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INFLUENCING FACTORS ON FINANCIAL MANAGEMENT PRACTICES

A CASE STUDY OF SMEs IN SOUTH DAGON INDUSTRIAL ZONE (2)

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INFLUENCING FACTORS ON FINANCIAL MANAGEMENT PRACTICES

A CASE STUDY OF SMEs IN SOUTH DAGON INDUSTRIAL ZONE (2)

A thesis submitted as a partial fulfillment towards the requirements for the degree of Master of Banking and Finance (MBF)

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ABSTRACT

The objectives of this study are to identify the financial management practice of SMEs in South Dagon Industrial Zone (2) and to find out the factors that influence on good financial management practices. The total population 128 companies in SMEs at South Dagon Industrial Zone (2) and sample size are 65 companies which mean 50% of the total respondents. For this study, primary data collected by interviewing with finance managers of SMEs. By using descriptive analysis, this study provided the valuable result and answers to the results to use of financial management practices of SMEs. According to the result without the four financial management practices, the business financial information not comes out well. If not the owner can't decide the right decision for the business future. All of the finance managers in SMEs are skill full in using financial management practices well. The results of correlation coefficient found that the skill and capability of finance manager are strongly related with financial management practices which are financial reporting analysis, fixed assets management, working capital management practices and capital structure management each had a significant influence effect on the company's financial performance with working capital management practice being a higher contributor to the effect. Finance managers are used fully practice of financial management, SMEs owner can be decided well for the future of business.

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CHAPTER I
INTRODUCTION

Financial management is a necessary tool for supporting the organization's goals and objectives. Its purpose is to provide information that to make organization's short and long-term plan reality. Financial management involves controlling, conserving, allocating and investing the organization's resources, including personnel, equipment, supplies. It goes beyond the traditional accounting focus on recording and reporting financial transactions, to focus on analysis and decision making.

Financial management is about analyzing financial performance, identifying ways to use resources efficiently and finding creative ways to use resources to generate additional resources. Financial management activities includes matching available resources to the activities planned by the organization, monitoring the efficiency of current resource use, identifying ways to reduce and recover costs, finding ways to new initiatives, identifying trends in past resource usage, in order to determine future budget requirement, project cash need and forecast financial growth, managing and investing current resources to make them profitable, developing long-term financial plans to meet future resources requirements, controlling and attempting to prevent major risk.

Like many other management sciences, financial management, firstly, establishes its goal and objectives. Objectives of financial management are foundations or bases for comparing and evaluating the efficiency and effectiveness of financial management. The final goal of financial management is to maximize the financial wealth of the business owner. This general goal can be viewed in terms of two much more specific objectives: profitability and liquidity.

Profitability management is concerned with maintaining or increasing a business's earnings through attention to cost control, pricing policy, sales volume, stock management, and capital expenditures. This objective is also consistent with the goal of most businesses. Liquidity management, on one hand, ensures that the business's obligations (wages, bills, loan repayments, tax payments, etc.) are paid. The owner wants to avoid any damage at all to a business's credit rating, due to a temporary inability to meet obligation by: anticipating cash shortages, maintaining the confidence of creditors, bank managers, pre-arranging finance to cover cash shortages. On the other hand, liquidity management minimizes idle cash balances, which could be profitable if they are invested.

Financial management is concerned with all areas of management which involve finance – not only the sources and uses of finance in the enterprise, but also the financial implications of investment, production, marketing or personnel decisions and the total performance of the enterprise. Financial management is concerned with raising the funds needed to finance the enterprise's assets and activities, the allocation of these scarce funds between competing uses, and ensuring that the funds are used effectively and efficiently in achieving the enterprise's goals. Financial management state that to two main objectives: profitability and liquidity. Profitability management is concerned with maintaining or increasing a business's earnings through attention to cost control, pricing policy, sales volume, stock management, and capital expenditures. Liquidity management is concerned with avoiding any damage at all to a business's credit rating, due to a temporary inability to meet obligation by anticipating cash shortages, maintaining the confidence of creditors, bank managers, pre-arranging finance to cover cash shortages.

Efficient financial management is defined as financial management that achieves financial management objectives without wasting financial resources. Conversely, inefficient financial management is not to achieve financial management objectives or achieve the objectives but wasting or without minimizing financial resource utilization. Business Enterprises have often recorded poor performance due to lack of knowledge of efficient financial management. The uncertainty of the business environment causes business enterprises to rely excessively on equity and maintain high liquidity and these financial characteristics affect profitability. It is therefore worth investigating the effect of financial management practices in South Dagon Industrial Zone (2).

1.1 Rationale of the Study

Sound financial management practices are crucial to the survival and well-being of many business enterprises of all types. Studies of rationale for business failure show that poor or careless financial management practice is the major cause of failure. According to financial management theory, the objective of the firm is to maximize the wealth of its shareholders.

The previous research based on the exploratory research conducted by JICA (2017) and Ohnmar Thein (2007) and findings of Kyaw Htin (2002), the following gaps are found that SMEs of financial management practices in South Dagon Industrial Zone (2): SMEs in use equity as the major source of finance. Sometimes, equity ratios are up to 90 percent. Due to difficulties in obtaining long-term loans, SMEs owner are willing to use short-term loans to non-current assets. The lack of human resource such as professional skill and understanding of financial management practices. Based on these previous data, these studies have to find out whether good financial management practices used in Industrial zone and also to find out the finance managers have excellent skill does have or not.

Financial management practices adopted by SMEs are said to maximize the shareholders' wealth when they contribute to the company's performance. Under the assumption of economic rationality, sound financial management practices can be regarded as a means by which a firm uses in order to fulfill its objectives.

This study is provided an insight to finance practitioners on the financial management practices and their relationship with organizational performance. It is also provide vital information to business firms particularly on how best to maximize on the usage of financial policies and practices. By gaining understanding of the most crucial financial practices applicable to their companies, organizations have to organize themselves in a way that ensures success. With knowing such factors, organizations must be able to better prepare for any new challenges and thus operate successfully and be able to compete in the international professional skill.

This study act as a reference point to other researchers in the same field as it is directly linked to the current interest in sustainable financial management practices in SMEs.

1.2 Objectives of the Study

The main objectives of the study are as follows:

(1) To identify the financial management practices adopted by SMEs in South Dagon Industrial Zone (2).

(2) To find out the factors that influence on financial management practices of SMEs in South Dagon Industrial Zone (2).

1.3 Scope and Method of the Study

This study was based on South Dagon Industrial Zone (2). Among the SMEs that operated in this industrial zone, only 50% of SMEs are selected with Simple Random Sampling Research Method. To analysis main objectives, primary data are collected by using questionnaires and interviews which were conducted during the month July 2018 to Dec 2018. Besides, some of the external secondary data are collected from Economic Journals, Internet website and the Library.

The primary data was collected by qualitative interviews and well organized questionnaires for regarding the financial management practices that use in SMEs of South Dagon Industrial Zone (2). Based on available information from primary data and secondary data from South Dagon Industrial Zone (2), this study explored the basic information about to find out the influencing factors of financial management practices of the SMEs by using the descriptive analysis.

1.4 Organization of the Study

The study consists of five chapters. The first chapter presents the introduction of the study; rationale of the study; objective of the study; scope and method of the study; organization of the study. The second chapter demonstrates the empirical and theoretical of financial management practice and previous study of financial management practices. Chapter three provided the profile of South Dagon Industrial Zone (2). The fourth chapter shows the analysis parts of financial management practices in SMEs at South Dagon Industrial Zone (2). Lastly, chapter five presents the Findings, suggestion, and need for the future study.

CHAPTER II

THEORITICAL BACKGROUND

This chapter reviews theoretical and empirical literature on financial management practices of SMEs at South Dagon Industrial Zone (2). This chapter includes the definition of financial management; financial management practices which are financial reporting analysis, fixed asset management, capital structure management, working capital management. And also previous study of financial management and the conceptual frame work of this study.

2.1 Definition of Financial Management

The main objective of this study is to review financial management practice and influencing factor on profitability of small and medium enterprises. Before reviewing the relations between financial management and SME profitability, the concept of financial management needs to be clarified. Financial management is one of several functional areas of management but it is the central to the success of any small business. This definition emphasizes the central role and position of financial management in relation to the other specific areas of business management.

Financial management is crucial for the continuity of small and medium enterprises (SMEs). The growing importance of this issue raises interesting questions whether companies are improving their abilities to have effective financial management and implementing changes that will enable them to analyze results, to interpret, to forecast future performance and improve their business decisions. The competition in SMEs seems to call for an investigation towards the effectiveness of financial management.

Financial management is applicable to every type of organization, irrespective of the size, kind or nature. Every organization aims to utilize its resources in a best possible and profitable way. Financial Management is an integral part of overall management. Financial considerations are involved in all business decisions. Acquisition, maintenance, removal or replacement of assets, employee compensation, sources and costs of different capital, production, marketing, finance and personnel decision, almost all decisions for that matter have financial implications. Therefore, financial management is pervasive throughout the organization.

The central focus of financial management is valuation of the firm. Financial decisions are directed at increasing/maximization/ optimizing the value of the organization. Generally higher the risk returns might be higher and vice versa. So, the financial manager has to decide the level of risk the firm can assume and satisfy with the accompanying return.

A Finance manager is a person who is exclusively responsible for the financial administration and financial record-keeping, and who is directly responsible to the accounting officer. The responsibilities of the finance manager include the following:

- evaluation of existing (and development of new) systems and procedures for financial and risk management and internal control
- initiation and coordination of strategic planning
- budgeting, with an emphasis on its link with planning
- monthly and annual reporting on expenditure and performance, as well as the annual report

The Finance Manager also oversees the budgeting. In preparing the budget, the Finance Manager is expected to ensure that estimates of the various directorates (sections) of the department comply with the direction of executive authority. Strategic planning and prioritization present the starting point for preparing departmental medium-term expenditure framework estimates, as they guide departmental reprioritization within medium-term baseline allocations, and provide the rationale for policy options for changes to baseline allocations over the next three-year period. The development and implementation of strategic plans into the budget process as fundamental to effective and efficient financial management. The budget process is a planning process for the operational activities of a firm. In the budget process, resources are allocated, efforts are made to keep as close to the plan as possible, and the results are evaluated. Financial planning is useful for providing information regarding the future, which may be requested by other parties whose support and cooperation are needed by the company.

2.2 Financial Management Practices

For the purpose of this section, financial management practices are defined and demarcated as the practices performed by the accounting officer in the areas of financial reporting analysis (FRA), fixed asset management (FAM), working capital management (WCM), capital structure management (CSM) and supporting of top level management. All these practices are crucial for an efficient financial management in organizations.

Financial management practice makes a better feeling of financial idea for the organization, more keen concentration on what is deliberately imperious and improved comprehension of a quickly evolving condition. Strategic management in autonomous investments as the way toward building up a strategy to direct an organization as it endeavors to attain its vision, mission, objectives and goals and prevent it from straying off course.

Financial management is responsible for acquiring the necessary financial resources to ensure the most beneficial results over both the short and the long term and making sure that the business makes the best use of its financial resources. The financial manager is engaged in two primary tasks, namely financing and investment decision-making. All the primary functions are interrelated. An investment project, whether of a long-term or short-term nature, cannot be undertaken without adequate financing. The profit distribution decisions are a function of or result from investment and financing decisions taken previously. The other topics, which are related to financial management that will also be discussed, are financial reporting analysis, fixed asset management, capital structure management, working capital management, return on assets of the financial statement.

(1) Financial Reporting Analysis (FRA)

Bookkeeping alone without preparing reports is likely not to be fundamental in aiding decision making unless proper reports are prepared and analyzed to attach a meaning so as to help decision makers. Financial statements usually provide the information required for planning and decision making. Information from financial statements can also be used as part of the evaluation, planning and decision making by making historical comparisons.

Key variables of interest in this study reflect the general purpose financial reports used for internal financial management purposes by SMEs in the study sample. Financial reporting practices are specified to include historical and future-oriented financial reporting using the balance sheet, the profit and loss statement and the cash-flow statement; and also analysis and interpretation of historical financial statements. These practices are described, in the indicated order, in this and the following two sub-sections of the paper. financial analysis is the process of evaluating the performance of a business and other projects using tools such as ratio analysis, payback period, net present value and internal rate of return. Typical tools such as cost–benefit analysis, cost-effectiveness, sales mix analysis and cost–volume analysis can be useful. Financial analysis includes ratios such as current ratio, quick ratio, return on sales, debt ratio, inventory turnover and return on equity.

(2) Fixed Asset Management (FAM)

For the purpose of this study of the focus is on movable assets; the acquisition of capital assets can most certainly exert an effect on an organization's competitive advantage over the long term. Capital equipment is characterized by large expenditure and non-recurring expenditure. Purchasing capital equipment usually requires a relatively large capital outlay, which may sometimes amount to millions and which may have particular financial implications. Buying capital equipment can therefore be regarded as an investment which is financed from long-term, rather than from working, capital. It is important to consider not only the purchase price of capital equipment, but also the total cost of ownership. Capital equipment is usually purchased at irregular intervals. If the correct purchasing decision is made, capital equipment generates profits for the organization. Incorrect decisions may have disastrous consequences for the enterprise, since it will not be able to sell capital equipment over the short term, top management should consider the acquisition of capital equipment, with care.

This subsection reviews research on fixed asset management practices of SMEs. The key study in this field include that capital budgeting might be more important to a smaller firm than its larger counterparts because of the lack of access to the public markets for funding. In the smaller enterprises, approvals for capital outlays tended to be given as required, whereas larger concerns were more likely to have annual capital budgets. Most businesses seemed unaware of the link between their financing and investment decisions. On the positive side, it was quite clear that the evaluation of capital projects was heavily cash flow oriented.

(3) Capital Structure Management (CSM)

Capital Structure Management is a company's capital structure refers to the combination of its various sources of funding. Most companies are funded by a mix of debt and equity. When determining a company's cost of capital, the costs of each component of the capital structure are weighted in relation to the overall total amount. This calculates the company's weighted average cost of capital (WACC). The WACC is used to calculate the net present value (NPV) in capital budgeting for corporate projects. A lower WACC will yield a higher NPV hence achieving a lower WACC is always optimal.

Capital structure practices have a significant effect on the organization's financial performance. Precisely how organizations select the level of debt and equity in their capital structures remains a mystery. Capital structure is the mix of debt, equity, internal sources or government proprietorship that funds the organization's strategic plan. The powerful administration of capital structure guarantees the accessibility of required finance to fund the future development and enhance financial performance. The debt equity relationship relies on the way ventures are included like organization's line of business and its improvement.

(4) Working Capital Management (WCM)

Working Capital Management (WCM) refers to decisions relating to working capital and short term financing. These involve managing the relationship between a firm's short-term assets and short-term liabilities. The goal of WCM is to ensure that the firm is able to continue its operations and that it has sufficient cash flow to satisfy both maturing short-term debt and upcoming operational expenses. The context of working capital management includes cash management, receivables and payables management, and inventory management.

To be successful in achieving the optimum level of working capital management, one needs cross-functional alignment of many managers, who will often see the cash flow management objective as secondary or in conflict with other measures or targets they must achieve. The optimum level of working capital depends on many factors like firm's credit policy, inventory management, bills paying capability, and also to some extent firm's future plans of growth and expansions. The working capital management does impact the performance of firms as depicted by the change in return on total assets (ROTA) with the change in cash Conversion Cycle.

The result is in line with the theory that smaller the funds tied up in the working capital, higher the return is as there would be lesser need of external financing and the freed up funds could be utilized for investment in profitable areas.

2.3 Previous Study of Financial Management Practices in SMEs

Previous literature on finance in small business Literature on small firms' financial management is quite voluminous and it concentrates on different aspects of firm's management. For this research paper we have selected just a few studies from the recent period concentrating predominantly on various issues of financial management and small firms' strategy. The following table summarizes studies across the globe and points out the main point of interest.

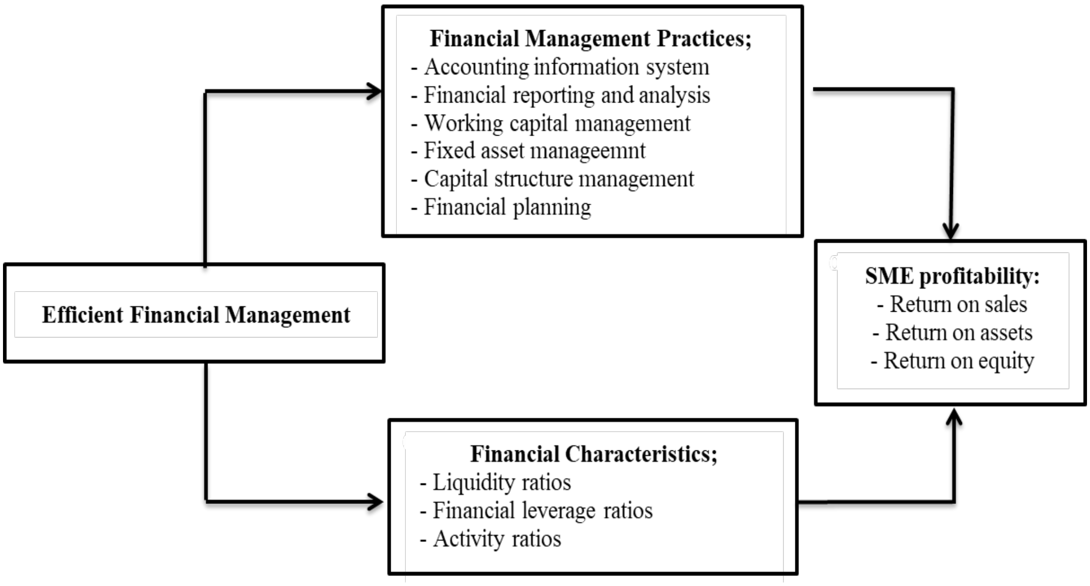
Table (2.1) Previous Study of Financial Management Practices in SMEs

Author	Country	Title
Rashid Simiyu Fwamba(2017)	Kenya	Influence of Financial Management Practice on Financial Performance of Sugar Manufacturing Companies
Chege Esther Muthoni(2016)	Africa	The Effect of Financial Management Practices on the Performance in Hospitality Industry
Kiita Geoffrey Kitonga(2013)	Kenya	The Relationship Between Financial Management Practices and Financial Performance in the shipping industrial in Kenya
Kieu Minh Nguyen(2001)	Vietnam	Financial management and profitability of small and medium enterprises

Source: survey combined data

As per above previous study, Kieu Minh Nguyen(2001) found out the problem that SMEs in Vietnam face appears to be that inefficient financial management practices have adversely affected their profitability. Therefore, the problem to be addressed in this study is to investigate the simultaneous effects of financial management practices and financial characteristics on SME profitability, and then, to determine the best measures for improving SME profitability in Vietnam by using efficient financial management tools. In more detail, definitions and measures of dependent variable (profitability) and independent variables such accounting information system, financial reporting and analysis, working capital management (including cash management, receivables management, inventory management), fixed asset management, capital structure management, and financial planning. In addition, the model of simultaneous effects of financial management practices on SME profitability would be developed. Below figure 2.1 represents the conceptual framework of previous study.

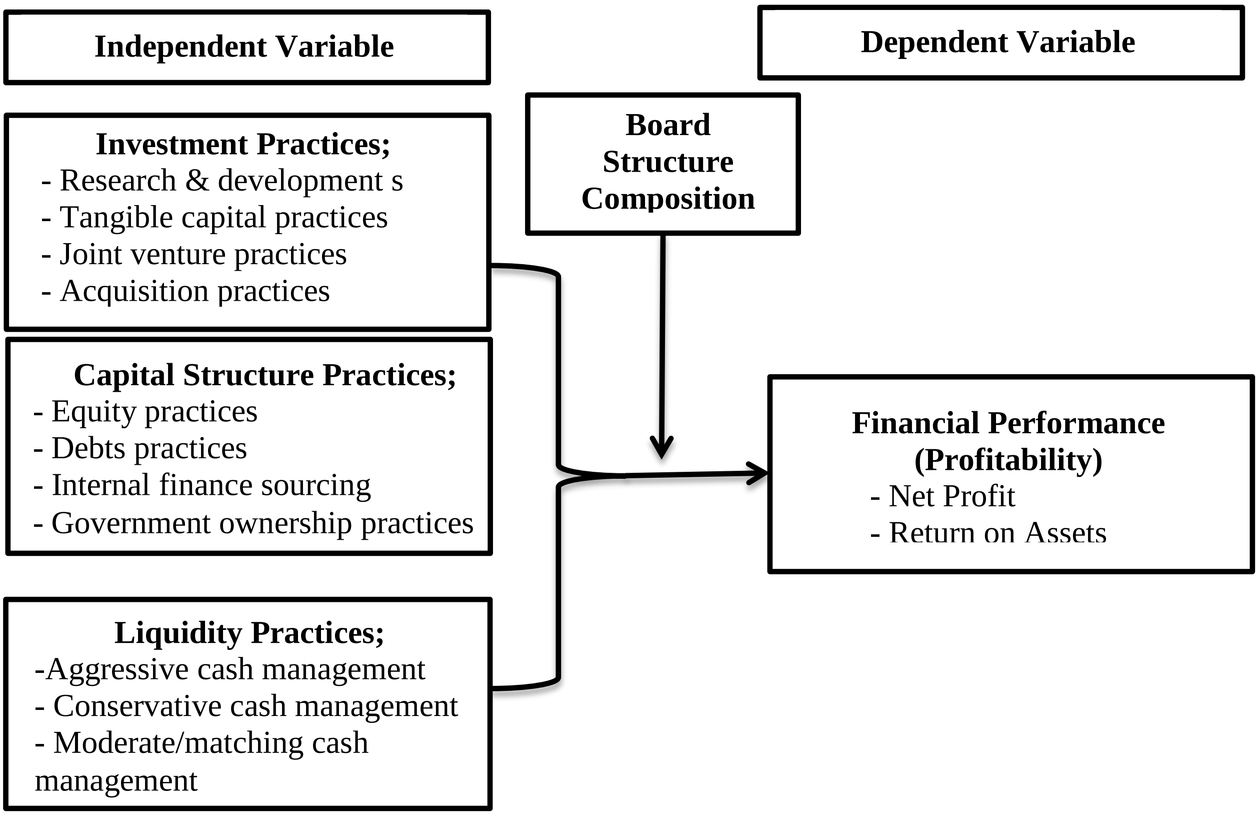
Figure (2.1) Previous study of conceptual framework



Source: Kieu Minh Nguyen-Australia (2001)

Another previous study also found out, Rashid Simiyu Fwamba(2017) explored the influence of strategic financial management practices on financial performance of sugar manufacturing companies in Kenya. The financial management practices applied in this study was liquidity management practices, investment practices and capital structure practices. The study's financial performance was checked by net profit and gross profits. The study unit of analysis was all the twelve sugar manufacturing factories in Kenya that were operational by close of financial year 31st December 2015. Conceptual framework is an arrangement of wide thoughts and standards borrowed from applicable fields of enquiry and utilized to assemble a resulting introduction. The conceptual framework for this study exhibits the relationship of strategic financial management practices and financial performance of manufacturing companies which has been presented in Figure beneath which it conceptualizes that strategic financial management practices (investment practices, capital structure practices, liquidity practices and risk management practices) impact on financial performance of sugar manufacturing companies established through profitability.

Figure (2.2) Previous study of conceptual framework

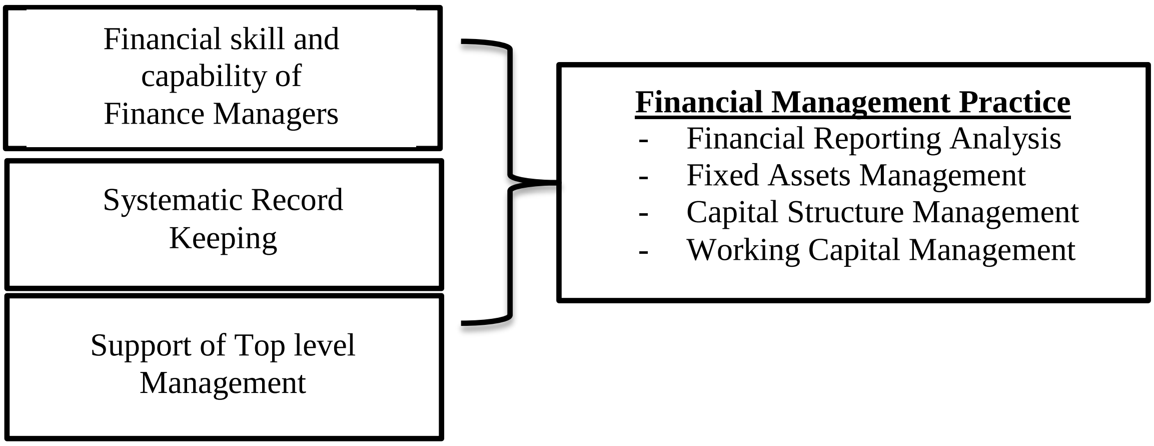


Source: Rashid Simiyu Fwamba(2017)

2.4 The Conceptual Framework of the Study

Depend on the previous data I have to study on the financial management practice in SMEs at South Dagon Industrial Zone 2. The conceptual framework for this study as per following, financial skill and capability of finance managers, systematic record keeping and support of top level management which influence by influence on finance management practice.

Figure 2.3 Conceptual Framework of the Study



Source: Jomo Kenyatta, Journal of Scientific and Research Publications, Vol 6, 2016

CHAPTER III

PROFILE OF SMEs IN SOUTH DAGON INDUSTRIAL ZONE (2)

This chapter presents the historical background of South Dagon Industrial Zone (2) with the organization structure and provided by zone committee and financial management practices adopted in SMEs. There are four sections. They are historical background, vision, mission and objectives of the industrialization.

3.1 History of Small and Medium Enterprises in Myanmar

Myanmar has adopted the market – oriented economic system in 1988. Appropriate measures has been undertaken, the underlying aspect in doing so are decentralizing the central control, encouraging private sector development, allowing foreign direct investment, initiating institutional changes and promoting external trade by streamlining export and import producers. According, laws, orders, rules, regulations and notifications which had prohibited or restricted the private sector from engaging in economic activities were replaced and many laws and rules were amended to be in line with the change of time and circumstances.

The Union of Myanmar Foreign Investment Law (FIL) was enacted in November 1988 and the procedures prescribed in December 1988 encouraging foreign direct investment. Myanmar has opened the doors to foreign investment to participate actively in exploiting the natural resources thereby enhancing long – term mutually beneficial cooperation.

Myanmar has been implementing the National Development Plan with the aim to accelerate growth, achieve equitable and balanced development and to reduce socio – economic development gap between rural and urban areas of the country. A country's economic development depends on microeconomic stability. The country would see an increase in microeconomic indicator, which generates more job opportunities, more exports and increase in balance of payment (BOP) ratio.

Myanmar is home to 70% of rural population and 30% of urban population, and most of the rural people are in poverty. The government is undertaking eight – point task of development and poverty alleviation for providing assistance for the rural people. According to the calculation of UNDP and UNICEF, poverty rate of the nation declined to 26% in 2010, compared with 32% in 2005. At present, those eight tasks of rural development and poverty alleviation campaign are being implemented with the aim of reducing the poverty rate to 16% in 2015.

Government is making great strides in carrying out necessary reforms with might and main for participating democracy correctly in all sectors and in every corner of the country. Regarding lifting of most economic sanctions against Myanmar, foreign investors are packing their suitcase for visit the Southeast Asia country in pursuit of business prospect. Recent changes in Myanmar can draw the attentions of foreign investors. Based on the foreign investments, domestic companies' productivity would increase, thereby spurring the country's economic growth. But, investments of foreign companies alone cannot increases productivity not including the domestic companies. All countries in the world have agreed the Foreign Direct Investment can push the economic development.

The Government has recently established a central committee to encourage SME development. The 27-member Central Committee for SME Development (SME Committee) and promulgate laws, regulations and procedures to facilitate SME growth. It is also responsible for ensuring that both the government and private banks provide finance to SMEs in Myanmar, and for establishing an SME support networks in both rural and urban areas. Although well intended, it is unlikely that the SME Committee – which will include 20 ministers – will be free of politics. There are already numerous government departments, agencies and institutions promoting SME development in Myanmar. However, to date, a lack of will, inter-ministry cooperation, available finance and meaningful public-private partnerships has meant that in many respects, SMEs in Myanmar have being left to thread their own path.

The SME Committee should recognize the need to establish a semi-state body or authority to implement Government initiatives based on an SME development strategy. It is vital that the SME Committee be allowed to carry out its work free from excessive government interference. SME development requires the existence of institutions and support structures and the participation of a broad range of stakeholders. A properly funded SME state agency should link government departments, private business community, educational and technological institutions. It should also act as a conduit between SMEs and local and international lending institutions.

The development of Myanmar's inadequate and degraded infrastructure is a national issue, as is the modernization of the country's power and telecommunications industries. Progress is both welcome and ongoing. Similarly it will take years for outdated technologies to be replaced and investment in local R&D to bear fruit. However the Government – or rather a new semi-state agency or agencies mandated to support SMEs – could immediately begin helping SMEs in Myanmar overcome a number of the unique challenges they face. Many companies, especially those hoping to target the export market or even foreign residents need to upgrade their products and services to meet international standards. In this respect the state should actively encourage business visitors and the participation of international suppliers in local trade fairs and exhibitions. It should also seek to curb the monopoly of larger enterprises and where applicable, allow SMEs to enter previously restricted markets. The Government must recognize, through both competition and inter-company cooperation, that SMEs promote innovation and skill levels in an economy. Above all else the Government must urgently pursue policies aimed at securing access to finance for the country's SMEs. Without access to finance, business will not be able to cycle off inefficiency and low productivity which springs from a lack of capital investment. In tandem with tackling bank lending the government must introduce policies and legislation in relation to management best practices management and corporate governance which reflect international norms. An SME state agency should provide assistance and organize seminars, workshops and exhibitions at home and abroad to facilitate the interaction of its own SMEs with their regional counterparts, suppliers and potential clients. At present the Ministry of Industry is responsible for the development of SMEs in Myanmar and has established The Central Department of Small and Medium Enterprises Development.

3.2 Definition of SMEs in Myanmar

The definition of SME varies from country-to-country; however, the definition in Myanmar is seemingly more complex while only targeting small and medium sized manufacturers. This situation is hindering the implementation of policies targeting SMEs. The development of an appropriate SME definition is of critical importance to guiding SME development policies and other supporting measures such as SME financing schemes and training programs. The definition could benefit from being more specific, either by the creation of categories divided by subsectors, as is the case in Thailand, or by including microenterprises, as in Indonesia and Malaysia. Such considerations would help in the design of more targeted SME support and promotion measures. SMEs in Myanmar also encounter several major physical and non-physical challenges relating to access to market and finance. One of challenges concerning market access is a distinct lack of awareness among SMEs themselves of the benefits and implications of free trade agreements (FTAs) (Anukoonwattaka and Mikic, 2012).

Export promotion activities and the under-use of e-channels and e-commerce mechanisms have not been properly explored. The existence of non-tariff barriers prohibits SMEs' access to foreign markets. SMEs lack familiarity with trade facilities and customs procedures, and market intelligence in and outside ASEAN markets is not currently available in Myanmar. In terms of access to finance, SMEs in Myanmar are finding it difficult to access funds due to the rigorous collateral-based lending requirements of local banks (Kyaw, 2008). Such obstacles are difficult to overcome, especially for newly established SMEs. This situation makes it even more difficult for micro enterprises to obtain loans, since most of the banks are reluctant to provide loans to high-risk borrowers like them. SMEs in Myanmar thus have to rely on informal sources for funding which charge high interest rates.

Finally, investment in research and development (R&D) among SMEs in Myanmar is still low, resulting in low productivity and efficiency. Funds for the commercialization of R&D are still not forthcoming due to uncertainty over demand levels or the absence of contracts. Recognition and promotion of innovative SMEs is not widespread, either. Additionally, there is still limited knowledge about the protection of intellectual property (IP), and the cost of IP registration is high.

Table (3.1) Definition of SMEs in Myanmar

Category	**Investment Amount**	**Annual Production Capacity**	**Installed Power**	**Number of Workers**
Micro sized manufacturers or cottage industries	Not applicable	Not applicable	0.25 horse power to 5 horse power	Less than 10
Small sized	1 million kyats	10 million kyats	Less than 25 horse power	10 to 50
Medium sized	5 million kyats	10 million kyats	Less than 50 horse power	51 to 100
Large sized	10 million kyats	More than 10 million kyats	Over 50 horse power	over 100

Source: Ministry of Cooperatives (2013)

3.3 The Important Role of SMEs Development in Industrial Zone

The growth of SMEs is synonymous with the growth of private sector since SMEs represent larger number of business in the private sector. The development of entrepreneurship spirit is highly associated with the development of SMEs, as these are formed and run by entrepreneurs. Due to their private-ownership nature, entrepreneurial spirit, and the ability to adapt to the ever-changing environment, they contribute to sustainable growth and employment generation in a significant manner. The strategic important of SMEs is acknowledge around the world for the reasons. SMEs contribute to employment growth at a higher rate than larger firms (around 50 percent to 70 percent in developing countries, 72 percent in Japan, and 66 percent in EU). These private sector, particularly SMEs, form the backbone of a market economy and in the long-term, may provide most of the employment in the transition economies. Support for SMEs will help restructure large enterprises by streamlining manufacturing complexes.

Units with no direct relation to the primary activities are sold off separately as in the cases of privatization of state economic enterprise (SEEs) in East European countries. SMEs curb the monopoly of the large enterprises and offer service complementary that those offered by big businesses and absorb fluctuations in a modern economy. Through inter-company cooperation, SMEs raise the level of skills with their flexible and innovative nature. Thus, SMEs can generate important benefits in terms of creating a skilled industrial base and industries, and developing well-prepared services sector capable of contributing to GDP through higher value-added services. Small industrial enterprises produce predominantly for the domestic market, generally relying on the national resources. An increased number of SMEs was bring more flexibility to society and the economy and might facilitate technological innovation. As well as provide significant opportunities for the development of new ideas and skills and SMEs use and develop predominantly domestic technologies and skills.

3.4 Industrial Zones in Myanmar

Since adopting a market-oriented economic system toward building a modern developed nation, Myanmar has carried out liberalization measures to enhance private-sector participation in the process of economic development. These measures have had a significant impact.

As regards the industrial sector, measures as such allowing more private sector participation through the relaxation of private investment registration, promotion of cottage industries, and promotion of privatization have been undertaken to encourage development of the sector. Myanmar is and agrarian country and its economy depend almost wholly on the agricultural sector, while the industrial sector's share of the national GDP is not more than 20%. Myanmar aims to follow in the footsteps of newly-industrialized countries in the region as far as promoting the share of the secondary sector in the national GDP.

Before 1988, SMEs in Myanmar were scattered all over Myanmar, both in urban and rural areas. However, majority of SMEs were located in residential areas of Yangon and Mandalay. In 1990, the SLORC government planned to relocate the SMEs to newly established industrial zones. The Department of Human Settlement and Housing Development (DHSHD) supervised the development of industrial zones, which started from adjacent areas of Yangon. Industrial zones were further extended to other cities and major towns throughout the country. Mingalardon Industrial park and Thanlyin-Kyauttan Industrial zones were developed through joint-venture agreements between foreign partners and governments; these industrial zones are reserved for foreign investments.

To effectively supervise the development of each industrial zone, industrial zone administration committees were established under the supervision of each minister assigned by the MIDC. Now, majority of SMEs in the industry sector are located in the industrial zones, while majority of cottage industries are still located in residential areas in cities. In 2004, there were 18 industrial zones in Myanmar, with a total of 8,794 industries (nearly 22 percent of the total registered industries) and 142,601employees. This number reached to 21 industrial zones throughout the country at the end of 2006, with a total of 9,915 industrial enterprises. As of 2006, about 150,000 employees worked in these zones.45 Industrial zones in Myanmar are made up of 57.48 percent small enterprises, 25.24 percent and medium enterprises, and 17.28 percent large enterprises46. Thus, the combined total of SMEs represents 82.72 percent of the total number of establishments in all of the industrial zones in Myanmar. The list of SMEs in industrial zone of Myanmar is presented in appendix A.

3.5 Type of Business and Product in South Dagon Industrial Zone (2)

As the South Dagon Industrial Zone (2) is an Economic Zone which is different from industrial zone or estate, any kind of businesses can be located except those that are prohibited. This business may include for trading, manufacturing and others. In table 3.2, list down the type of business accordingly.

Table (3.2) Types of Business in South Dagon Industrial Zone (2)

No.	Type of Business	Total Business								
		Large		Medium		Small		Total		
		Active	Non-Active	Active	Non-Active	Active	Non-Active	Active	Non-Active	All Total
1	Food Stuffs Business	20	8	34	41	3	2	57	51	108
2	Clothing Business	8	2	15	10	1	1	24	13	37
3	Construction	10	5	5	15	3	2	18	22	40
4	Consumer Goods	15	5	5	2	4	2	24	9	33
5	Household Commodities	10	3	3	20	1	2	14	25	39
6	Printing and Production	8		5	15	1	5	14	20	34
7	Raw Materials	15	5	10	15	5	3	30	23	53
8	Chemical and Energy	2		15	56	2	2	19	58	77
9	Agricultural equipment	0		3	1	4	2	7	3	10
10	Machine and Spare Parts	0		2	2	1	0	3	2	5
11	Transporation			5	85	1	5	6	90	96
12	Electircal Equipments			0		0		0	0	0
13	General Industries			0		0		0	0	0
	Total	**88**	**28**	**102**	**262**	**26**	**26**	**216**	**316**	**532**

Source: Industrial Zone Management Committee

The industries may produce and supply various kinds of accessory related to food, clothes and living which are basic need of citizens, necessary parts of machine, spare parts for factories and improving the industries of export, import-substitute products and the new employment opportunities may also be created. The registered product lists are shown in appendix B.

3.6 Historical Background of South Dagon Industrial Zone (2)

This chapter present on the related to the development of industrial estates in the major urban centres of Myanmar. Although the clustering of traditional craft industries was common in towns and cities throughout Myanmar, it was not until the 1950s that modern industrial complexes such as those in the Pyay district of central Burma and in several parts of Yangon began to take shape. The displacement of urban core residents and small enterprises that took place in the late fifties also led to the development of industrial sites in satellite towns on the east side of the capital. But it was only in the 1990s, following the opening to privately owned industries by Burma’s military government, that the push to develop industrial zones throughout the country began in earnest.

There is a broad consensus in Myanmar that the accelerated development of industries is crucial to becoming an industrialized modern nation. With a view to endeavoring for the development of processing and manufacturing sector, Government of the Republic of the Union of Myanmar enacted the Private Industrial Law in 1990 and Promotion of Cottage Industries Law in 1991. Myanmar Industries Association (MIA) was formed under the Myanmar Company Act on 27th April 1993 to promote activities efficiently and effectively with the support of the Government and private agencies. It is self-funded, non-profit making organization and as such, it is truly private independent body representing the entire scope of trade, services and industries in the Republic of the Union of Myanmar.

3.7 Vision, Missions, Objectives of South Dagon Industrial Zone (2)

Myanmar is the country which is cooperated with the ASEAN Economic Community and more cooperated with regional countries. Myanmar tries to reach from the agricultural country to the industrial country because of increasing challenges on domestic industries. The industrial sector business of the State has over 45000 industries (large, medium, small) and over 19000 cottage industries according to the official registered list. By encouraging the said industries, the industrial sector of the state to be developed will support one way or another.

Vision: If consideration the economic development events of the world, it is found that the development of industrial sector is the core of economic development. The State will be established as the modern industrial country for establishing a new modern developed nation and improving the socio-economic of the public in accordance with the vision of the state ‘to establish a new peaceful and modern developed democratic nation’. The vision of industrial policy is ‘to establish a new modern industrial nation’.

Mission: The following missions shall be implemented;

(a) To utilize modernized and advanced techniques of agriculture as the base and to simultaneously continue the task for the establishment of Heavy industries to set up and Industrialized Nation;

(b) To accelerate the Nation's Economy by making unremitting efforts for the development of Micro, Small and Medium Enterprises (SMEs);

(c) To create job opportunities and improve the GDP per Capital Income by encouraging the development of Human Resources;

(d) To reduce the level of poverty by producing value added product in rural areas;

(e) To create sustainable industrial development by adopting effective utilization of natural resources and raw materials;

Objectives: The main objectives of Myanmar Industries Association are;

- Creating more employment opportunities by promoting new industries.
- Improvement of productivity of private industries, simultaneously enhancing industrial standards and quality of products.
- Acceleration of the development of manufacturing and service industries in correspondence with market-oriented economic system.
- Effective exploitation of natural resources by acquiring appropriate modern technology through research, innovation and transfer of technology.
- Promotion and expansion of industrial exports.
- Encourage energy conservation and utilization of new energy resources.
- Assist the private industrial enterprises in solving their problems on a self-help basis.
- Assist in establishing industrial zone with a view to provide necessary infrastructures and facilities for private sector investment.
- Promote and nurture SMIs to become suppliers of MNC and Large companies

CHAPTER IV
ANALYSIS OF FINANCIAL MANAGEMENT PRACTICES OF SMEs IN SOUTH DAGON INDUSTRIAL ZONE (2)

This chapter analyses the SMEs in South Dagon Industrial Zone (2) by four sections. Section one include the profile of SMEs in South Dagon Industrial Zone (2). Section two describes the working experience and financial manager qualifications of SMEs. Data analysis with descriptive method in section three and the final section is concerned with finance manager capability in financial management of SMEs.

4.1 Survey Design

To achieve the objective of highlighting the financial management of SMEs and capability of finance managers of SMEs in South Dagon Industrial Zone (2), the quantitative research method was used in this study. The data for this study were gathered through the use of primary and secondary data sources. The questionnaires were distributed to finance manager of SMEs for firsthand information for processing towards answering the research questions.

The secondary data were obtained from reviewing journals, reports and literature relevant to the subject matter of this research. The target population was 128 SMEs in South Dagon Industrial Zone (2) and the sample was taken as 80 firms and distributed the questionnaires among them. Out of 80 questionnaires circulated in the mid of 2018, 65 firms were returned representing about 80% of response rate which seem impressive considering the short time given to these respondents.

4.2 Demographic Characteristics of the Respondents

This study was shown the demographic information of the respondents which include type of business, type of product, year of establishment, qualification of finance managers, technical skill of finance managers and working experience of finance managers.

Type of Business

The type of business in industrial are as follows and the result of can be checked in table 4.1 accordingly.

Table (4.1) Type of Business

Particular	No. of Respondent	Percentage
Manufacturing	50	77
Export & Import	5	8
Trading	10	15
Total	**65**	**100**

Source: Survey Data (2018)

Above Table 4.1 shown, 77 % are manufacturing business of the total respondents, 8% are export and import business and 15% shown trading business respectively.

Type of Product

There are many kinds of product in industrial zone. The sample sized of products types are list down in Table 4.2 which are constructional materials, food and beverages, agricultural equipment and paper products and the survey result can be seen in below table 4.2.

Table (4.2) Type of Product

Particular	No. of Respondent	Percentage
Construction material	25	38
Food and beverages	20	32
Agricultural equipment	8	12
Paper product	12	18
Total	**65**	**100**

Source: Survey data (2018)

As per above Table (4.2), 25 construction materials business represents 38% of the total response rate. 32% represent the food and beverage, 18% represent the paper product business and 12% represent agricultural equipment business respectively.

Year of Establishment

The Table 4.3 shows the year of establishment of the business in industrial zone (2) which represents the sample size business only. The survey results are shown in below table.

Table (4.3) Year of Establishment

Particular	No. of Respondent	Percentage
Less than 2 years	10	15
2 to 5 years	35	54
6 to 10 years	15	23
More than 10 years	5	8
Total	**65**	**100**

Source: Survey data (2018)

As shown in Table (4.3), 15% represent less than 2 years business, 54% are 2 to 5 years and 23% shown 6 to 10 years. More than 10 years business is 8% respectively.

Qualification of Finance Manager

In this study, the qualification level of finance managers is classified by Bachelor degree, Master degree, PhD degree as shown in table 4.4.

Table (4.4) Qualification of Finance Manager

Particular	No. of Respondent	Percentage
Bachelor Degree	55	85
Master Degree	10	15
PhD Degree	0	0
Total	**65**	**100**

Source: Survey Data (2018)

According to Table (4.4), 85% represent the bachelor degree of total response and master degree is 15% only. It can summarize that all of the finance manager in SMEs in South Dagon Industrial Zone are graduate. There are no PhD degree holders and other qualification.

Technical Qualification of Finance Manager

Furthermore, the technical qualification of finance managers are classified by CPA (certified public accountant), ACCA (Association of Chartered Certified Accountants) and AAT (Association of Accounting Technicians) the survey result as per below.

Table (4.5) Technical Qualification

Particular	No. of Respondent	Percentage
CPA	30	46
CPA-part 2	20	31
ACCA skill level	10	15
AAT	5	8
Total	**65**	**100**

Source: Survey data (2018)

As per above Table (4.5) result all of the finance manager have technical qualification respectively. 46% is representing CPA holder of the total response and 31% is represent for CPA-part 2 holder. ACCA skill level is 15% of the total response and AAT is only 8%.

Working Experience of Finance Managers

The working experience in finance managers are studied with four types; less than 2 years, 3 to 5 years, 6 to 10 years and more than 10 years experienced. The results are mentioned in table 4.6.

Table (4.6) Working Experience

Particular	No. of Respondent	Percentage
Less than 2 years	5	8
3 to 5 years	20	31
6 to 10 years	30	46
More than 10 years	10	15
Total	**65**	**100**

Source: Survey Data (2018)

As the above Table (4.6), 46% is accounted for 6 to 10 years of the total response. 31% is representing of 3 to 5 years and 15% is for more than 10 year. 8% only less than 2 year experience respectively. Most of the respondents have a background of financial management skills and which could have served as an advantage in managing their SMEs businesses.

4.3 Financial Management Practices in Industrial Zone (2)

In this study to begin with sought to identify the financial management practice adopted by SME in South Dagon Industrial (2). A 5-point Likert scale was used to rate the respondents' perception of the extent of use of the various practices with 1 point being accorded to very poor, 2 points to below average, 3 points to average, 4 points to above average and 5 points to excellent skill respectively. The respondents were, thus, requested to state their extent of agreement to each of the statement provided. The practices whose use was tested included financial reporting analysis, fixed assets management, capital structure management and working capital management based on mean ranking.

(1) Financial Reporting Analysis

The first financial management practice whose use was assessed was financial reporting analysis. The findings were as is indicated in below table.

Table (4.7) Financial Reporting Analysis

Particular	Mean	Standard Deviation
The financial statement of the company are prepared in line with the Financial Accounting Standard	3.77	0.81
The financial statements are prepared in accordance with GAAP	3.77	0.81
The financial statements are published regularly	3.57	0.87
The financial statement are reviewed by ratio and trend analysis	4.00	0.97
The company reviewing and analyzing financial statements provide the user with trends and indicators to compare operations and management.	3.62	1.01
Overall Mean	**3.74**	**0.89**

Source: Survey Data (2018)

From Table (4.7) which contains information on the respondents' perception of use of elements of financial reporting analysis show that the use of the practice was highly prominent giving it a weighted mean of (3.74) and (0.89) of standard deviation.

The respondents maintained that financial statements of the company are prepared in line with the financial accounting standards (mean of 3.77), that the financial statements are prepared in accordance with GAAP (mean of 3.77) and that the financial statements are published regularly (3.57). The financial statement are reviewed by ratio and trend analysis is that (mean 4.00) and (mean 3.62) respectively.

(2) Fixed Assets Management Practice

Fixed assets management use was also assessed as a financial management practice. The respondents were probed with statement seeking to determine whether the various elements fixed assets management were in use in their companies. The results were as is recorded in below Table.

Table (4.8) Fixed Assets Management

Particular	Mean	Standard Deviation
The company maintains Fixed assets registered	3.38	0.93
Types of fixed assets are determined year by year	3.38	1.01
Each item included in fixed assets are determined in every year	3.38	1.01
Fixed assets are used appropriately with the business growth	3.69	0.92
Fixed assets reconciliations practice cover both original costs and depreciation. The company used to be reviewed and approved by a person independent of the reconciliation process.	2.85	1.42
Overall Mean	**3.34**	**1.06**

Source: Survey data (2018)

The results in Table (4.8) which contains the results of respondents' perception of use of fixed assets management show that is considered a popular financial management practice given its weighted mean of 3.34 and 1.06 is standard deviation. For instance, the respondents acknowledged that their company maintains a fixed assets register (mean of 3.38) that the fixed assets have been determined year by year (3.38) and that movement of every year of fixed assets has to be authorized by senior management (3.38). Further, they maintained that appropriately of fixed assets for business growth carried out every year (3.69) that fixed assets must be reconciliation authorized by senior management (2.85).

(3) Capital Structure Management

Further, the study of capital structure management as a factor of financial management practice. The findings were presented in Table 4.9.

Table (4.9) Capital Structure Management

Particular	Mean	Standard Deviation
We always regard to proportion of owner equity and loan capital	3.38	0.93
Although the debts used in financing, our profitability is good because I analyses the return on debts capital	3.62	0.93
Our capital structure has more in owner equity	3.00	0.88
Our capital structure has more in debts capital	3.62	0.93
The company has fully utilized the debt facility according to expansion or growth of sales	3.69	0.92
Capital structure of our company is appropriate	3.46	0.85
Overall Mean	**3.46**	**0.91**

Source: Survey data (2018)

Table 4.9 contains the results showing the respondents perception of use of capital structure management as a financial management practice. The results show that the extent of use of CSM is clearly defined (mean of 3.46) and 0.91 is standard deviation. The respondents were in agreement that they regard to proportion of owner equity and loan capital (3.38) and debts used in financing, profitability and return on debt capital is (3.62). Capital structure have more in owner equity is represent (3.00) and has more in debts capital is (3.62). The company has fully utilized the debt facility according to its capabilities (3.69) and the capital structure of the company is appropriate (3.46) respectively.

(4) Working Capital Management

Finally, indicators of working capital management were probed to determine their use within the companies and used five elements namely, whether the company has working capital budget prepared, whether the company follows the policy of authorization of working capital expenditure, whether the company typical working capital policy decision involve a determination of the appropriate level of cash, accounts receivable and inventory, whether the company is able to continue its operations and that it has sufficient cash flow to satisfy both maturing short-term debt and upcoming operational expenses and whether the working capital management does impact the performance of the company as depicted by the change in return on total assets with the change in cash conversion cycle. Table 4.10 presents a summary of the research findings.

Table (4.10) Working Capital Management

Particular	Mean	Standard Deviation
The company has working capital budget prepared in coordination with the budget of production, sales and so on.	3.62	0.74
The company follows the policy of authorization of working capital expenditure.	3.77	0.98
The company typical working capital policy decisions involve a determination of the appropriate level of cash, accounts receivable, and inventory.	3.78	0.99
The company is able to continue its operations and that it has sufficient cash flow to satisfy both maturing short-term debt and upcoming operational expenses.	3.94	0.85
The working capital management does impact the performance of the company as depicted by the change in ROTA with the change in cash conversion cycle.	3.54	1.02
Overall Mean	**3.73**	**0.92**

Source: Survey data (2018)

The findings as contained in Table 4.10 shows, that the use of elements of working capital management was clearly evident by its overall weighted mean of 3.73 and 0.92 is standard deviation. Consequently, the respondents acknowledged the budget prepared in coordination with the production, sales and so on (3.62), that maintained the policy of authorization of working capital expenditure is (3.77), that determination of the appropriate level of cash, accounts receivable and inventory (3.78) and that it has sufficient cash flow to satisfy both maturing short-term debt and upcoming operational expenses is (3.94). Further, they indicated that the impact the performance of the company as depicted by the change in ROTA with the change in cash conversion cycle is (3.54) respectively.

4.4 Influencing Factors on Financial Managements Practices

In this study, financial management practices were measured on the basis of four aspects namely: financial reporting analysis, fixed assets management, capital structure management and working capital management based on mean ranking. Elements of each aspect of financial management practice were then identified. On a scale of 1-5, (where 1-Very Poor, 2-Below average, 3-Average, 4-Above average and 5-Excellent) where respondents were asked to tick appropriately the extent to which the company complied with the listed elements of Financial Management practice. This information can be used to quantify the position of SMEs in terms of their profitability, liquidity, and leverage and to compare them with other or large enterprises. A business is said to be "efficient" in financial management practices, if all components of financial management practices are efficient.

(1) Financial Skill and Capability of Finance Managers

This study is aimed to analyze the professional skill and capability of finance manager in SMEs. The next responses answered the questions regarding the core of the problem statement, which was to determine the financial management skills of SMEs business finance managers. Respondents were asked to rate their financial management skills on a scale and table 4.7 below lists the results of the specific financial management skills which the respondents were asked to rate their knowledge on.

Below Table (4.11) shows weighted average of mean 3.98 of the businesses surveyed have an excellent skill of finance manager. Some respondents stated that they had applied for funding previously, which compelled them to submit a business plan. That afforded them an opportunity to learn more about the business plan. Most of the respondents had average skill of drafting a business plan. Its mean all of the finance managers have their professional skill of their organizations.

Table (4.11) Financial Skill and Capability

Particular	Mean	Standard Deviation
I know how to draw a business plan	3.34	1.02
I have ability to draw a projected financial statements	3.69	1.07
I have known how to draw Budgets of our organization	4.23	0.98
I have knowledge for analyzing Financial Statements by means of Ratio	3.92	1.00
I can use techniques of management accounting such as break even analysis , investment appraisal analysis etc.	3.69	1.00
I know how to determine the appropriate level of inventory by using inventory management techniques	4.00	0.97
I have knowledge about managing cash flows from experience (working experience or literature experience)	4.46	0.64
I am able to manage Accounts Receivable for smoothing cash flow	4.46	0.64
I use ratio analysis with knowing about these benefits	4.00	0.97
Overall Mean	**3.98**	**0.92**

Source: Survey Data (2018)

(2) Systematic Record Keeping

The purpose of the systematic record keeping system is to provide a management framework for the control of financial records as a vital resource for public sector financial management, economic policy development and planning. To assist records managers and non-records staff, including accounting and audit personnel to manage financial records in support of public accountability and good governance. To inform policy makers and administrators associated with the financial management process of the value of and necessity for, the effective management of financial records. The result can see below table (4.12).

Table (4.12) Systematic Record Keeping

Particular	Mean	Standard Deviation
Our organization uses separation of department aim to internal control (such as separation of responsible persons for cash and accounts)	4.15	0.87
Our accountant regularly records of business transactions that related to monetary	3.77	0.81
Our organization uses copy of documents for internal check	4.31	0.73
Accountants are prepared financial statements in time	3.62	0.74
Accountants report financial statements to finance manager	3.77	0.81
Related departments have to cooperated to improve systematic recording keeping	3.54	0.85
All of us are always consider for systematic record keeping	4.38	0.74
I think our recording procedures are good for us	3.54	0.85
I believe that there are important of systematic record keeping for good financial management	4.31	0.73
I believe that is very important to have a system to keep track of our deductible expenses and we need business good records to prepare our taxation matter.	4.23	0.81
Overall Mean	**3.96**	**0.79**

Source: Survey Data (2018)

From Table (4.12) which contains information on the respondents' perception of use of systematic record keeping systems show that the use of their keeping system was giving it a weighted average of mean is (3.96) which mean the record keeping system of the company are quite good.

(3) Support of Top level management

This study is aimed to analyze the support of top level management in SMEs. The result was shown in table.

Table (4.13) Support of Top level management

Particular	Mean	Standard Deviation
The management actively follow-up on complaints from Finance Department.	3.08	0.83
The management support for financial training.	3.00	0.97
The management approved the appointment of the internal and external auditor	3.46	0.94
The management fully provide and encourage to do financial statement by rule and regulation of accounting policy	3.46	0.94
The management fully support of accounting software and other training support.	3.00	0.97
Overall Mean	**3.20**	**0.93**

Source: Survey data (2018)

Table (4.13) shows that (3.20) is represents the weighted average mean of total respondents and five elements shows that the management actively follow-up on complaints from finance department (3.08), whether the management support for financial training is (3.00) mean value, whether the management approved the appointment of the internal external auditor mean value is (3.46), whether the management fully provide and encourage to do financial statement by rule and regulation of accounting policy mean value is (3.46) also and the management fully support of accounting software and other training support mean value is (3.00). It's mean that the support of top level management is fairly support for financial matters of the organization.

4.5 Relationship of Factors on Financial Management Practices

In this study shows that the correlation coefficients between financial management practices and the factors which are financial skill systematic record keeping and support of top level management.

Table (4.14) Correlation Relationship of Factors on Financial Management Practices

	Skill	Record	Support	FRA	FAM	CSM	WCM
Skill	1						
Record	0.169	1					
Support	(0.105)	(0.240)	1				
FRA	0.995	0.155	(0.136)	1			
FAM	0.996	0.161	(0.118)	0.996	1		
CSM	0.642	0.389	(0.187)	0.653	0.644	1	
WCM	0.998	0.162	(0.124)	0.999	0.997	0.649	1

Source: Survey Data (2018)

Above Table (4.14) shows that the correlation between skill and working capital management is 0.998. This means that two variables are highly correlated which refer to financial skill of finance manager are applied in working capital management practice well. The correlation results indicated that there was positive relation between skill and fixed assets management 0.996 also. A positive correlation was also observed between skill and financial reporting analysis 0.995. Another positive correlation between skill and capital structure management is 0.642. There is weakly correlation between skill and record keeping 0.169 and support of top level management (0.105). According to the correlation result financial management practices are adopted by SMEs in South Dagon Industrial Zone (2).

CHAPTER V
CONCLUSION

This chapter is concerned with conclusion of financial management practice of SMEs in South Dagon Industrial Zone (2) in Yangon, relating to the study and finding and suggestion of business operations in 65 SMEs of various types and presented need for further study.

5.1 Finding

Based on the response received through the questionnaire circulated it become the evident that financial management practices of finance manager at SMEs in South Dagon Industrial Zone 2. Financial management is more than keeping accounting records. It is an essential part of organizational management and cannot be seen as a separate task to be left to finance staff or the honorary treasurer. A good financial management involves planning, organizing, controlling and monitoring resources so that your organization can achieve its objectives and fulfill its commitments to beneficiaries, and other stakeholders. Successfully managing financial resources is important in new as well as expanding businesses, so time should be taken to develop and implement financial plans that will ensure the success of any organization.

From the findings, the study found that without the financial management practices, the industry company financial performance would be dismal if all other factors are held constant further the study also found that on average, companies in the industrial sector embrace various financial management practices that enables them attend to their financial management issues. These according to a majority of the respondents were shown to include financial reporting analysis as well as fixed assets management practices. Others include capital structure management and working capital management practices with each of these financial management practices scoring highly on elements of the respondent’s perception of their use by the companies.

Finally, results of regression analysis found that financial reporting analysis and working capital management practices each had a significant influence effect on the company’s financial performance with working capital management practice being a higher contributor to the effect. Fixed assets management and capital structure management as financial management practices were found to each have a weakly significant influence on the companies' financial performance.

5.2 Suggestion

In this study, research design was used in which data on financial management practices was collecting only for the current year and compared with the financial performance of the financial year previously. This study suggests that further study be done using longitudinal research design so that the relationship is tested in a period of more than one year.

This study sampled a total of 65 companies. The population of study is 128 companies. This study recommends that the same study be repeated but this time all the SMEs should be included in the study. In the light of the above, it would like to suggest to owner/managers that the careful management of working capital is vital for the survival of their business. Poor management of capital structure management means that funds are unnecessarily tied up in idle assets hence reducing liquidity and also reducing the ability to invest in productive assets such as plant and machinery, so affecting financial performance.

The owner/managers of companies should do the following if they want to make better use of good financial management practices, first to be competent and fulfill professional skill requirements of the organization and must prepare financial statement and reports as per acceptable standards like preparation of statement of financial position.

Financial reports to be reconciled and linked with physical progress. Hence, establishment of financial management system linking the activities report with the activities performance and finally companies should enhance the process of preparation and the company's financial statements improve the company's capital structure and ensure that the companies fully utilize their debt facility according to their capabilities.

5.3 Need for future study

Although this study some extend of explores of financial management practice, the study cannot thoroughly investigate of financial practice of finance manager exist in the whole SMEs in South Dagon Industrial Zone (2). In order to a complete picture of financial practice in SMEs, firstly it is recommended that future study should focus on firms in different industrial zones of the whole country. It would be beneficial if future study could explore the different problem of SMEs in different locations.

Secondly it is necessary for additional study to examine the financial practice of the firm not only from the operation of SMEs but also from the big firm practice of view to solve the problem effectively. If future study gets the data from the big firm the study can compare with SMEs and big firm financial performance and practice of finance manager in details. Further should focus on the other type of SMEs which are operating in service sector and extend their business with the country and international financial standard.

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Appendix A

Industrial Zone List in Myanmar

No.	Commodity Group		No. of Industrial Enterprise			
			Large	Medium	Small	Total
1	Mandalay Industrial Zone		287	189	633	1109
2	Myin Chan Industrial Zone		37	170	123	330
3	Meiktila Industrial Zone		21	110	218	349
4	East Yangon Industrial Zone					0
	A	No.1 South Dagon Industrial Zone	95	34	2	131
	B	No.2 South Dagon Industrial Zone	116	364	52	532
	C	No.3 South Dagon Industrial Zone	6	82	45	133
	D	Dagon Myo Thit (Seikan)	83	8		91
	E	Dagon Myo Thit (East) Zone	35	18	27	80
	F	North Okkalapa	27	20	18	65
	G	Shwepoukkan	32	82	8	122
	H	South Okkalapa	26	57	31	114
	I	Tharkayta	24	14	10	48
5	West Yangon Industrial Zone		148	274	612	1034
6	South Yangon Industrial Zone		76	150	673	899
7	North Yangon Industrial Zone					0
	A	Hlaing Thar Yar	344	41	3	388
	B	Shwe Pyi Thar	134	32	15	181
	C	Mingalardone	81	17	38	136
8	Myaung Mya Industrial Zone		40	33	291	364
9	Hin Tha Da Industrial Zone		13	41	389	443
10	Pathein Industrial Zone		28	86	241	355
11	Monywa Industrial Zone		87	226	582	895
12	Kalay Industrial Zone		8	34	212	254
13	Pyay Industrial Zone		19	87	84	190
14	Yenang Chaung Industrial Zone		8	20	60	88
15	Pakokku Industrial Zone		38	113	122	273
16	Mawlamyine Industrial Zone		41	149	19	209
17	Taungyi (Ayetharyar) Industrial Zone		40	41	669	750
18	Myeik Industrial Zone		19	2	5	26

Soure: MyinmoZaw and Toshihiro Kudo (2015)

Appendix B

Table (3.3) Type of Products

No.	Particular
1	Food Products
2	Tobacco Products
3	Textiles
4	Wearing Apparel
5	Leather and its products
6	Wood, Wood products
7	Paper and paper products
8	Publishing and printing
9	Coke and Petrol Products
10	Chemicals and its products
11	Rubber and Plastics
12	Other non-metallic minor product
13	Basic Metal
14	Metal Product
15	Machinery and Equipment
16	Electrical, Machinery and Apparatus
17	Radio, TV, Other MFG
18	Medical and Optical instrument
19	Motor Vehicle and Trailers
20	Other transport equipment
21	Furniture

Source: Industrial Zone Management Committee

Appendix C

FINANCIAL MANAGEMENT SURVEY

A. General Information

1. Gender

☐ Male ☐ Female

2. Age

☐ Under 25 years ☐ 26 to 35 yr ☐ 36 to 45 yr ☐ 46 and above

3. Occupation

☐Senior Accountant ☐ Finance Manager ☐Chief-accountant

☐ Other (specify)...

4. Educational qualification, please described the Major

☐ Bachelor degree.................................. ☐Master degree...

☐ PhD degree.. ☐ Others (Specify).......................................

5. Technical qualification

☐ CPA.. ☐ CPA (part-2)..

☐ ACCA Skill Level................................. ☐ AAT..

6. Type of industry of your business

☐Manufacturing ☐Trading ☐ Export & Import ☐Others (specify)..............................

7. Type of product

☐Construction material ☐Food & Beverage ☐ Agricultural Equipment ☐Paper Product

8. Years of business establishment

☐ Less than 2 years ☐ 2 – 5 years ☐ 6 – 10 years ☐More than 10 years

9. Working experience in finance & accounting career

☐Less than 2 years ☐3 to 5 years ☐6 to 10 years ☐ More than 10 years

10. Financial Statement regular prepared in your Business

☐ Monthly ☐ Quarterly ☐ Yearly

B. Financial Skill and Capability of Financial Manager

Indicate your proficiency in the under-mentioned skills sets by using the following three-point scale:

1: Very poor 2: Below Average 3: Average 4: Above Average 5: Excellent

No	Particular	1	2	3	4	5
1	I know how to draw a business plan					
2	I have ability to draw a projected financial statements					
3	I have known how to draw Budgets of our organization					
4	I have knowledge for analysing Financial Statements by means of Ratio					
5	I can use techniques of management accounting such as break even analysis , investment appraisal analysis etc.					
6	I know how to determine the appropriate level of inventory by using inventory management techniques					
7	I have knowledge about managing cash flows from experience (working experience or literature experience)					
8	I am able to manage Accounts Receivable for smoothing cash flow					
9	I use ratio analysis with knowing about these benefits					
10	I can review our financial performance by using financial techniques					
11	I know the full disclosure principle that requires a business to report all necessary information about the financial statement					
12	I can review Return on Asset (ROA) which is an indicator of the company how profitable is relative to its assets					
13	I know how to manage capital structure which is refers to the amount of debt and equity employed by a firm to fund its operations and finance its assets.					
14	I know how to manage working capital which is used to cover all of a company’s short-term expenses.					
15	I know how to manage fixed assets registration, revaluation and disposal process of the business.					

C. Systematic Record Keeping System

No.	Particular	1	2	3	4	5
1	Our organization uses separation of department aim to internal control (such as separation of responsible persons for cash and accounts)					
2	Our accountant regularly records of business transactions that related to monetary					
3	Our organization uses copy of documents for internal check					
4	Accountants are prepared financial statements in time					
5	Accountants report financial statements to finance manager					
6	Related departments have to cooperated to improve systematic recording keeping					
7	All of us are always consider for systematic record keeping					
8	I think our recording procedures are good for us					
9	I believe that there are important of systematic record keeping for good financial management					
10	I believe that is very important to have a system to keep track of our deductible expenses and we need business good records to prepare our taxation matter.					

D. Support of Top Level Management

No.	Particular	1	2	3	4	5
1	The management actively follow-up on complaints from Finance Department.					
2	The management support for financial training.					
3	The management approved the appointment of the internal and external auditor					
4	The management fully provide and encourage to do financial statement by rule and regulation of accounting policy					
5	The management fully support of accounting software and other training support.					

E. Financial Management Practice

No.	Particular	1	2	3	4	5
Financial Reporting Analysis						
1	The financial statement of the company are prepared in line with the Financial Accounting Standard					
2	The financial statements are prepared in accordance with GAAP					
3	The financial statements are published regularly					
4	The financial statement are reviewed by ratio and trend analysis					
5	The company reviewing and analysing financial statements provide the user with trends and indicators to compare operations and management.					
Fixed Assets Management						
1	The company maintains Fixed assets registered					
2	Types of fixed assets are determined year by year					
3	Each item included in fixed assets are determined in every year					
4	Fixed assets are used appropriately with the business growth					
5	Fixed assets reconciliations which cover both original costs and depreciation. Such reconciliations should be reviewed and approved by a person independent of the reconciliation process.					
Capital Structure Management						
1	We always regard to proportion of owner equity and loan capital					
2	Our capital structure has more in owner equity					
3	Our capital structure has more in debts capital					
4	Although the debts used in financing, our profitability is good because I analyse the return on debts capital					
5	The company has fully utilized the debt facility according to expansion or growth of sales					
6	Capital structure of our company is appropriate					

Working Capital Management						
1	The company has working capital budget prepared in coordination with the budget of production, sales and so on.					
2	The company follow the policy of authorization of working capital expenditure.					
3	The company is able to continue its operations and that it has sufficient cash flow to satisfy both maturing short-term debt and upcoming operational expenses.					
4	The company typical working capital policy decisions involve a determination of the appropriate level of cash, accounts receivable, and inventory.					
5	The working capital management does impact the performance of the company as depicted by the change in return on total assets with the change in cash conversion cycle.					

Thank you for your kind cooperation