax proclamation No.286/2002 specifies that business organizations that earn annual turnover of more than Br. 100,000 are required to keep books of accounts. According to the data obtained from Dessie town revenue office, the business organizations available in the town, totally 2129 business organizations have been registered as category - A (949) and category B (1180) are tax payers. In terms of firm type these business organizations are categorized under manufacturing, merchandized and service.

3.3 Sampling technique

Stratified random sampling was used to select sample business organizations from the population. In addition, purposive sampling was used to get respondents from trade and industry office of Dessie town because informants were selected intentionally/purposefully to obtain the required data.

3.4 Sample size determination

In this study for the purpose of sample size determination Cochran, (1977) statistical model was used. Accordingly, the appropriate sample size used for this study at 95% of level of significance with marginal error 5% was determined using the following Cochran formula

$$n_0 = \frac{Z^2pq}{e^2}$$

Where, n_o is the sample size, Z2 is the abscissa of the normal curve that cuts off an area α at the tails (1 – α equals the desired confidence level, e.g., 95%), e is the desired level of precision, p is the estimated proportion of an attribute that is present in the population, and q is 1-p.

As a result, 326 samples were taken out of 2129 business organizations for this study. The total population was stratified as manufacturing, merchandized and service under category A and B tax payment. Then, from each stratum proportional samples were randomly selected by applying proportional sampling technique. The table below shows the proportion of sample size used from each firm type and category of tax payment.

Table 3.1: Total number of population and sample size in each stratum

Nature of Business	Category A		Category B		Total	
	No. of firms	Sample size	No. of firms	Sample size	No. of firms	Sample size
Merchandise	585	91	758	115	1343	206
Manufacturing	25	3	80	12	105	15
service	339	53	342	52	681	105
Total	949	147	1180	179	2129	326

3.5 Sources of Data and data collection instruments

In order to realize the target, owner managers/ operators of the enterprises and government officials from trade and industry office of Dessie Town were the sources of primary data. The secondary data were collected from files. The quantitative method was functional through administrating a household based survey using questionnaire. The questionnaire was prepared in English language. Since the sources of data were business enterprises owners/managers, it is translated into Amharic in order to make the questions simple, clear, and understandable to respondents.

4. DATA PRESENTATION AND ANALYSIS

The modes of data presentations were generated from survey data with the aid of Statistical Package for Social Science (SPSS) version 20.0 after properly coding and computing the data.

4.1 Response Rate

In order to achieve the objectives of the study 326 self-administered semi-structured questionnaires were randomly distributed to the sampled firms according to the proration of each stratum. But, actually 232 questionnaires were collected back and showing a response rate of 71%; whereas the remaining 29% of questionnaire did not returned by the sample respondents.

4.2 Respondent Characteristics

Table 4.1 Characteristics of responding firms

Description		**No. of firms**	**Percentage**
Category of tax payment	Category “A”	121	52.2
	Category “B”	111	47.8
	Total	232	100.0
Type of the firm	Merchandizing	149	64.2
	Manufacturing	11	4.7
	Service	72	31.0
	Total	232	100.0

Source: Primary data

Table 4.1 shows the distribution of sample firms in terms of categories of tax payment and type of the firm. Regarding categories of tax payment 52% of the respondents are category ‘A’ the rests are ‘B’. 64% of businesses in the study sample are merchandizing business, 5 percent are manufacturing and 31 % are service.

4.2.1 Owner/owner managers’ personal details

4.2 Owner/owner managers’ personal details

Description		**No. of firms**	**Percentage**
Position of respondents (Designation)	Owner	201	86.6
	Manager	13	5.6
	Finance manager	10	4.3
	Accountant	8	3.4
	Total	232	100.0
Level of Education	Primary education	69	29.7
	Secondary Education	103	44.4
	Diploma	33	14.2
	Degree and above	27	11.6
	Total	232	100.0

Source: Primary data

As presented in table 4.2 above, 87% the respondents were the owners, the remains were managers and accountants. Therefore, the majority of the businesses in Dessie town were managed by owner managers. Regarding with the education levels of the respondents the study revealed that, 30 % and 44% of the respondents attained primary and secondary school respectively.

4.3 Specific Areas of Financial Management

4.3.1 Financial reporting and analysis

Table 4.3: Time of preparing and analyzing financial statements

Type of Activity	Periods	No. of Firms	Percentage
Preparing financial statements	Monthly	5	2.2
	Quarterly	25	10.8
	Semi-annually	0	0
	Annually	202	87.1
	Never do it	0	0
	Total	232	100.0
Analyzing financial statements	Monthly	0	0
	Quarterly	3	1.3
	Semi-annually	3	1.3
	Annually	7	3.0
	Never do it	219	94.4
	Total	232	100.0

Source: Primary data

In examining the responsibility of accounting information system in table 4.3, 94% the respondents explained that their financial reports were prepared by external accountant in line with this the above table shows that 98% of the respondents do not prepare monthly financial statements; whereas only 2% of the respondents prepare monthly financial statements. This indicates that, most of the financial statements were prepared annually for tax purpose. Therefore regular preparations of financial statements are not adequately maintained in business organization in Dessie town. In addition to this 94% of the respondents have never analyzed their financial statements and 3% of respondents made analysis annually, the rest 2% of them analyzed the reports quarterly and semi-annually. This also indicates that most of business organizations in Dessie town have never analyzed their financial statements.

Table 4.4: Factors hindering regularly preparation and analyzing of financial statements

Factors	Frequency	Percent
Lack of knowledge about financial statements	127	54.7
Qualified accountants are expensive to maintain	67	28.9
It is not required before the end of financial year	14	6.0
No need of continuous follows up	8	3.4
Other	6	2.6
No problem	6	2.6
No answer	4	1.7
Total	232	100.0

Source: Primary data

Table 4.4 above indicated factors that hinder business organizations from regularly preparation and analyzing of financial statements. Accordingly, 55 % of the respondents do not prepared and analyzed financial statements regularly because of lack of awareness about financial reporting & analysis and basic knowledge to those areas; while 29 % of the respondents fail to do so - because it is costly to maintain professional accountants. Lastly, 2% of the respondents do not prepare monthly financial statement due to their business is too small and no need of additional costs for the expertise and lack of follow up and strong external control - especially internal revenue authorities and trade and industry bureau. This implies that, lack of knowledge and experts are the major barriers to regular preparation and analyzing of financial statements for business organizations in Dessie town.

4.3.2 Cash Management Practice

Table 4.5 Occurrence of Surplus Cash and its Investment

	Frequency of work	No. of firms	Percentage
Occurrence of surplus cash	Always	4	1.7
	Sometimes	71	30.6
	Never	157	67.7
	Total	232	100.0
Investment Opportunity	Bank deposit	77	33.2
	Treasury bills	0	0
	Bond	0	0
	No where	2	.9
	Other source	22	9.5
	Not occur	131	56.5
	Total	232	100.0

Source: Primary data

As can be seen from the table 4.5 above, the majority (68%) of the respondents never faced surplus cash. Those which have experienced surplus cash in their day to day operation will deposit in bank until the cash is required for use in their current account. Some proportions of the respondents invest the idle cash on other like purchasing of stock and fixed assets. None of the respondents will invest the surplus cash on Treasury bill or bonds.

4.3.3 Accounts Receivable Management

Table 4.6 Sales on credit and Credit policy

	Periods	**No. of firms**	**Percentage**
Sells on credit	Never	72	31.0
	Sometimes	156	67.2
	Always	4	1.7
	Total	232	100.0
Set up credit policy	Never	222	95.7
	Sometimes	4	1.7
	Always	4	1.7
	No Answer	2	.9
	Total	232	100.0
Determination of customer towards credit limit	Never	193	83.2
	Sometimes	33	14.2
	Always	4	1.7
	No Answer	2	.9
	Total	232	100.0

Source: Primary data

The above table demonstrates that 31% of the respondents have never sold their product on credit and 67% the respondent sometimes, only 2% always sells their product on credit. This indicates that majority of the respondents do not make credit sales regularly. Of those that make credit sales, only some (3%) sets up a sort of credit policy but, 96% of the respondents have never set any credit policy. Regarding to determination of customers towards credit limit 14% and 1% of the respondents were (sometimes and always) determined their customers but, 83 % the respondents have never determine their customers. Most of the firm may be sell their products on credit based on customer default. This implies that, business organizations in Dessie town are weak in setting credit policy and evaluation of credit limit.

Table 4.7 Follow up and review of receivables

	Tenure	**No. of firms**	**Percentage**
Follow up Receivables	Never	74	31.9
	Weekly	4	1.7
	Monthly	16	6.9
	Quarterly	2	.9
	Annually	4	1.7
	Always	132	56.9
	Total	232	100.0
Review uncollectable	Never	88	37.9
	Weekly	2	.9
	Monthly	10	4.3
	Quarterly	6	2.6
	Semi-annually	2	.9
	Annually	63	27.2
	Always	59	25.4
	No answer	2	.9
	Total	232	100.0
Percentage of Uncollectable	less than 5%	12	5.2
	5-10%	14	6.0
	10-20%	4	1.7
	Don't know	132	56.9
	haven't any uncollectable	70	30.2
	Total	232	100.0

Source: Primary data

In examining sales on credit in table (4.7) 31% of the respondents have not sold their product and services on credit basis, therefore the above table 4.7 also indicates that 32% of the respondents have never follow up receivable because they have not had but 57 % and 11% of the respondents were following up their receivable frequently and often. In addition, 27% and 25% of the respondents review their uncollectable annually and always respectively the rest 38% of the respondent have never review uncollectable because most of them have not it and 9% of the respondents review monthly, quarterly and semi-annually. When analyzing the percentage of bad debts to sales, 5% of responding firms indicated that their bad debts have not exceeded 5 % of sales and 6% of the respondents have between 5 to 10%. However, most of the respondent (57%) answered that they did not know their percentage of bad debts to sales, and others did not answer this question. This implies that the firms are relatively good in getting receivables collected back even if most firms didn't know their percentage of bad debts.

4.3.4 Inventory Management Practice

Table 4.8 Method of Determining Inventory Level

	Methods /Periods	Frequency	Percentage
Inventory level determination	Based on theories of inventory management	2	1.3
	Based on historical data	50	31.3
	Based on owner/manager's experience	100	62.5
	Other	4	2.5
	Don't determine	4	2.5
	Total	160	100.0
Inventory model application	Never	144	90.0
	Rarely	12	7.5
	Sometimes	2	1.3
	Often	2	1.3
	Always	0	0
	Total	160	100.0

Source: Primary data

The above table indicates that, 63% of the respondents were determined inventory level based on past experience or trained and 31 % of the respondents used historical data. Further, almost all of the respondents do not use inventory management models such as economic order quantity (EOQ), Reorder point (ROP) and Just in Time (JIT).The remaining 3% use other and 2% don't determine their level of inventory. This implies that the firms lack the awareness of scientific inventory management techniques. This might be because of lack of knowledge of the techniques or not understanding their benefits. Inventory control is one aspect of inventory management.

4.3.5 Fixed Asset Management Practices

Methods used to evaluate investment projects	**No. of firms**	**Percentage**
Payback period	57	24.6
Internal rate of return	2	.9
Never Assess	173	74.6
Net present value	0	0
Modified internal Rate of return	0	0
Total	232	100

Table 4.9 Frequency of evaluating investment projects and reviewing efficiency

	Periods	**Frequency**	**Percentage**
Evaluate projects before making capital investment decisions	Never	212	91.4
	Sometimes	12	5.2
	Always	8	3.4
	Total	232	100.0
Review efficiency of using fixed assets after investing	Never	173	74.6
	Sometimes	47	20.3
	Always	12	5.2
	Total	232	100.0

Source: Primary data

As it can be seen from the table 4.9 above, most of (91%) the respondents have never evaluate the feasibility of their investment before starting operations. For these firms, it seems that they are not concerned about evaluating projects but are willing to buy fixed assets whenever needed. However, 5% and 3% of the respondents sometimes or always evaluate the feasibility of their investment before starting businesses. In reviewing the efficiency of fixed assets after investing, 75 % of responding firms stated that they have never evaluate the efficiency of utilizing fixed assets after investing but,20% of the respondents sometimes and 5% always reviewed fixed assets utilization after making decisions of investment. The implication to these findings is that, most firms did not assess the viability of their investment projects before and after starting the business so as to maximizing the long-term profitability.

Table 4.10: Methods used to evaluate investment projects

Source: Primary data

In examining frequency of investment evaluation table 4.10 further presents the capital budgeting techniques in use. Accordingly, from these respondents that evaluating the feasibility of their investment after starting operations 59 firms (26%) out of which (97%) or 57 firms or from total 25% use the payback methods and (3%) or 2 firms or 1% from total used internal rate of return; while, the remaining capital budgeting techniques –like modified internal rate of return, net present value, post pay-back profitability are not in use. This implies that, payback period is more convenient dominant method in these firms as compared to other methods such as, accounting rate of return, net present value, and discounted cash flows.

Table 4.11 Kinds of financial budgets prepared

Kinds of budget prepared	No. of firms	Percentage
Sales budget	8	3.4
Budgeted profit and loss account	2	.9
Never Do It	188	81.0
Purchase budget &Labor budget	8	3.4
Sales budget &Purchase budget	2	.9
Sales budget ,Purchase budget & Manufacturing budget	4	1.7
Purchase budget ,Labor budget ,Budgeted balance sheet And Cash budget	10	4.3
Budgeted profit and loss account &Budgeted balance sheet	2	.9
All	4	1.7
Purchase budget ,Labor budget & Selling and administration expenses budget	2	.9
Sales budget &Purchase budget	2	.9
Total	232	100.0

Source: Primary data

Accordingly, from these respondents that prepared financial budget, table 4.11 shows that all of them (18%) prepared Sales budget, purchase budget, labor budget, budgeted balance sheet, budgeted profit and loss account and so on. This indicate that majority of the firm not prepare any kind of budget and have poor practice in financial budget.

4.3.6 Financing (Capital Structure)

Table 4.12 Sources of financing

Sources of financing	No. of firms	Percentage
Loan from Banks	12	5.2
Loan from Micro finances	41	17.7
Loans from relatives and families	65	28.0
Retained earnings	106	45.7
Both loan from Banks & Micro finances	6	2.6
Both Loans from relatives & families and Retained earnings	2	.9
Total	232	100.0

Source: Primary data

Concerning with source of financing the study showed that 46% of respondents financed their capital investment projects using retained earnings; where as 28% of the respondents raise their funds through loan from their relatives and families. In addition, 18% and 5% of the respondents were raised their funds through loan from micro finance and from banks respectively. Moreover, 3% of the respondents obtained funds from loan (such as from micro finance & banks and realties) and retained earnings. This explains that, most firms finance their operations for first stance using their own earnings and next looking for additional external sources.

5. FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Summary of Findings

1.The study indicate that ,most of business organizations in Dessie town are sole proprietorship by employing between 1 to 5 employees, which are managed by owner manager with low level of education and without any training. In addition, merchandise firms constitute a sizeable number of business organizations in the town.

2.Although, the profits made by an entity can only be measured by preparing financial statements. The study indicates that 98% of the respondents do not prepare monthly financial statement therefore the regular preparations of financial statements are not adequately maintained. Most of the firms prepare their report annually and have not analyzed due to of lack of knowledge and experts.

3. The study show that majority of business organization have not cash budget and preparation of bank statement but strong in using bank account. On cash balance determination, the majority of the firm “never” determines the target cash balance. This finding is consistent with the common trend that SMEs rarely pay attention to setting up a cash-balance policy. Most SMEs simply consider cash-balance as the result of differences in cash inflows and outflows without any policies

4. As can be seen from the study, the majority (68%) of the business never faced surplus cash. Those which have experienced surplus cash in their day to day operation will deposit in bank until the cash is required for use in their current account. In contrary,

almost all of the business organizations have faced cash shortage in their life and majority of them will finance their cash shortage by borrowing from friends and relatives.

5. The study indicates that majority of the respondents do not make credit sales regularly. Of those that make credit sales, have never set any credit policy and don't determine their customer towards credit limit. This implies that, business organizations in Dessie town are weak in setting credit policy and evaluation of credit limit.

6. In reviewing receivable levels and uncollectable, a relatively high percentage in the sample review their receivable levels and bad debt though the frequency vary. But, most of the responding firms could not express their bad debts in terms of percentage of sales. They are relatively good in getting receivables collected back.

7. The study shows that most of business organizations review their level of inventory but some of them are prepared inventory budget. Moreover, in determining inventory level almost all of (99%) of the sample business do not use inventory management models .Instead of inventory management models they used past experience or trained. This implies that the firms lack the awareness of scientific inventory management techniques.

8. In addition, 75 % of responding firms stated that they have never evaluate the efficiency of utilizing fixed assets after investing but,25% of the respondents sometimes and always reviewed fixed assets utilization after making decisions of investment by using payback method. 9. Basically, a financial plan allows a business to set certain goals for the business and to measure expectations against actual performances. With regards to frequency of preparing financial budgets, the result of the study found that the majority (82%)of the respondents never prepare financial budget; while 10% and 8% of the respondents sometimes and always prepare financial budget respectively .This indicate that majority of the firm not prepare any kind of budget and have poor practice in financial budget.

10. Under capital structure decisions the result shown that 46% of respondents financed their capital investment projects using retained earnings; where as 28% of the respondents raise their funds through loan from their relatives and families. In addition, 18% and 5% of the respondents were raised their funds through loan from micro finance and from banks respectively. Moreover, 3% of the respondents obtained funds from loan (such as from micro finance & banks and relatives) and retained earnings. In addition all of the respondents were made comparison of their debt with equity traditionally .This explains that, most firms finance their operations for first stance using their own earnings and next looking for additional external sources.

5.2 Conclusion

This study examined the financial management practices of business organization in Dessie town. The study focused on six specific variables of financial management practices of business organization such as financial reporting and analysis, working capital management (cash, receivable and inventory management), fixed asset management, financial planning and financing. The result under financial reporting and analysis indicated that, a significant majority of owners of business organizations do not prepare interpret and analyze monthly financial statements because of lack of awareness and knowledge. Most of the business organizations strong in using bank account and relatively good in getting receivables collected back. However, apart from these, there are problems in working capital management practice of the firms' that needs to be improved. The results under capital structure decision revealed that, business organization use retained earnings as a major source of financing for their investment and looking for additional alternatives.

Overall, it can be concluded that the financial management practices of business firms are very weak - especially in the areas of financial planning, financial analysis and interpretation, working capital management's, and investment decisions. Hence the organizations should be taken to follow the recommendations which may enhance the quality of financial management practices that make sure the growth of business organizations.

5.3 Recommendations

Based on the findings of the study, the following recommendations can be drawn.

1. Business organizations should be encouraged to recruit qualified personnel particularly Accountant for the position of financial management in their firms.
2. Professionals in the area should sensitize the business organizations owners on the relevance of bookkeeping, financial reporting and analysis as well maintaining proper books of accounts. Moreover, capacity building should be organized for business organizations owners to help them understand why they should keep updated books so as to know their levels of performance on whether they are making profits or losses
3. The business owners should be advised to strengthen and put up policies regarding debtors on how to collect receivables, be able to determine customers based on credit limits so as to minimize losses that accrue as a result of none payment.
4. The efforts should be put by the owners to ensure that inventory management is improved through inventory management techniques and that the business does not run out of stock as well as not to tie too much capital in stock which affects the working capital.
5. Owners /Managers should offer consecutive training of using Accounting software(Peach tree) and also aware to use the software for analysing and interpret the financial statement.
6. In stores management, the concerned authorities should require sufficient knowledge on inventory management techniques and particular recruit the graduate who have complete the Business Administration.
7. The concerned bodies - especially Trade and Industry and Internal

Revenue Office better to follow the financial statements maintained by small firms.

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