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Investigating Financial Management Practices Towards Sustainable Growth. A Case Study of Small and Medium Poultry Enterprises in Kafue District Zambia

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Abstract

The research topic is titled" The Study of Effects of Financial Management Practices Towards Sustainable Growth of Small and Medium Poultry Enterprises in Kafue District, Zambia." Economic Value of Poultry contributes to the fast-growing industry, which employs a large of workers and provides animal food.

The Researcher has Seen a gap between Financial Management Practices and Small and Medium Poultry Enterprises and Sustainable Growth. The Future of Poultry Farming is not Certain.

Available Evidence has Shown that Financial Management Practices that affect Small and Medium Enterprises in Zambia Which has affected the Poultry Industry to Continue Growing.

However, the Small and Medium Poultry Enterprises have been Growing even though the Growth Rate is Slow. Hence the Need for the Researcher to Identify Financial Management Practices and their Effects on Small and Medium Enterprises respectively.

The Researcher is going to define the Key Words of the Study, identify the Financial Management Practices and their Problem. and the Best one will be Outlined. limitations and achievements with Sustainable growth to the Study Discussed.

The Finding will add to the body of Knowledge for other Researchers. The findings will be used by Researchers to Build Theories and Models of Sustainable Growth that Relate the Financial Management Practices Effects to Small and Medium Poultry Enterprises.

Keywords: *Financial, Management, Practices, Small and Medium Enterprises, Poultry, Sustainable, Kafue District, Zambia*

Definition of Keyword

Financial means related to money or how money is managed (Cambridge Dictionary)

Management is a social process involving responsibility for careful and effective planning and regulating of operating of an enterprise in the fulfillment of given purposes. It is a dynamic process consisting of various elements and activities.

Practices-a way of doing something that is the usual or expected move in a particular organization or situation. (Oxford Advanced Learners Dictionary)

Small and medium enterprises (SME's) are non-subsidiary, independent firms that employ fewer than a given number of employees. This number varies across countries. The most frequent upper limit designating an SME is 250 employees, as in the European Union. However, some countries set the limit at 200 employees, while the United States considers Small Medium Enterprises to include firms with fewer than 500 employees.

Some firms are generally those with fewer than 50 employees, while micro-enterprises have at most 10, or in some cases 5, workers. Financial assets are also used to define Small Medium Enterprises. Financially, small and Medium businesses are businesses that do not exceed EUR50 million. That of small enterprises (10-49 employees). Should not exceed EUR 10 million while that of micro firms (less than ten employees) should not exceed EUR 2 million. Alternatively, balance sheets for medium, small and micro enterprises should not exceed EUR 42 million, EUR 10 million and EUR 2million, respectively. (OECD, 2005)

Poultry can be defined as domestic fowls, including chickens, turkeys, geese, and ducks, raised for the production of meat or eggs, and the word is also for the flesh of these birds as food. The encyclopedia

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Britannica lists the same bird group but also includes guinea fowl and squabs (young Pigeons). (Encyclopedia Britannica 2013)

Sustainable means "able to continue over some time and to cause little or damage to the environment and therefore able to continue for a long time. (Cambridge Dictionary)

Growth is the process of increasing in size. In simple terms and regarding business, sustainable growth is the realistically attainable growth that a company could maintain without running into problems. A business that grows too quickly may find it challenging to fund growth. (sustainable Growth –Encyclopedia-Business Times/Inc.Com.)

Zambia

Background of Zambia

Zambia is a landlocked country in Africa. It is on a high plateau in South-Central Africa and takes its name from the Zambezi river. Which drains all but a small northern part of the country. Large parts of the country are thinly populated. Much of the population is along the line of railway.

Background of the poultry industry in Zambia

The poultry industry in Zambia contributes about 47 percent of the livestock Gross Domestic Product. About 5 percent of the National Gross Product. It has created over and over 80,000 jobs.it is the fastest growing sub-sector about 20 percent in the past decade (about 8 percent reduction during 2016). The industry growth is driven mainly by the broiler and layer subsectors. The Smallholder farmers-accounting still dominates secondary production for 65 percent while 35 percent is by medium, more significant, commercial, and corporate. Poultry development has also driven the growth of poultry feed subsector, soybeans, and grain.

Zambia's poultry sector has demonstrated tremendous progress regarding production, commercial, and technological factors. According to the Zambian government, Zambia's poultry sector contributes around 4.8 percent to agricultural gross domestic product (GDP).

Currently, poultry meat and eggs in Zambia is food by local people. Further to its growth, Zambia has now set up modern abattoirs for poultry processing to meet the growing demand for chicken in the country. The country's poultry industry contributes around 4.8 percent to agricultural gross domestic product (GDP), and livestock value addition is 48 percent.

According to the Zambian government, the sector generates direct or indirect income and employment for an estimated 80,000 people, 50,000 of which are permanent jobs, and 30,000 are seasonal jobs. Poultry is currently the main meat consumed in Zambia, totaling an estimated 50 percent of total meat consumption, followed by beef at 28 percent, pork and fish at 16 percent, and the other meat products at six percent.

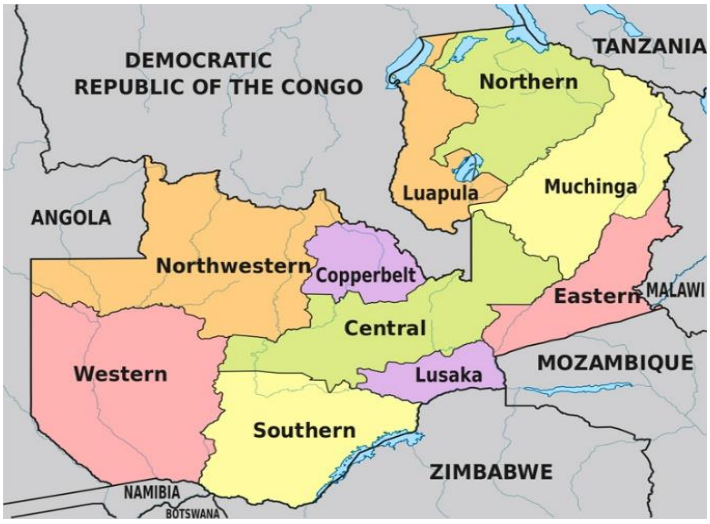

Figure 1. Map of Zambia

Source. Encyclopedia Britannica, Inc.

Kafue

Kafue is a town in the Lusaka Province of Zambia, and it lies on the north bank of the Kafue River. Kafue is at the south-eastern foot of a range of granite hills rising 200 meters and extending over an area of about 250 kilometers squared. Kafue occupies a shelf of land between the mountains and the river, just high enough to avoid its annual flood. The town extends along some shallow valleys between the hills.

According to the 2010 Zambia Census of Population and Housing, Kafue has a total population of 219,000, of which 108,939 are males, and 110,061 are females.

Agriculture and fishing are the traditional occupations of the area, and a commercial farming area extends along the edge of the Kafue Flats for 35 kilometers north-west of the town.

Small and medium poultry enterprises in Zambia

Medium/Small poultry farmers. There are about 1.1 million small and medium poultry farmers in Zambia and 0.1 commercial farmers. Small and medium poultry farmers produce the bulk of the poultry meat and eggs in Zambia. Poultry is in simple, open houses. Manual feeding is employed. The simple production technique was used during production. Some small farms produce maize and soy for stock feed. To reach the pace set by large scale producers, small scale farms must optimize their output in terms of feed efficiency to lower production costs. They can form production clusters to reap benefits accruing from the scale. Small and medium scale farms offer the most scope for improvement. They use simple manual equipment, small amounts of feed additives, drugs, and vaccines and do purchase small amounts of day-old chicks. The inputs are from local suppliers.

Financial management practices

Some of the financial management practices to be discussed in this study are as follows

Efficient utilization of fixed assets

Fixed assets are tangible long-term or non-current assets used in the course of business aid in generating revenue. These include real properties, such as land and buildings, machinery and equipment, furniture and fixtures, and vehicles. They are subject to period depreciation, impairments, and disposition. However, depreciated initial assets eventually reach the end of their usefulness.

Fixed assets Turnover (FAT) is an efficiency ratio that indicates how well or efficiently the business uses fixed assets to generate sales. This ratio divides net sales by net fixed assets over an annual period. The net fixed assets include the amount of property, plant, and equipment, less the effective utilization of investments in fixed assets to generate revenue. Leverage and profitability ratios are analyzed.

Fixed assets are the assets of permanent nature used in the operation of a business. The assets are earning assets and provide the basis for the firm's earning power and value. Due attention must be given to the management of fixed assets as they represent a sizable outlay and involve long-term financial commitment. A precise blending of current and fixed assets into a profitable combination is a challenging task for financial management. An analysis of the financing pattern and utilization of fixed assets is, therefore, vital for the management of business enterprises. (Keythman Bryan)

Generally, a high fixed assets turnover ratio indicates better utilization of fixed assets, and a low rate means inefficient or under-utilization of fixed assets. The usefulness of this ratio increased by comparing it with the proportion of other companies, industry standards, and past years.

Payback period techniques

The payback period helps to determine the length of time required to recover the initial cash outlay in the project. Naturally, it is the method used to calculate the time needed to earn back the cost incurred in the investments through the continuous cash inflows.

The formula to calculate it

Payback period = Initial outlay/cash Inflows

Accept-reject criteria: the projects with lesser payback are preferred.

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Budgeting

A budget is a formal statement of estimated income and expenses based on plans and objectives. In other words, a budget is a document that management makes to calculate the revenues and costs for an upcoming period based on their goals for the business.

There are different types of budgets. Some of the are short-term and long-term to department-specific. Management can make a budget for anything. The critical thing to remember is these budgets are just the management's future goals and plans for the business written down in the financial form.

Planning

Planning involves deciding beforehand what, when, how, and who is going to it. It is a mental process that lays down an organization's objectives and develops various courses of action, by which the organization can achieve these objectives. It chalks out exactly how to attain a specific goal.

In this case, Financial Planning (business) financial planning is the task of determining how a business will afford to achieve its strategic goals and objectives. Usually, a company creates a financial plan immediately after the vision and objectives have been set. The monetary policy describes activities, resources, equipment, and materials that are needed to achieve these objectives, as well as the timeframes involved.

Financial planning activity involves the following tasks

1. Assess the business environment
2. Identify the types of resources need to achieve these objectives.
3. Quantify the amount of resource (labor, equipment, materials).
4. Calculate the total cost of each type of resource.
5. Summarize the costs to create a budget.
6. Identify any risk issues with the budget set.

Financial planning and analysis (FP&A)

Financial planning and analysis (FP&A) are the budgeting, forecasting, and analytical processes that support an organization's financial health and business strategy. The FP&A discipline combines an in-depth analysis of both operational and financial data to help align business processes and procedures with financial goals and to evaluate progress toward those goals. It relies on statistical analysis to measure and plan business operations while forecasting on their financial impact. Taking into account internal variables but also broader demographic and economic trends, as well as subjective, qualitative evaluation.

Cash flow techniques

Cash Flow Analysis is the evaluation of a company's cash inflows and outflows from operations, financing activities,

Cash Flow Analysis is a technique used by investors and businesses to determine the value of overall companies. As well as the individual branches of large companies by looking at how much excess cash they produce. Cash Flows is a document that shows the actual money that came in and out during a specific period from investing activities, financing activities, operational activities, and other reports of the business.

Essential cash flow management techniques

The success of a business often depends on how healthy its cash flow is and how well it's managed. As a result, many wonders how to improve cash flow, ensuring they have enough incomings to balance with outgoings.

Plenty of working capital allows you to invest in more significant resources, increase production, and comfortably cover outgoings for smooth cash flow.

Below are some of the best methods to effectively manage your cash flow.

Keep track of it

First and foremost, you have to know the status of your cash flow to be able to handle it, in terms of expenditure and receivables.

Once you have a good idea of the business's general cash flow healthy, you can begin to plan ways to improve it. If you find any problems, such as a few significant expenses that mean more money is going out than coming in, then look for and apply a fix early on.

Cut out inefficiencies

You should locate any problems which are hampering your cash flow immediately, as even small ones can lead to significant losses. For example, monitoring overheads to see if you are spending unnecessary money on running the business, as well as having a clear picture of the overall state of your business.

It could also include selling assets that are outdated or no longer needed, as this can provide you with capital to finance more jobs or reinvest in the business.

Continue to invest in people and resources

Creating a smooth cash flow isn't all about cutting back costs. It may sound counterproductive, but investing in your business by hiring new staff and equipment will eventually lead to higher profits and more money coming into the market.

Investing in people in turn will ease cash flow problems and make them far easier to manage, which is a great help when it comes to running a business.

Such investments can help build up an emergency fund for cash flow problems. Investing in people could prove to be a lifesaver and a worthy investment further down the line, as it will prevent cash running out - which would grind your business to a halt.

Speed up payments

One of the most effective cash flow management techniques is speeding up payments. Speed up payments means encouraging the customer to part with their money before the end of the invoicing period.

It could include asking for an upfront payment before work has started or is completed, or offering incentives for early fees, such as a discount.

Use invoice financing

If you find cash flow challenges are affecting your short-term business finance, invoice finance services can help smooth out your cash flow. Our cash flow solutions here at Market Invoice make it quick and easy for your business to secure funding against your outstanding customer invoices.

Getting paid upfront means you'll have access to more cash for helping with things like business operations, paying employees, investing in growth, and more.

Managing your cash flow doesn't need to be an overly complicated process, provided you have the systems in place to effectively control it. There are plenty of options for financing cash flow, make sure to shop around. Here are a few examples

Overdraft is expensive and hard to access but is still often the first port of call for businesses in need of cash.

Short-term loan is a cheap method of borrowing and a quick way to access some money.

Credit cards. A lot of small businesses operate entirely from credit cards. Up to a specific size, this can be a relatively simple way of managing cash flow finance.

Peer-to-peer invoice finance. Increasingly businesses are using peer-to-peer finance for long-term debt, but also short-term cashflow funding secured against §outstanding invoices.

Financial management practices towards sustainable growth

Financial management practices to support sustainable development are dependent upon effective national policies that provide significant disincentives to unsustainable development.

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In today's capitalist marketplace, businesses are expected to act in their enlightened self-interest to manage regulatory risks while maximizing the returns to their stockholders. Absent of effect regulations against unsustainable practices, businesses may jeopardize work safety, businesses and environmental impacts with devastating long-term results

Methods

Area of study

The study was carried out in the Kafue district of Lusaka Province, Zambia. According to the Zambia Central Statistics (2010), Lusaka province has a population of 2,191,225 people as of the 2010 census. A majority of this population resides in the districts. Kafue district has a population of 120,415 (CSO, 2014). It has an area 197.5km squared. The district has eleven wards namely chikupi (1,036), chinsakane (8,547), Chiyaba (5,882), Kafue (8,285), Kambale (5,047), Kasenje (21,838), Lukolongo (3,140), Malundu (9,971), Matanda (10,923), Mungu (15,474) and Shabusele (30,527).

Research design

This study adopted a mixed Research Design. Both qualitative and quantitative approaches were used to determine the influence of financial management practices and performance of poultry Small and Medium Scale Enterprises.

Target population

The target population for this study was the poultry SME's in Kafue district, Lusaka province. The province has 65,213 agricultural households (central Statistics, 2010). Kafue region, on the other hand, has a total of 8,285 people as per the fundamental Statistics of Zambia. (2014).

Sample and sampling techniques

Two types of sampling techniques, namely stratified and purposive sampling, were used in this study. In stratified sampling, the researcher selected two hundred and twenty (220) respondents from each of the wards that make up the district. Twenty (20) poultry farmers were selected purposively from each of the eleven (11) departments who are engaged in SME, s that deal with poultry.

Data collection methods

Primary and secondary data collection techniques were used to collect data. Questionnaires, in-depth interviews, and participant observation were used to collect data in the field. Three focus group discussions whose participates from the urban, peri-urban, and rural areas of Kafue, and also two extension officers involved in the focus group were used. Secondary data, from financial statements of the farmers, business records, and reports, were used.

Data analysis and presentation

Data was being collected and analyzed using the research question "How the financial management practices used by SME's towards sustainable growth." How knowledgeable the poultry Small Scale Farmers were on the Financial Management Practices. Using both descriptive and inferential statistics. The tools for analyzing quantitative data were the statistical package of social sciences were the mean, mode, percentage, charts, and figures are displayed. On the other hand, qualitative data reported as it is from the horse's mouth (respondent) as they were talking.

Results

Demography of respondents

Gender of respondents

The men and women were in this study. This consideration was aimed at understanding the distribution of farmers per gender. The male poultry farmers are more than female poultry farmers. The findings are in the table below

Table 1. Demography of respondents

Gender	Frequency	Percent	Valid percent	Cumulative percent
Male	128	58.7	58.7	58.7
Female	90	41.3	41.3	100
Total	218	100.0	100.0	

Knowledge of financial management practices

The responses indicate that almost all the farmers do have experience with the utilization of fixed assets, payback period techniques, budgeting, planning, and cash flow techniques.

Table 2. Knowledge of financial management practices

Fixed Assets	Payback period techniques	Budgeting	Planning	Cash flow techniques
1.Land	1.Lesser payback Period	1.Short-term budgeting	1.Daily	1.keep track of it
2.Buildings			2.Weekly	2.cut out inefficiencies
3.Machinery	2.Longer payback Period	2.Long-term budgeting	3.Monthly	3.continue to invest in people and resources
4.Equipment				
5.Furniture			4.yearly	4.speed up payment
6.Fixtures				5.use invoice financing
7.Vehicles				

Effects of financial management practices towards sustainable growth an analysis

Effective utilization of fixed assets of the financing pattern and usage of fixed assets is vital for the management of business enterprises.

payback period techniques. most payback period is short for the poultry farmers; as a result, farmers can grow their businesses within a specific time.

Budgeting helps the poultry enterprises to estimate income and expenses based on plans and objectives.

Planning helps to decide the what, who, where, when, and how of a business to achieve its objectives.

cash flow techniques help to show the actual cash that comes in and out of the company during a specific period from investing activities and operational activities and operational activities, as well as few other reports.

Discussion

Understanding the distribution of farmers per gender. The findings are in the table below. The number of men involved in poultry farming in the Kafue Region is more than the females.

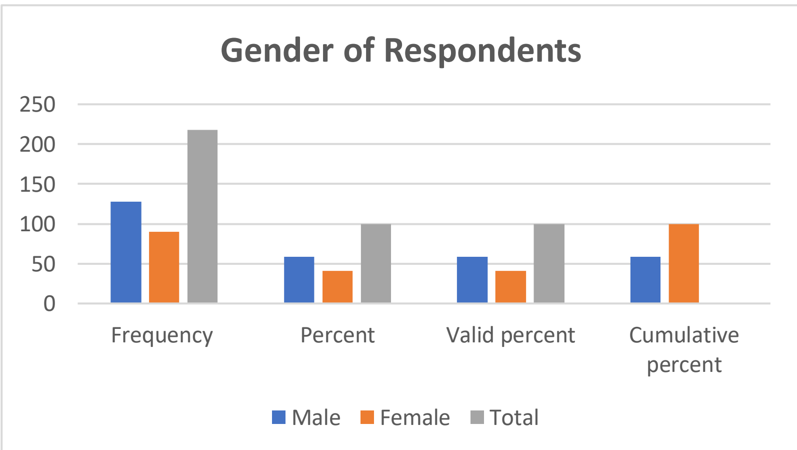

Figure 2. Gender of respondents.

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From the above diagram, 35% fixed Assets, cash flow techniques 25%, planning 20%, Budgeting 10%, and lastly, but not the listed payback period methods 20% are by the poultry farmers in Kafue district of Lusaka.

Financial Management Practices

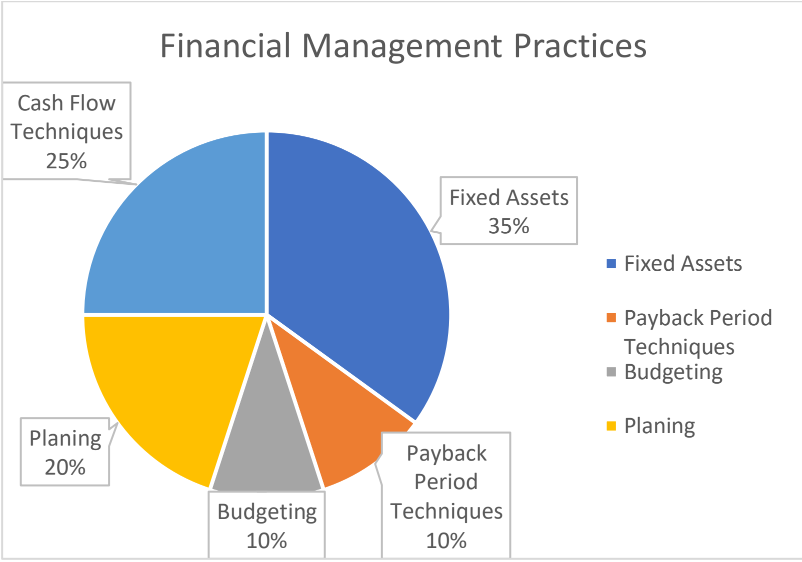

Figure 3. Financial management practices

Financial management practices identified

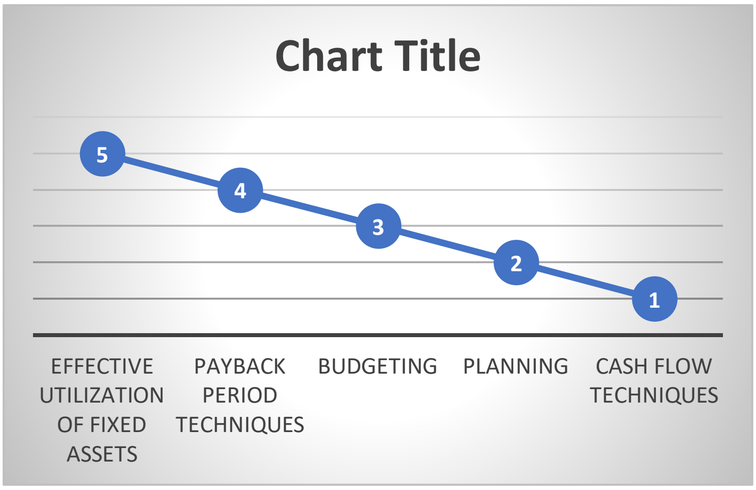

Figure 4. Financial management practices identified

Recommendations

The findings in this research show the effective utilization of fixed assets, payback techniques, budgeting, planning, and cash flow techniques are ranked in this order, respectively. Lack of cash flow is evidence from the lack of receipting for most poultry farmers.

Recommendations

Based on the findings of this research, the following areas of study were found to be appropriate for further research:

1. The role of Micro Finance Institutions in the growth of poultry businesses in the Kafue region.
2. The effects of government policies on the performance of Agribusiness towards sustainable growth
3. Challenge faced by poultry farmers
4. The role of agribusiness in the growth of the economy of Zambia.

Conclusion

The study was to examine the effects of financial management practices towards sustainable growth for the Small and Medium Poultry Enterprises of Kafue District in the Lusaka province of Zambia. Financial management practices have a positive impact on Small and Medium poultry Enterprises on sustainable growth. Cashflow techniques, fixed assets, and planning are the most used in financial management practices. While budgeting and payback period techniques are not used and understood by the Small and medium entrepreneurs in the poultry industry. Budgeting for Small and Medium Enterprises is challenging because of changing prices of feed and the fluctuating of the kwacha against the United States Dollar.

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