

THE EFFECT OF FINANCIAL MANAGEMENT PRACTICE ON ENTREPRENEURIAL PERFORMANCE OF MICRO, SMALL AND MEDIUM SCALE ENTERPRISES IN WEST OROMIA

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Abstract: Unemployment is becoming one of the basic challenges that all developing countries including Ethiopia are facing. To curve the problem and achieve their millennium development goal, such countries should focus on entrepreneurial activities that could enhance employment opportunity to unemployed youth. Micro, medium and small scale enterprises are the most enabling engine for entrepreneurial development of nations creating significant employment opportunities. But because of various factors, these enterprises are not performing as expected. This article therefore, analysed the effect of financial management practice on entrepreneurial performance in four west Oromia major towns mainly; Jimma, Mettu, Bunno Bedele and Nekemtie towns. The study utilized both primary and secondary data. The primary data was collected through self-administered questionnaire while secondary data was obtained from various sources. The proportionate to sample selection was applied to select samples. Descriptive statistics and binary logistic regression was applied to analyse data. The logistic regression indicated that accounting information system, financial reporting practice, financial education and literacy, working capital management, field of education of the owners/managers and manner of formation of the enterprises are significant factors affecting entrepreneurial performance in west Oromia. Hence, it is recommended that financial management practice has to be improved to enhance entrepreneurial performance of the micro, medium and small scale enterprises.

Key Words: Ethiopia, Financial management practice, Micro and Small scale Enterprises, West Oromia

1. Introduction

Unemployment, poverty, and social unrest are the overstraining challenges that gradually face low-income countries like Ethiopia. According to the report of ILO (2014), the average unemployment rate of sub-Saharan African countries in 2013 was 22.6%. This has remained the highest of all. Specifically, the average unemployment rate between 2011 and 2014 of Botswana was 18.1%, Congo 6.5%, Ethiopia 19.88%, and South Africa 25.1%. The projected data shows that the rate will increase over time. This is associated with narrow based economic growth which is sourced mainly on subsistence agriculture (World Bank, 2013).

Linked to this, there are three possible and potential ways. These are foreign direct investment, working intensively on the traditional agricultural sector, and growth from within by starting small and gradually big through entrepreneurship development. The last is called organic growth. This makes entrepreneurship in small-scale enterprise sector the universal concern OCED (2002) and a centre of policy attention.

Politicians, policy makers, and individuals feel concerned not only about supplying potential entrepreneurs into the economy but also the sustainable growth of small scale enterprises once they come to operations.

This gradually evolved interest in entrepreneurship on the part of economic and social development has also had an impact on the academic and research world (Davidsson, 2003 Landstorm, 2005). A Large number of entrepreneurship studies on different issues have been conducted at different times. The issues are broadly categorized as the concept of entrepreneurship and entrepreneurship development, its economic and social contribution, and the environment in which entrepreneurship is developed. Thus, briefing of the stated issues paves the way for a more understanding and explanation of the study.

More often than not, linked to entrepreneurship is an enterprise. Enterprise is an entity that is set to provide goods and services for financial and commercial ends. An enterprise is an undertaking engaged in the production and/ or distribution of goods and services for commercial benefits. It might be owned and operated by an individual or a group of individuals. Micro, small and medium scale enterprises are the bedrock for economic development of nations particularly for developing ones. They are believed to contribute to development of nations through production of goods and provision of services which, in turn, benefit the wellbeing of the entire nation through creating employment opportunity to disadvantaged section of the community

particularly women and youth and poverty reduction.

The role of entrepreneurship of any size in a given country is emphasized based on the objective that a country needs to achieve in the short and long term. In line with their role, their performance is also taken into surveillance. For instance, small hold trade and services are expected to be temporary employment solution compared to the industrial sector. The industrial sector, where the practice of entrepreneurship is highly demanding, is accentuated in strategic intent to accelerate economic growth that demands long-term endeavour. Regardless of their size, the industrial sector in Ethiopian context includes construction, mining, and manufacturing sub-sectors (NBE, 2015). This sector is highly concerned and considered as one of the strategic pillars to bring sustainable economic growth in the country. Small enterprises are dynamic forces for sustainable economic growth of developing countries through job creation innovation, developing human capital and creating financial system (Feredu and Edris, 2016). Small and medium scale enterprises are considered as an engine for economic growth and equitable development of developing countries (Amare and Raghurama, 2017). Micro, Small and Medium Enterprises (MSMEs) have played and continue to play significant roles in the growth, development and industrialization of developing countries. Accordingly, most developing countries have formulated and implemented a wide variety of MSME development strategies in order to support the growth of the sector, thereby transforming economies and generating substantial employment opportunities (Ada, 2017).

2. Statement of the Problem

Micro and small scale enterprises play significant role for economic development of nations. They are engine for development of nations providing immense employment opportunity. In Ethiopia this sector is the major source of employment and income especially for urban youth.

According to Fredu and Edris (2016) the importance of small and medium scale enterprises become immense in developing countries especially in sub Saharan Africa because of rapid rural-urban migration and deficiency to absorb this migration, and since small and medium scale enterprises are important urban economic activities particularly in providing urban employment.

But this holds real if the enterprises are equipped with entrepreneurial capabilities. But, evidences indicated that there is significant gap in entrepreneurial performance of micro and small scale enterprises in Ethiopia. A number of significant factors contribute to the low entrepreneurial performance of these enterprises. Some of these factors are related to financial capital, some are related to human capital, and some are related to entrepreneurial governance.

The extent of entrepreneurial performance is attributed to the extent to which the firm's accessibility to and management of financial capital. According to OECD (2015) lack of access to finance, lack of awareness about the source and use of finance, poor management and entrepreneurial skills, lack of financial literacy, lack of business acumen are some of the factors that prevent entrepreneurs from starting new business,

reduce chance of their survival or hinder the growth of existing once. Mazzarol, Reboud, and Clark (2015) also witnessed that small and medium scale enterprises particularly owner managed businesses face problems associated with financial management practices and accounting information system to leverage their growth than larger firms. Although theoretically finance is the life blood of business without which business couldn't operate, its extent of influence may be contextual that is not examined in the study area. Therefore, this study determines the effect of financial management practice on entrepreneurial performance of micro, small and medium scale enterprises in selected cities of Western Oromia.

3. Objective of the study

The main objective of this part is to investigate the Effect of Financial Management Practice on Entrepreneurial performance of micro, small and medium scale enterprises in West Oromia. More specifically the study will achieve the following objectives:

1. To explain the effect of accounting information system on entrepreneurial performance.
2. To analyse the effect of financial reporting and analysis on entrepreneurial performance.
3. To explain the effect of working capital management on entrepreneurial performance.
4. To investigate the effect of financial Structure management on entrepreneurial performance.
5. To investigate the effect of Financial planning and control on entrepreneurial performance.
6. To investigate the effect of Financial Literacy on entrepreneurial performance.

4. Scope of the study

The study focuses on the effect of financial management practice on entrepreneurial performance of micro, small and medium scale enterprises in western Oromia mainly; Jimma, Buno-Bedele, Metu and Nekemtie towns targeted entrepreneurs engaged in urban agriculture, manufacturing and construction sectors. Because these sectors are believed to play pivotal role for value addition as well as transformation of the economy that could realize the national objective of being a middle income country by 2025. Proxies of financial management practice such as accounting information system, financial reporting and analysis, working capital management, financial structure management, financial planning, and control, and financial literacy was taken in to account.

5. Literature Review

Turyahebwa, Sunday and Ssekajugo (2013) also analysed the relationship between financial management practice and business performance in case of small and medium enterprises in western Uganda. The study used structural modeling technique to analyse the data and the finding indicated that investment, accounting information system, financing, working capital management were the independent variable used to predict financial performance of the enterprises. The result indicated that there is statistically significant positive relationship between working capital management, financial reporting practice, investment practice accounting information system and business performance. The study generally

concluded that financial management practice play significant role for improved performance of businesses. Waweru and Nigugi (2014) researched on the influence of financial management practice on performance of micro and small enterprises in Kenya. Financial innovation, investing activities, risk management and working capital management were the independent variable, while, the financial performance was the dependent variable for the study. The result shows that all the independent variables used in the study mainly, financial innovation, investing activities, risk management practice, and working capital management practice have statistically significant positive effect on performance of micro and small scale enterprises. But financial innovation was found to be the most important factor affecting the performance of micro and small scale enterprises under investigation. Junifer and Dennis (2015) analysed the effect of financial management practice on the growth small and medium enterprises taking manufacturing enterprises in Nairobi as a case study. The researchers defined financial management practice in terms of working capital management practice, investment practice, financial planning practice, financial reporting and analysis practice and small and medium scale enterprises growth was the dependent variable. Descriptive analysis and chi-square test was used to analyse the data. The finding revealed that all the independent variables of the study have statistically significant relation with the growth of SMEs in Kenya, indicating the fact that the growth of SMEs being influenced by financial management practice. Pathnasiri (2015) analysed the financial management practice of small and medium enterprises in Srilanka.

The researchers basic objective was to see whether financial management practice defined by accounting information system, financial reporting and analysis, working capital management and fixed assets management practice differ among firms with respect to legal form, size of the businesses, age of the businesses, level of education of owners or managers, location of the businesses and leverage. The finding further indicated that there is difference in adoption of financial management practice based on form of the business. There is also difference in adopting accounting information system, cash and fixed assets management among small and medium scale enterprises. But there is similarity in receivable and inventory management practice among small and medium scale enterprises. The finding further revealed that there is no difference in financial management practice based on years of operation. There is difference in adoption of financial management practice based on education level of owners or managers. But location is not a factor to adopt financial management practice. Adoption of financial management practice does not vary among firms based on the leverage of firms too. Abenet and Venkateswarlu (2016) analysed the relationship between financial management practice of micro and small scale enterprises in Addis Ababa. Accounting information system, financial reporting and analysis, working capital management, fixed assets management and financial planning were the proxies of financial management practice. The finding concluded that SMEs are using accounting information system, more than half 55 % of the SMEs use trend or ratio analysis, the SMEs lack knowledge of working capital management, sophisticated knowledge of fixed assets management and up to 74 % of the small and

medium scale enterprises frequently compare budgets with actual performance. Tamiru (2016) have investigated the impact of financial management practice on success of small business enterprises in case of Woliso town, Oromia, Ethiopia. The researcher used financial accounting, reporting and analysis, working capital management, capital budgeting or fixed assets management, financial planning and controlling as a proxy of financial management practice. The study found that expensiveness of hiring professional accountants, difficulty in understanding accounting records, absence of internal accounting staffs as major challenges to businesses. The descriptive analysis indicated that majority of the respondents responded witnessing the fact that financial management practice have positive impact on growth of businesses. Ademola, Adeyemi & Itunu (2017) assessed the relationship between financial management practice and women entrepreneurs' performance in Nigeria taking 114 randomly selected women entrepreneurs in Osogbo, Ilesa and Iwo areas. The study used working capital management practice, financial reporting and analysis, investment analysis, financing and accounting information system as proxies of financial management practice, and profitability, sales growth, cash flow, customer satisfaction and value added as indicators of women entrepreneurs' performance. The result indicated that working capital management, and financing have no effect on performance while, accounting information system and financial reporting have negative relation with performance. The researchers concluded that financial management practice has no significant effect on performance of women entrepreneurs.

6. Research Design and Methodology

This research used mixed research design so as to analyse the effect of financial management practice, on entrepreneurial performance in micro, small and medium scale enterprises in Western Oromia. Target population of the study is the aforementioned group based enterprises situated in major cities of West Oromia (Jimma, Bedele, Metu, and Nekemit) which have started their operation before three years (2016).

Evidence obtained the four towns in western Oromia indicated that there are about 2,373 enterprises of which 1,013 are manufacturing, 1,234 are construction and 125 enterprises are engaged in urban Agriculture. Yamane, (1967) formula was used to determine the sample from the total population.

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

$$n = \frac{2,373}{1+2,373*0.05^2} = 342$$

Using the above mention formula, total of 342 of which 146, 177 and 18 were manufacturing, construction and urban Agriculture respectively based on proportionate to sample from the four areas under consideration. Lastly, convenience sampling was used to select the samples from each town and sector. This is because of the fact that it was not easy to pinpoint the samples in the town. Both primary and secondary data were used for this particular research and descriptive, correlational and causal design was used to analyse the collected data.

7. Model Specification

The following logistic regression equation will be used to analyse the effect of financial management practice on proxies of the entrepreneurial performance

$$\text{logit}(p) = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + \dots + b_kX_k$$

$$\text{Logit (ASTZ)} = b_0 + b1_{AIS} + b2_{FRA} + b3_{WCM} + b4_{FSP} + b5_{FPC} + b6_{FL}$$

Where

P is the probability of presence of the characteristic of interest.

$b_0, b_1, b_2, \dots, b_k$ are the logistic regression coefficients of the regression equation

$X_1, X_2, X_3 \dots X_k$ are the predictor variables in the regression equation

ASTZ is an assets size represented by the enterprises total assets a dummy variable of “1” if their total assets has increased from time to time and “0” otherwise

Accounting Information Systems (AIS) Practice- This variable indicates the entrepreneurs’ use accounting information system for documenting and communicating their financial and operating performance to the concerned stakeholders.

Financial Reporting and Analysis Practice (FRA) - Indicates the nature and frequency of financial reporting by the enterprises, analysis and interpretation of financial position and operating result.

Working Capital Management Practice (WCM)-Indicates the management of cash, receivables, and inventories by the enterprises to foster entrepreneurial development.

Financial Structure Management (FSP) - Relates to the nature of financing enterprises' operation (Financing) and the manner of distributing profits.

Financial Planning and Control Practice (FPC) - Relates to the use of budgets, comparison of actual performance with budgets, make control over costs and prices.

Financial Management Expertise (Financial Literacy) (FL)-Relates to the formal and informal financial education and training on financial management and

getting direct or indirect advises from financial experts.

8. Data Analysis and Interpretation

8.1. Descriptive Analysis

The type of enterprises that is whether they are micro, small or medium scale directly affects enterprise's performance. The following table describes the types of enterprises considered in the study to analyse effect of financial management practice on entrepreneurial development in western Oromia.

Table 1 Types of the enterprises

		Type of Enterprise			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Micro	129	47.3	47.3	47.3
	Medium	96	35.2	35.2	82.4
	Small	48	17.6	17.6	100.0
	Total	273	100.0	100.0	

Source: Questionnaire

From the above table, 129 (47.3 %) of the enterprises considered in the study are micro, 96 (35.2%) are medium scale and 48 (17.6 %) are small scale enterprises.

From this it can be concluded that majority of the enterprises in the study are micro followed by medium and small scale.

8.2. Sector of the Enterprises

Table 2 Sector of the enterprises

		Sector of the Business			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Manufacturing	134	49.1	49.1	49.1
	Construction	122	44.7	44.7	93.8
	Urban	17	6.2	6.2	100.0
	Agriculture				
	Total	273	100.0	100.0	

Source: Questionnaire

Table 2 also reveals that from out of the total enterprises considered in the study 134 (49.1%) are manufacturing, 122 (44.7 %) are construction and the remaining 17 (6.2 %) engage in urban

agriculture. This is to mean that majority of the enterprises engage in manufacturing sector as woodwork, metal work and other manufacturing activities.

8.3. Educational Background of the Owner/Managers

Literature also supported the fact that educational background of owners or

managers of the enterprises directly influenced the performance of enterprises. Accordingly, the following table indicated the educational profile of owners or managers of enterprises in western Oromia.

Table 3 Educational Background of Owners/Managers

Education of Owner or Manager				
	Frequency	Percent	Valid Percent	Cumulative Percent
High school	71	26.0	26.0	26.0
College Graduate	121	44.3	44.3	70.3
Valid University Graduate	81	29.7	29.7	100.0
Total	273	100.0	100.0	

Source: Questionnaire

Table 3 indicated that 71 (26.0 %) of the owners/managers have high school level education, 121 (44.3%) are college graduates and 81 (29.7 %) are degree graduates. This is to mean that majority of the enterprises are owned or managed by those who are graduated from college and trained at diploma level. The number of enterprises owned or managed by degree graduates are almost equal with those managed by high school graduates. This implies that those who are graduates of degree rarely engage in this sector and opt to search for government or non-government jobs than creating their own jobs.

8.4. Field of Education of Owners/Managers

Performance of the enterprises is the function of the decision of owners/managers. Field of education of owners/managers in turn has impact on their decision of managers. Decision therefore affects the Performance of enterprises. The following table indicates the field of education of the owners/managers of the enterprises in western Oromia.

Table 4 Field of Education of Owners/Managers

Field of Education				
	Frequency	Percent	Valid Percent	Cumulative Percent
Business and Economics	62	22.7	22.7	22.7
Social Science	59	21.6	21.6	44.3
Natural and Computational science	46	16.8	16.8	61.2
Valid Technology	70	25.6	25.6	86.8
Agriculture	2	.7	.7	87.5
Others	34	12.5	12.5	100.0
Total	273	100.0	100.0	

Source: Questionnaire

From the table 4 above it can be understood that 62 (22.7 %) have studied business and economics, 59 (21.6 %) have studied social science, 46 (16.8 %) have studied natural and computational science, 70 (25.6 %) have studied technology related, 2 (0.7 %) have studied agriculture and finally 34 (12.5 %) have studied different subjects and categorized under other category.

8.5. Manner of Formation of the Enterprises

The manner of formation of the enterprises, whether the enterprises are formed through voluntary gathering of the members or involuntary through the action of those government offices who are responsible for the formation of such enterprises affect the performance enterprises in western Oromia.

Table 5 Manner of Formation of the Enterprises

Manner of Formation				
	Frequency	Percent	Valid Percent	Cumulative Percent
Voluntary	124	45.4	45.4	45.4
Valid Governmental	149	54.6	54.6	100.0
Total	273	100.0	100.0	

Source: Questionnaire

From table 5 it can be seen that 124 (45.4 %) of the enterprises are formed voluntarily through voluntary gathering of the members, while the remaining 149 (54.6 %) of the enterprises are formed by the action of government offices. This implies that majority of the enterprises are formed by action of the of government offices.

there is a need to further analyse which, of the variables contributes more to the profitability of the enterprise, cross tabulation was used and the result is indicated in the tables that follow.

8.6. Cross Tabulations

Table further indicated with regard to which field of education of the enterprise managers resulted in more profitability of the enterprises.

As the correlation analysis indicates a simple relationship between variables and

Table 6 field of education of managers and profitability of enterprises

Profitability * Field of Education Cross tabulation

Count

		Field of Education						Total
		Business and Economics	Social Science	Natural and Computational science	Technology	Agriculture	Others	
Profitability	If the Enterprise is not Profitable	29	37	28	26	0	23	105
	If the Enterprise is Profitable	33	22	18	44	2	11	168
Total		62	59	46	70	2	34	273

Source: SPSS cross tabulation output

As it can be understood from table 6, 33 (53.23%) of the enterprises whose manager is from business and economics, 22 (37.29 %) of the enterprises whose manager is from social science, 18 (49.13 %) of the enterprises whose manager is from natural and computational science, 44 (62.86 %) of the enterprises whose manager is from technology, 2 (100 %) of the enterprises whose manager is from agriculture and 11 (32.35 %) of the enterprises whose manager is from others are profitable. From the disciplines,

disconsidering the effect of minimum number of enterprises in the agriculture that could inflate the percentage, it can be said that enterprises whose managers are from the field of technology and business and economics are more profitable when compared to others.

To see whether manner of formation contributed to profitability of enterprises, cross tabulation was conducted and the result is indicated in the table that follows.

Table 7 Manner of formation and profitability of enterprises

Profitability * Manner of Formation Cross tabulation

Count		Manner of Formation		Total
		Voluntary	Governmental	
Profitability	If the Enterprise is not Profitable	40	66	105
	If the Enterprise is Profitable	84	83	168
Total		124	149	273

Source: SPSS cross tabulation output

From the table 7, above, it can be seen that 84 (67.74 %) of the enterprises whose members are formed voluntarily were profitable while 83 (55.70 %) of the enterprises whose members are grouped involuntarily by the government organ are profitable. From the table, it is clear that voluntarily formation of the enterprises contributed to the profitability of enterprises. This could be because, if the members know each other and come to form the group voluntarily, there could be

strong group cohesiveness and little chance of dissolution of the group and there is mini mum conflict of interest.

There needs further investigation to know whether education level results in profitability of the enterprise. To achieve the objective, cross tabulation was used and the result is indicated in the following table.

Table 8 Cross tabulation between profitability and education level

Profitability * Education of Owner or Manager Cross tabulation

Count

		Education of Owner or Manager		Total
		High school and Collages	University Graduates	
Profitability	If the Enterprise is not Profitable	74	23	97
	If the Enterprise is Profitable	109	67	176
Total		183	90	273

Source: SPSS cross tabulation output

As it can be seen from the table above, 67 (74.44 %) of the enterprises whose managers are university graduates are profitable which only 109 (59.56 %) of the enterprises whose managers are high school or college diploma graduates. This clearly indicates that education level of managers enhances profitability of the enterprises.

8.7. Financial Management Practice and Capital of the Enterprises

A multivariate logistic regression was performed to ascertain the effects of

proxies of financial management practices as; Accounting Information System, Financial planning and control practice, and working capital management practice. In addition, the effect of other control variables as; type of the business, sector of the business, years of operation, educational level of the managers, field of education of managers, and manner of formation of the business on the entrepreneurial practice.

The following regression output indicates the fitness of the model to analyse the effect of independent and other variables on the dependent variable.

Table 9 Model summary

Model Summary			
Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	144.747 ^a	.351	.568

a. Estimation terminated at iteration number 7 because parameter estimates changed by less than .001.

Source: Logistic Regression Output

The result indicated that the model could predict about 56.8 percent of the change in the dependent variable indicating the fact that the model best fits for the study.

Table 10 Classification table

Observed		Predicted		
		Assets Level		Percentage Correct
		If Assets not Increase	If Asset Increase	
Assets Level	If Assets not Increase	25	26	49.0
	If Asset Increase	4	218	98.2
Overall Percentage				89.0

a. The cut value is .500

Source: Logistic Regression Output

This model examines the effect of the independent variables and other control variables on entrepreneurial performance measured by the level of assets of the enterprises in west Oromia. The model explained 35.1% (Cox & Snell R Square), 56.8% (Nagelkerke R^2) of the variance in

Entrepreneurial Performance and correctly classified 89.0 % of cases. This indicated that the model is fit for measuring the effect of independent variable on the dependent variable.

Table 11 Hosmer and Lemeshow Test

Hosmer and Lemeshow Test			
Step	Chi-square	df	Sig.
1	44.456	8	.098

Source: Logistic Regression Output

The null hypothesis for the model fitness is that; there is no problem in the model fitness and as the p value of the Hosmer and Lemeshow test with Chi-square value of 44.456 and sig. value of .098 is greater than 0.05, there is no sufficient reason to reject the null hypothesis. This indicated that the model is fir for measuring the effect of financial management practice on entrepreneurial performance measured by increase in assets amounts since their establishment.

8.8. Multivariate Logistic Regression Output

The following multivariate logistic output indicated the effect of financial management practice and business demographics on entrepreneurial performance in West Oromia.

Table 12 the effect of Financial Management practice on Assets level

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)	
								Lower	Upper
Step 1 ^a	AIS	1.826	.502	3.236	1	.000	3.641	1.060	2.431
	FRP	1.492	.702	4.512	1	.034	3.445	1.122	2.607
	FPCP	-.453	.462	.962	1	.327	.636	.257	1.572
	FEL	1.350	.737	4.495	1	.036	2.435	1.074	2.903
	WCM	3.028	.752	3.195	1	.000	4.654	1.727	3.248
	Type	-.860	.673	1.631	1	.202	.423	.113	1.584
	Sector	-.929	.479	3.769	1	.052	.395	.155	1.009
	Years	-.879	.542	2.631	1	.105	.415	.144	1.201
	Edulevel	1.144	.740	2.391	1	.122	3.138	.736	1.373
	EducField	-1.704	.735	5.375	1	.020	.182	.043	.768
	Formation	2.178	.707	5.494	1	.002	3.113	1.028	2.453
	Constant	9.092	2.820	10.396	1	.001	84.294		

a. Variable(s) entered on step 1: AIS, FRP, FPCP, FEL, WCM, Type, Sector, Years, Edulevel, Educ Field, and Formation.

Source: Logistic Regression Output

The Wald Criteria indicated that Accounting Information System (P= 0.000), Financial reporting practice (P= 0.034), Financial expertise or literacy (P= 0.036), Working Capital Management Practice (P= 0.000), Field of Education of Managers (P = 0.020) and Manner of formation of the enterprises (P= 0.002) are the significant determinants of entrepreneurial performance measured by increase in the assets of micro, medium and small scale enterprises in western Oromia.

The Exp (B) value of 3.641 for AIS indicated that the increase in accounting information system practice increases the assets level of the enterprises by 3.641 times keeping everything constant. This is because of the fact that the use of computerized accounting information system results in enhanced the control practice over assets that further reduce miss-utilization and miss-appropriation of assets.

The Exp (B) values for FRP of 3.445 indicated that increase in the financial reporting practice leases to increase in the assets value by 3.445 times keeping other things constant. This is because, the fact that the financial reporting practice increase transparency among the enterprises that reduce information asymmetry and help the members to have common understanding about the performance of their business. This helps them to avoid frauds and the assets level of the enterprise tends to increase.

The Exp (B) values for FEL 2.435 also indicated that increase in the financial expertise of the managers of the enterprises the assets value or capital of the enterprise by 2.435 times keeping other things constant. This is because, the financial expertise of the managers helps them to determine the best source and use of funds, where and when to invest, how to handle customers, what price to charge, how to reduce costs and unnecessary expenses that further increases their capital from time to time.

The Exp (B) values for WCM practice of 4.654 also indicated that increase in the working capital management practice leads to increase in the assets value by 4.654 times keeping other things constant. This is because; the working capital management entails the management of cash, receivables, and inventories of the enterprise. Appropriate management of cash reduce thefts and frauds over cash as the most liquid asset, at the same time, appropriate management of receivables resulted in minimized bad debts, and management of inventories result and maintenance of optimum amount of inventories. The cumulative effects of the management of such assets in improved capital or assets size from time to time.

The dummy variables; field of education and manner of formation of the enterprises have negative effect on capital of the enterprises measured by assets size. Exp (B) for Educ field = 0.182 and Exp (B) for formation = 3.113 indicated the fact that the variables have significant effect on capital of the enterprises.

More specifically the odds of increased in capital or assets size (yes) category is lower for enterprises whose managers are from business and economics background than those enterprises whose managers are from non-business background. This could be because of the categorization of enterprises whose managers are from technology background in the category of non-business. The cross tabulation for profitability and field of education indicated that enterprises whose managers are from the technology background are more profitable than enterprises whose managers are with education background of business and economics.

At the same time, the odds of increased in capital of the enterprises measured by assets size is more for the enterprises whose members are formed voluntarily than those enterprises whose members are formed by the government organ.

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