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Research Article

# Assessment of Financial Management Practice of Small Businesses: A Case Study of Saja Administrative Town, Yem Zone, Central Ethiopia Regional State

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## Abstract

Background: Small business enterprises (SBEs) significantly contribute to local economies but face persistent financial management challenges that threaten their growth and sustainability. Key practices like working capital management, financial reporting, and accounting systems are essential but underutilized in Saja Administrative Town. This study seeks to evaluate these practices and identify critical gaps for improvement. Methodology: The study used a descriptive survey and cross-sectional design, gathering data from 240 individuals representing 68 SBEs through stratified and random sampling. Questionnaires and interviews were used as data collection tools, and SPSS software analyzed the findings to uncover financial management practices and challenges. Results: SBEs in Saja Administrative Town face challenges such as inadequate working capital monitoring, insufficient financial reporting, outdated accounting systems, and poor financial planning. These issues stem from limited expertise, disagreements on financial structures, and lack of stakeholder engagement, highlighting the need for systematic improvements. Conclusion: SBEs' financial management challenges in Saja Administrative Town threaten their sustainability. Addressing issues like inadequate reporting, poor planning, and outdated systems requires interventions such as financial training, improved reporting systems, advanced technologies, better planning, and stakeholder engagement. These changes will enhance their financial management and long-term viability.

## Keywords

Financial Management, Small Business Enterprise, Stakeholder Engagement, Saja Administrative Town

## 1. Introduction

Small business enterprises (SBEs) are vital contributors to economic development, playing a key role in job creation, innovation, and poverty reduction. Globally, SBEs account for 90% of all businesses and employ more than half of the global workforce [6]. In Ethiopia, as in many developing countries, SBEs are critical for fostering economic growth and social development. However, their success is often hindered by inefficient financial management practices, which can lead to poor decision-making and business failure [9].

Despite their importance, financial management practices among SBEs, particularly in Ethiopia's Saja Administrative Town, remain under-researched. Many small businesses face challenges such as inadequate budgeting, poor cash flow management, and limited access to financial resources [10]. These challenges hinder their growth, profitability, and long-term sustainability. Additionally, economic volatility has exacerbated these issues, forcing SBEs to rely on equity capital and maintain high liquidity levels, further impacting their profitability [8].

This study seeks to address these gaps by assessing the financial management practices of small businesses in Saja Administrative Town. The findings aim to provide insights into their financial challenges and propose strategies to improve financial management, ultimately enhancing their sustainability and contribution to the local economy. By doing so, this research contributes to the broader understanding of SBEs' financial management practices in Ethiopia, with implications for similar enterprises across the country. Small business enterprises (SBEs) are vital drivers of economic growth, employment creation, and poverty reduction, particularly in developing countries like Ethiopia. These businesses, operating in diverse sectors such as agriculture, manufacturing, trade, and services, form the backbone of many local economies [7]. The Ethiopian government recognizes their importance and has introduced policies to support SBEs, including access to funding, training, and market linkage initiatives [13].

Despite these efforts, small businesses in Ethiopia face numerous challenges, including limited access to credit, inadequate infrastructure, financial illiteracy, and inefficient financial management practices. In Saja Administrative Town, located in the Yem Zone of Central Ethiopia, these challenges are exacerbated by economic instability, regulatory constraints, and cultural factors. Poor financial practices, such as inadequate record-keeping, cash flow mismanagement, and limited use of financial statements, impede small businesses' growth and sustainability [11].

Assessing financial management practices in Saja Administrative Town is critical to identifying the strengths and weaknesses of these enterprises. Current gaps in research hinder a clear understanding of the specific challenges and opportunities faced by small businesses in the area. Existing studies often lack comprehensive data, local case studies, and analysis of financial planning, reporting, and the adoption of modern tools [8]. This limits the ability of policymakers, entrepreneurs, and other stakeholders to implement targeted strategies that support sustainable growth.

This study aims to bridge these gaps by evaluating the financial management practices of small businesses in Saja Administrative Town. It will examine key areas such as budgeting, cash flow management, financial reporting, and access to financial services while exploring the impacts of financial literacy, technology adoption, and local conditions. The findings will provide valuable insights for improving financial management practices, enhancing decision-making, and supporting the long-term growth of small businesses in Saja Administrative Town and similar settings across Ethiopia.

# 2. Method and Material

## 2.1. Method

This research outlined the methodology, including the study area, design, approach, and target population. Conducted in Saja Administrative Town, Yem Zone, Central Ethiopia, from December 2024 to June 2024, the study area is located 239 km southwest of Addis Ababa, with an elevation of 1000-2939 meters, temperatures ranging from 12 ℃ to 30 ℃, and annual rainfall between 802-1400 mm.

The research employed a descriptive cross-sectional design, allowing data collection at a single point in time. A mixed-method approach was used, combining quantitative data (from structured questionnaires) and qualitative insights (from interviews with Job Creation and Enterprise Office management). This integrated approach ensured unbiased and comprehensive findings by combining statistical analysis with in-depth explanations.

The study targeted 642 small business enterprises across four sectors: commercial (27), service (351), urban agriculture (191), and manufacturing (75). Data was sourced from the Job Creation and Enterprise Office in Saja Administrative Town, focusing on addressing the specific financial management needs of these businesses.

*Sample Size*

Basically, for scientific research, the appropriate sample size was determined by using various models based on the nature of the study. Therefore, in this study, for sample size determination [12], a statistical model was used. Accordingly, the appropriate sample size used for this study at a 95% level of significance with a marginal error of 5% was determined using the following Cochran formula, which was used to determine the sample from the total population.

$$n = \frac{Npqz^2}{e^2(N-1)+pqz^2} = \frac{642 \times 0.5 \times 0.5 \times 1.96^2}{0.5^2(642-1)+0.5 \times 0.5 \times 1.96^2} = 240$$

Here, 'n' was the designed sample size, 'N' was the total number of youths, and 'e' was the acceptable level of precision. According to Kothari [12], as 'e' approached 0.05, the sample size in this study was determined to be N=642, e=5% (0.05). 'p' represented the proportion of success (50%), 'q' represented the proportion of failure (50%), 'z' represented the value of standard variation at a given confidence level (1.96 for a 95% confidence level), and the final sample size (n) was determined to be 240.

Where

$N$ = Population size

$N'$ = sample size

$Z$ = Z statistic for a level of confidence,

$P$ = expected distribution or proportion (in proportion of one; if 20%, $P = 0.2$), and

$d$ = precision (in proportion of one; if 5%, $d = 0.05$).

$$n = \frac{N}{1 + N \times e^2} = 240$$

N=642

e=0.05

$$n = \frac{N}{1 + N*e^2} = \frac{642}{1 + 642*0.05^2} = 240$$

Where,

n = Sample size

e $^2$= Marginal error

Here, the researcher used a 'P' value of 0.50, as a standard for this study because, to my knowledge, there were no prior studies that showed a 'P' value that can be taken as a standard for the study. The reliability coefficient at the significance level of 90% = 2.56. Thus, the sample size can be computed as follows.

This section details the sampling technique, data collection, and validity aspects of the study. The research initially identified 869 licensed business firms but selected 642 small businesses for the study, excluding micro-enterprises. A stratified random sampling technique was used to divide the businesses into four sectors: Merchandises (27), Services (351), Urban Agriculture (191), and Manufacturing (75). From these, 240 businesses were sampled: 10 from Merchandises, 131 from Services, 71 from Urban Agriculture, and 28 from Manufacturing.

Primary data was collected through semi-structured questionnaires and interviews, targeting small businesses and employees from the Job Creation and Enterprise Office. The questionnaires included both open-ended and closed-ended questions, while interviews allowed for adaptive, in-depth discussions based on the flow of the conversation.

The study ensured validity and reliability through carefully aligned questions, representative sampling, and triangulation of qualitative and quantitative data. Construct validity was maintained by aligning survey and interview questions with core themes, while internal validity was enhanced by selecting a representative sample. Potential external validity concerns were noted due to the study's focus on Saja Administrative Town, limiting the generalizability of findings.

## 2.2. Data Analysis

This section describes the methods used for data analysis and ethical considerations in the study. Descriptive statistics were employed to analyze the collected data, including processing steps such as editing, coding, and data entry. The data was then analyzed using frequency tables, pie charts, and statistical measures such as frequency, percentiles, mean, and standard deviation to identify patterns and trends. The analysis was performed using SPSS version 22 software, with count data log-transformed before analysis. These methods provided a comprehensive understanding of the data, leading to conclusions and recommendations.

Ethical considerations were prioritized throughout the study. Ethical clearance was obtained from the Ethical Committee of the College of Business and Economics, Jimma University. The objectives of the study were clearly communicated to the Saja Town Trade and Industry Office during sample collection, and lectures on financial management practices for small businesses were conducted as part of the process.

### 2.2.1. Data Presentation and Analysis

In this chapter, the analysis of the survey and interview findings is presented. Percentages and frequencies were utilized by the researcher to analyze the structured survey questions. The qualitative analysis of open-ended questions and interview data was conducted to gain a deeper insight into the collected information. 240 questionnaires were distributed to small businesses enterprises and all of them 240 Respondents /100%/ filled and returned the questionnaires. Additionally, ten management members were interviewed to gather further insights. Sociodemographic data was analyzed through frequency distribution and percentages. Descriptive analysis and summarization of the research findings were performed using the Statistical Package for the Social Sciences (SPSS Version 22) software.

*General information of respondents*

*Table 1. Businesses Information.*

| No | Questionnaires | Item | Frequency | Percentile |
|---|---|---|---|---|
| 1 | Gender of respondents | Female | 126 | 52.5 |
| | | Male | 114 | 47.5 |
| | | Total | 240 | 100.0 |
| 2 | Age of the Respondents | 18-25 | 38 | 15.8 |

| No | Questionnaires | Item | Frequency | Percentile |
|----|----------------|------|-----------|------------|
| | | 26-35 | 110 | 45.8 |
| | | 36-45 | 66 | 27.5 |
| | | 46-65 | 26 | 10.8 |
| | | Total | 240 | 100.0 |
| 3 | What type of business do you operate? | Merchandizing | 10 | 4.2 |
| | | Manufacturing | 28 | 11.7 |
| | | Urban Agriculture | 71 | 29.6 |
| | | Service | 131 | 54.6 |
| | | Total | 240 | 100.0 |
| 4 | Number of employees | 1-5 | 71 | 23.8 |
| | | 6-10 | 169 | 56.7 |
| | | 11-15 | 0 | 0 |
| | | 16-20 | 0 | 0 |
| | | Total | 240 | 100 |
| 5 | Level of Education | Primary | 49 | 20.4 |
| | | Secondary | 115 | 47.9 |
| | | Diploma | 59 | 24.6 |
| | | Degree and above | 17 | 7.1 |
| | | Total | 240 | 100.0 |
| 6 | How many years has your business been operating in Saja? | Less than 1 year | 14 | 5.8 |
| | | 1-3 Years | 117 | 48.8 |
| | | 4-5 Years | 104 | 43.3 |
| | | More than 5 year | 5 | 2.1 |
| | | Total | 240 | 100.0 |

Source own survey (2024)

Table 1 provides a demographic overview of 240 participants from small businesses in Saja Administrative Town, revealing a balanced gender distribution with 52.5% female and 47.5% male respondents. The majority of participants (45.8%) are in the 26 to 35-year age group, reflecting the common entrepreneurial age range. Service-oriented businesses represent the largest sector (54.6%), aligning with urban shifts towards service economies. The majority of participants (47.9%) have secondary education, similar to other studies on small business owner education. Additionally, 48.8% of businesses have been operational for 1 to 3 years, which corresponds to the typical early struggles in business establishment.

For the descriptive analysis, data were collected to evaluate various financial management practices, such as working capital management, financial reporting, accounting practices, financial planning, financial literacy, and financial management structure. Respondents were asked to rate their agreement on these topics using a three-point scale ("Disagree," "Neutral," "Agree").

*Working Capital Management*

*Table 2. Descriptive Analysis for Working Capital Management /WCM/.*

| No | Statement | Disagree e | Neutral | Agree | Frequency | Mean | SD |
|----|-----------|-----------|---------|-------|-----------|------|-----|
| WCM1 | Regularly monitor your company's working capital | 235 | | 5 | 240 | 1.04 | .286 |

| No | Statement | Disagree e | Neutral | Agree | Frequency | Mean | SD |
|---|---|---|---|---|---|---|---|
| WCM2 | Frequently review your company's cash flow cycle. | 177 | 32 | 31 | 240 | 1.39 | .706 |
| WCM3 | Effective working capital management has a positive effect on the profitability of the company | 11 | 29 | 200 | 240 | 2.79 | .510 |
| WCM4 | You have a different strategy to manage accounts efficiently | 176 | 56 | 8 | 240 | 1.30 | .527 |
| WCM5 | Your organization actively manages working capital to facilitate financial operations | 214 | 17 | 9 | 240 | 1.15 | .448 |

Source own survey (2024)

Table 2 presents the analysis of working capital management (WCM) practices among small businesses in Saja Administrative Town, revealing key financial management challenges. A significant majority (97.92%) of businesses do not regularly monitor their working capital, which is associated with potential liquidity issues. Additionally, 73.75% of businesses infrequently review their cash flow cycles, highlighting the need for more consistent financial oversight. Despite these issues, 83.33% of businesses acknowledge that effective working capital management positively impacts profitability. However, 73.33% of businesses lack diverse account management strategies, and only 10.83% actively manage their working capital, reflecting resource and expertise limitations. Qualitative interviews with the Job Creation and Enterprise Office management reinforce these findings, emphasizing the need for improved monitoring practices and training to help businesses manage liquidity and enhance financial operations effectively.

## 2.2.2. Financial Reporting and Analysis

*Table 3. Descriptive Analysis for Financial Reporting and Analysis /FRA/.*

| No | Statement | Disagree e | Neutral | Agree | Frequency | Mean | SD |
|---|---|---|---|---|---|---|---|
| FRA1 | Prepare financial statements (eg income statement, balance sheet, cash flow statement) for my company. | 19 | 4 | 217 | 240 | 2.83 | .551 |
| FRA2 | You believe that financial reports provide valuable insights into the company's performance and financial position | 17 | 25 | 198 | 240 | 2.75 | .573 |
| FRA3 | You believe that accurate and timely financial reporting is important for stakeholders' decision-making processes | 21 | 16 | 203 | 240 | 2.76 | .600 |
| FRA4 | You should have confidence in interpreting and analyzing financial statements | 144 | 10 | 86 | 240 | 1.76 | .951 |
| FRA5 | You regularly analyze the financial performance of my company | 211 | 24 | 5 | 240 | 1.14 | .405 |

Source own survey (2024)

Table 3 highlights the financial reporting and analysis (FRA) practices among small businesses in Saja Administrative Town. Most businesses (90.42%) prepare financial statements, with 82.50% recognizing their value in assessing business performance. This reflects an understanding of financial record-keeping and disclosure, consistent with previous research. However, 60% of businesses struggle to interpret financial statements, revealing a gap in financial literacy. Additionally, 87.92% of businesses do not regularly analyze their financial performance, which could hinder strategic planning. Interviews with the Job Creation and Enterprise Office management indicate that some businesses lack resources or expertise for consistent reporting and performance analysis. These findings suggest the need for targeted training and promotion of best practices in financial reporting and analysis.

## 2.2.3. Accounting Information Systems

*Table 4. Descriptive Analysis for Accounting Information Systems /AIS/.*

| No | Statement | Disagree e | Neutral | Agree | Frequency | Mean | SD |
|---|---|---|---|---|---|---|---|
| AIS1 | You maintain accurate and up-to-date accounting records | 182 | 50 | 8 | 240 | 1.28 | .517 |
| AIS2 | The accounting information in your organization is accessible to relevant stakeholders | 223 | 3 | 14 | 240 | 1.13 | .480 |
| AIS3 | You know generally accepted accounting principles (GAAP). | 195 | 31 | 14 | 240 | 1.25 | .551 |
| AIS4 | Current and accurate accounting information is critical for decision-making | 26 | 25 | 189 | 240 | 2.68 | .661 |
| AIS5 | They conduct internal audits regularly to ensure accounting accuracy | 223 | 7 | 10 | 240 | 1.11 | .429 |

Source own survey (2024)

Table 4 presents the analysis of accounting information systems (AIS) among small businesses in Saja Administrative Town, highlighting key issues in accounting practices and the accessibility of financial information. A significant majority (75.83%) of businesses struggle to maintain accurate records, and 92.92% report poor accessibility of financial data. Most businesses (81.25%) lack knowledge of Generally Accepted Accounting Principles (GAAP), which impacts reporting quality. Despite recognizing the importance of accurate accounting for decision-making, 92.92% of businesses do not conduct regular internal audits. Interviews with the Job Creation and Enterprise Office emphasize the need for better systems, GAAP training, and more consistent internal audits to improve financial management practices.

## 2.2.4. Financial Planning & Management

*Table 5. Descriptive Analysis for Financial Planning & Management /FPM/.*

| No | Statement | Disagree e | Neutral | Agree | Frequency | Mean | SD |
|---|---|---|---|---|---|---|---|
| FPM1 | Create a small business financial budget and update it regularly | 170 | 5 | 65 | 240 | 1.56 | .889 |
| FPM2 | Small businesses engage in financial forecasting to estimate future revenues and expenses | 204 | 12 | 24 | 240 | 1.25 | .624 |
| FPM3 | Financial goals and objectives are well-defined in your organization | 210 | 23 | 7 | 240 | 1.15 | .435 |
| FPM4 | You use forecasting techniques to predict future financial performance | 138 | 2 | 100 | 240 | 1.84 | .985 |
| FPM5 | You believe that effective financial planning contributes to improved organizational performance | 24 | 42 | 174 | 240 | 2.23 | .660 |

Source own survey (2024)

Table 5 presents an analysis of financial planning and management (FPM) practices among small businesses in Saja Administrative Town, revealing key deficiencies in budgeting, forecasting, and goal-setting. A majority (70.83%) of businesses do not regularly create or update budgets, while 85% do not engage in financial forecasting, highlighting missed opportunities for proactive financial planning. Additionally, 87.50% of businesses lack well-defined financial goals, im-

pairing their ability to strategically manage finances. However, 72.50% of businesses agree that effective financial planning can improve organizational performance. Qualitative interviews with the Job Creation and Enterprise Office further emphasize these gaps, noting the need for training and tools to support better financial planning practices. These insights suggest the need for targeted interventions to improve financial forecasting, budgeting, and goal-setting among small businesses in the region.

### 2.2.5. Financial Expert

*Table 6. Descriptive Analysis for Financial Expert /FE/.*

| No | Statement | Disagree e | Neutral | Agree | Frequency | Mean | SD |
|---|---|---|---|---|---|---|---|
| FE1 | You have a clear understanding of basic financial concepts such as inflation. | 185 | 31 | 24 | 240 | 1.33 | .650 |
| FE2 | You Know the concept of inflation and how it affects purchasing power. | 191 | 16 | 33 | 240 | 1.34 | .709 |
| FE3 | You Know how to read and interpret a personal credit report. | 224 | 9 | 7 | 240 | 1.10 | .382 |
| FE4 | You Have received formal financial education or training in the past. | 200 | 32 | 8 | 240 | 1.20 | .477 |
| FE5 | You have a clear understanding of basic financial concepts such as inflation. | 194 | 10 | 36 | 240 | 1.34 | .726 |

Source own survey (2024)

Table 6 highlights significant gaps in financial expertise (FE) among small businesses in Saja Administrative Town. A large portion of businesses (77.08%) lacks understanding of basic financial concepts like inflation, while 79.17% struggle with grasping its impact on purchasing power. Additionally, 93.33% of businesses are unable to read and interpret personal credit reports, further complicating credit management and access to funding. Moreover, 83.33% of respondents have not received formal financial education, emphasizing the need for tailored financial literacy programs. Qualitative interviews with the Job Creation and Enterprise Office reinforce these findings, suggesting that targeted educational interventions are crucial to improve financial decision-making skills and support sustainable business practices.

### 2.2.6. Financial Management Structure

*Table 7. Descriptive Analysis for Financial Management Structure.*

| No | Statement | Disagree e | Neutral | Agree | Frequency | Mean | SD |
|---|---|---|---|---|---|---|---|
| FMS1 | In small business enterprises, do stakeholders generally agree on the effectiveness of the existing financial management structure | 212 | 25 | 3 | | 1.13 | .372 |
| FMS2 | Small business owners agree that a flexible financial management structure facilitates better adaptation to market fluctuations. | 28 | 33 | 179 | | 2.63 | .685 |
| FMS3 | There is disagreement among employees regarding the transparency and accessibility of financial information within small business enterprises | 36 | 16 | 188 | | 2.63 | .731 |
| FMS4 | Stakeholders agree that a centralized financial management structure leads to more efficient decision-making processes in small businesses. | 51 | 19 | 170 | | 2.50 | .823 |

| No | Statement | Disa-gree e | Neu-tral | Agree | Fre-quency | Mean | SD |
|---|---|---|---|---|---|---|---|
| FMS5 | There is a disagreement in your organization between leaders and members regarding the allocation of financial resources within the existing financial management framework. | 32 | 9 | 199 | | 2.70 | .693 |

Source own survey (2024)

The analysis of the financial management structure (FMS) in small businesses in Saja Administrative Town highlights stakeholders' perceptions of effectiveness, flexibility, transparency, and decision-making efficiency in the management of financial practices.

*Effectiveness of the Current FMS:*

Findings: 88.33% of stakeholders agree on the effectiveness of the current financial management structure (mean = 1.13, SD = 0.372).

Interpretation: This high level of agreement suggests that the majority of respondents view the current structure as effective, which is consistent with [4] findings on the importance of perceived effectiveness in organizational structures.

*Flexibility in Financial Management:*

Findings: 74.58% agree that the flexibility of the financial management structure allows better adaptation to market fluctuations (mean = 2.63, SD = 0.685).

Interpretation: The results highlight the importance of flexibility in adapting to dynamic market conditions, supporting [1] research on the need for adaptive financial management frameworks in a changing environment.

Transparency and Accessibility of Financial Information:

Findings: 78.33% of respondents agree on the transparency and accessibility of financial information within their organizations (mean = 2.63, SD = 0.731).

Interpretation: The positive perception of transparency is essential for trust-building and informed decision-making, aligning with [3] findings on the role of transparency in financial reporting.

*Centralized Financial Management Structure:*

Findings: 70.42% of stakeholders believe that a centralized structure enhances decision-making efficiency (mean = 2.50, SD = 0.823).

Interpretation: This supports the perceived benefits of centralization in streamlining operations and decision-making, as discussed in [5] research on centralized organizational structures.

*Resource Allocation Conflicts:*

Findings: 82.92% of businesses face conflicts over financial resource allocation (mean = 2.70, SD = 0.693).

Interpretation: This highlights a significant challenge in aligning priorities and decisions on resource distribution, [2] work on the complexities of resource allocation within organizations.

*Qualitative Insights:*

Interviews with the Job Creation and Enterprise Office reveal widespread dissatisfaction with the current financial management structures, particularly regarding inflexibility in adapting to market changes and issues with transparency and accessibility of financial information. Mixed opinions on centralized structures and disagreements over resource allocation further underscore the need for improved communication and inclusive decision-making.

*Conclusions:*

These findings suggest that while small businesses generally perceive their financial management structures as effective, there are notable areas for improvement, particularly in terms of flexibility, transparency, and resource allocation. Targeted interventions are needed to enhance these aspects and foster more collaborative decision-making processes within small businesses.

# 3. Findings

## 3.1. Demographic Insights

The study of 240 small business participants in Saja Administrative Town reveals a nearly balanced gender distribution (52.5% female, 47.5% male). The largest age group (45.8%) is between 26-35 years, aligning with the typical age for business establishment. Service-oriented businesses make up the majority (54.6%), reflecting the urban trend towards service-based economies. Most respondents have secondary education (47.9%), and the majority of businesses (48.8%) are between 1-3 years old, indicating early-stage challenges for these ventures.

Key Findings:

## 3.2. Working Capital Management

Most businesses (97.92%) do not regularly monitor working capital. While 83.33% acknowledge its importance for profitability, only 10.83% actively manage it. Cash flow reviews are also infrequent (73.75%).

*Financial Reporting and Analysis:*

90.42% prepare financial statements, but 60% struggle to interpret them, which hampers decision-making. Additionally, 87.92% rarely conduct financial performance analysis.

*Accounting Information Systems:*

75.83% report issues with maintaining accurate records,

and 92.92% face challenges in accessing accounting data. Many lack knowledge of Generally Accepted Accounting Principles (81.25%). Despite this, 78.75% recognize the importance of accurate accounting data for decision-making.

*Financial Planning & Management:*

70.83% engage irregularly in budgeting, and 85% do not practice financial forecasting. A large percentage (87.5%) lacks well-defined financial goals. Despite these gaps, 72.5% believe in the importance of financial planning.

*Financial Expertise:*

77.08% have limited knowledge of basic financial concepts. A significant number struggle with understanding inflation (79.17%) and interpreting personal credit reports (93.33%). Moreover, 83.33% have not participated in formal financial education.

## 3.3. Financial Management Structure

The majority (88.33%) are satisfied with the organizational structure, but there is moderate flexibility in adapting to market changes (74.58%). Most respondents (78.33%) rate the transparency and accessibility of financial information positively, and 70.42% support centralized financial management. However, 82.92% report difficulties in resource allocation.

These insights highlight the need for enhanced financial literacy, regular monitoring of financial practices, and more structured financial planning and reporting to improve the sustainability and growth of small businesses in the region.

## 4. Conclusions

This study examined financial management practices in small businesses in Saja Administrative Town, identifying key challenges and opportunities. The research found that many small businesses struggle with managing working capital, preparing accurate financial reports, and engaging in regular financial planning. Financial literacy emerged as a crucial factor in improving financial decision-making and risk management. Additionally, successful businesses showed the importance of flexible, transparent financial structures. The findings suggest that interventions are needed to improve financial management practices, which would support the growth and sustainability of small businesses in the area.

## 5. Recommendations

1) Enhance Financial Literacy and Education: Offer training programs on financial concepts, reporting, and working capital management to improve decision-making among business owners and employees.
2) Promote Regular Monitoring of Working Capital: Encourage systematic approaches and tools for managing working capital to ensure profitability.
3) Improve Financial Reporting and Analysis Skills: Pro-

vide resources and training on financial statement preparation, interpretation, and analysis.
4) Strengthen Accounting Information Systems (AIS): Invest in and train businesses on using robust accounting systems to ensure accurate financial records.
5) Encourage Financial Planning and Forecasting: Promote setting clear financial goals and regularly updating financial plans to navigate future challenges.
6) Adopt Flexible and Transparent Financial Management: Support businesses in adopting flexible and transparent management practices to improve decision-making and market adaptation.

*Future Directions:*

1) Develop advanced training programs in financial reporting and analysis to enhance strategic decision-making.
2) Explore and implement advanced accounting information systems, including cloud-based tools for real-time management.
3) Expand research to include sector-specific financial management practices, tailoring recommendations to industry needs.

## Abbreviations

| | |
|---|---|
| MSEs | Micro and Small Enterprises |
| SBEs | Small and Business Enterprises |
| SAPs | Small Accounting Practices |
| SEs | Small Enterprise |
| GDP | Gross Domestic Product |
| OECD | Organization for Economic Co-operation and Development |
| EPRDF | Ethiopian People Revolutionary Democratic Front |
| NBSSI | National Board for Small-Scale Industries |
| ESG | Environmental, Social, And Governance |
| GSE | Ghana Stock Exchange |
| IIBM | Institute of Business Management Information Technology & Management |
| MSEs | Micro and Small Enterprise |
| SPSS | Statistical Package for Social Science |

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## Author Contributions

**Addisu Shewaye Mengesha:** Conceptualization, Data curation, Formal analysis, Methodology, Resources, Software, Visualization, Writing – original draft, Writing – review & editing

**Mezmure Kebede:** Data curation, Formal analysis, Visu-

alization, Writing – review & editing

**Daneal Amentte:** Data curation, Formal analysis, Visualization, Writing – review & editing

# Declaration

I now declare that this research report is my work toward the executive Masters of Public Management and that, to the best of my knowledge; it contains no material previously published by another person nor material that has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

# Conflicts of Interest

I declare that there is no conflict of interest regarding the publication of this manuscript/study.

If applicable, disclose specific potential conflicts or financial interests here. For example:

I received funding from [Organization/Agency] for this study, but such funding did not influence the design, execution, or interpretation of the findings.

I declare that they have no personal or professional relationships that could inappropriately influence the content or outcomes of this research.

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