

Review Article

Financial Management and Its Barriers on Smes in Selected Developing Countries: A Systematic Literature Review Approach

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Abstract

Small and medium enterprises (SMEs) are an important strategic sector and major economic driver for many countries in the world, particularly low-income countries, including Ethiopia. However, this sector has been facing various challenges to achieving performance growth and sustainability of which the financial management system is an indicative constraint. Thus, this write-up attempts to determine the existing financial management practices and their associated barriers that affect the soundness of the financial management practices of SMEs in developing countries. The specific objectives this review tries to achieve were to review and know the extent of financial management practice soundness among SMEs in selected developing countries; synthesize the major barriers that affect the soundness of financial management practice among SMEs in developing countries; gain insight into the gaps of the study for future research direction and develop a conceptual framework. A descriptive research design with a qualitative approach employed; secondary sources of data used and collected from published research articles from 2020 to 2024. Eleven (11) articles, two (2) MA theses, and one (1) PhD thesis selected purposefully. A meta-analysis approach adopted to investigate the patterns of empirical study findings. Besides, the literature review result showed that the financial management systems adopted by SMEs in selected developing countries were poor. In addition, reviewed literature indicates the major barriers that affect the soundness of the financial management of SMEs in selected developing countries were lack of adequate financial literacy for both managers and owners. Besides, the study found that the major gaps in the empirical study were the geographical scope gap and the methodology gap. In addition, the majority of studies conducted on the financial management of SMEs in selected developing countries did not include all financial management components. Based on the above-mentioned findings, this review concluded and recommended that the majority of SMEs operating in selected developing countries, including Ethiopia, should manage their finances in a poor manner due to the inadequacy of financial literacy skills for owners and managers. Therefore, financial skills shall be improved through conferences, workshops, and training programs. Moreover, the basic financial subjects need to be included in the lower-level education curriculum by the African countries' ministries of education. Further, the study revealed that most of the gaps in the empirical study were geographical scope and methodology, which dropped the most important financial management proxy variables, so the forthcoming researchers could do better to study these predetermined gaps in developing countries, particularly in the Ethiopian context.

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Keywords

SMEs, Financial Management Soundness, Selected developing Countries

1. Background of the Study

Small and medium enterprises' (SMEs) have been acknowledged as an important strategic sector and major economic driver for many countries in the world. It contributes significantly to economic growth, national and regional development, employment opportunities, and minimizing poverty, particularly in developing countries like Ethiopia. In addition, SMEs play a major role in job creation, innovation, export growth, and social integration in both developed and developing countries. Similarly, [7] mentioned that SMEs are important role players regarding labor absorption, market penetration, and expanding economies in innovative ways that considered as "engines of growth" for any country in the world.

Various statistical evidence indicates that more than 75% of enterprises in Sri Lanka were SMEs, which contributed 45% of the employment opportunities and 52% of the gross domestic product (GDP) for the country, so the government of Sri Lanka recognized them as the backbone of the economy for their country [12]. In China, SMEs contribute more than 80% of manufacturing employment, and 60% of all exports in the European Union are contributed by SMEs [15]. Small and medium enterprises (SMEs) play a great role in most economies around the world. It accounts for about 90% of the world's businesses, shares 40% of national income (GDP) in the emerging economy, and contributes 50% of employment in the world [3]. In addition, the World Bank report indicates that, 600 million job creations needed by 2030 to absorb the growing world work force and achieve this agenda. Thus, SMEs expected higher priorities from many governments around the world [25]. In Malaysia, 98.5 percent of firms are SMEs, which contributed 38.3% of national income (GDP) growth and 17.3% of export value for the economy of the nation in period 2018 [20]. In OECD countries, statistics revealed that SMEs account for over 99% of businesses, 59% of the value added of the business sector, and 68% of employment on average [24].

Even though small and medium enterprises (SMEs) have been acknowledged as an important strategic sector for economic development in many countries, including Ethiopia, they have been faced various challenges to achieve performance growth due to their financial management systems.

Financial management is interchangeable with business finance, managerial finance, and corporate finance. However, those concepts concern the acquisition, financing, and management of assets with some overall goal in mind. Thus, the decision function of financial management can be broken

down into three major areas: investment, financing, and asset management decisions [23]. Financial management is an integral part of overall management activities because financial management is concerned with the duties of the financial managers in organizations. It helps make decisions regarding the efficient procurement and utilization of finance in a profitable manner [21]. Finance is essential to the management of a business or organization because, without good financial management, running a successful business is more difficult.

Financial management is a managerial activity concerned with the planning and controlling of the financial resources of a given firm [6]. In addition, financial management is mentioned as a subsystem of overall firm management that is responsible for administering financial processes such as financial planning and decision-making, financial analysis, and control to attain an optimum level of funds [22].

Financial management is the overall arrangement for planning, directing, monitoring, organizing, and controlling the economic resources of an organization with a view to the efficient accomplishment of its objectives. It is well recognized that financial management practice is a key reason for the success of those enterprises, and it is the main issue for any business type, including SMEs. However, sound financial management practices guarantee the success of business organizations, including SMEs [6, 12].

In addition, the success of small and medium enterprises (SMEs), among other factors, heavily relies on their ability to manage finances effectively. As empirical literature showed, even though SMEs have witnessed their contribution to economic growth in many countries, particularly developing nations, the sector has faced challenges to growth and performance due to the financial management system. For instance, [10] in their literature point out that small and medium-sized enterprises in the agriculture sector contribute significantly to economic change in developing countries by addressing a wide range of unemployment, nutrition, income poverty, and food security issues. However, they have received a great deal of criticism for their poor performance due to poor financial management practices.

Financial management is the overall arrangement for planning, directing, monitoring, organizing, and controlling the economic resources of an organization with a view to the efficient accomplishment of its objectives. The sound financial management practice is a key reason for the success of those enterprises, and it is the main issue for any business type. However, the status of effective financial management prac-

tices in developing countries, especially in Ethiopia, is at its infant stage [5].

Small and medium enterprises (SMEs) contribute to the key aspects of the economic growth and development of a country. For the successful development and survival of small and medium enterprises, financial management practices largely recognized as the key elements for the profitability and sustainability of a small-scale business [7].

Hence, this seminar attempts to address and understand existing financial management practices and associated barriers SMEs face to growth in developing countries, including Ethiopia, through reviewing relevant published articles from 2020 to 2024 on a well-known research database. Furthermore, this seminar study contributes to investigating the existing literature gap on the topic of financial management practice and performance of SMEs in Ethiopia context. For future research direction, helps' to know major and common financial management proxy obstacles that SMEs face in developing nations, including Ethiopia, and to determine the financial management practice status of SMEs in developing nations and the end, this seminar study contributes to developing a conceptual model for the coming scholar.

The research questions addressed by this current review study were:

- 1) To what extent financial management of SMEs is sound in selected developing countries?
- 2) What are the major barriers that influence the financial management soundness of SMEs in selected developing countries?
- 3) What are the existing empirical study gaps with regard to financial management of SMEs in selected developing countries, particularly Ethiopia?

The Objectives of the Seminar Study

The overall objective of this seminary was to review and understand the existing financial management practice of SMEs in developing countries and barriers that affect its soundness. Specifically, this systematic review approach aims to:

- 1) Review and know the existing financial management soundness of SMEs in developing countries.
- 2) Synthesize the major barriers that affect the soundness of financial management practice.
- 3) Develop insights into the existing gaps of study for future direction concerning financial management practice and the impact factors that influence SMEs performance in developing countries, particularly in Ethiopia.
- 4) Develop a conceptual framework for the future studies.

2. Conceptual and Empirical Literature Review

Small and medium-sized enterprises (SMEs) are a very heterogeneous group of businesses usually operating differently, like in manufacturing, trading, agriculture, construction, and service businesses, managed by individuals or their

owners as proprietors and entrepreneurs [14]. Definition of SME: there is no universal (common) definition for SMEs in the world to date. However, most countries classify a firm as small, medium, or large based on criteria like the number of employees, total value of assets, total capital, and annual sales. This implies that the definition of small and medium businesses depends on the country and its economic level. In Ethiopia, SMEs defined as follows: Small enterprise: is a business firm, which has 6–30 employee and paid-up capital ranging between Ethiopian currency 50,000 and 1500,000 for service and industry, respectively. Medium enterprise: any business firm with 31 to 100 employees and paid-up capital ranges between Ethiopian currency 1500001 to 20,000,000 and 500001 to 7,500,000 for the service sector and service sector [5, 9, 19].

2.1. The Scope of Financial Management

In a modern sense, the scope of financial management covers three broad areas. Such as investing decisions, financing decisions, and dividend decision policies.

Investing decisions are one of the broad areas of financial management concerned with making decisions regarding investing in long-term assets, also called capital budgeting decisions (such as investing in land, machinery, long-term securities, and other fixed assets). While, long-term and short-term investment decisions are also called working capital management. Such investing decisions include cash and cash equivalents, accounts receivable, inventories, and short-term payables such as trade accounts payable, tax payables, and interest payable on long-term loans [6]. Financing decisions also called capital structures, which are concerned with managerial decision-making based on the sources of funds the business organization has used to finance its operations and other investment projects. Such as long-term debt, short-term loans, and equity finance [6]. Dividend policy decision: is concerned with managerial decision-making regarding the amount of profit annual distribution to business owners after its preference share. In addition, it determines the form of dividend payout (i.e., cash, stock, bond, and other appropriate asset forms) and the policy adopted (i.e., regular, stable, irregular, or no dividend policy) that a corporate organization has used [6].

2.2. Financial Management Practice and the Barriers Faced by SMEs in Selected Developing Countries

Good financial management practices a key to success for business organizations, including SMEs. On the other hand, poor financial management techniques are the leads to business failures, a lack of finances because of poor management, insufficient budget allocation, and high operational costs, and declining business growth. In their article published in 2023, [15] state that even though small and medium-sized enter-

prises (SMEs) play a vital role in the global economy, accounting for a significant share of employment, output, and innovation, they also face a number of financial management challenges that can hinder growth and success.

Further, many scholars investigated and identified the financial management practices and barriers that SMEs have faced in both the international and local contexts. In addition, they addressed their best findings and conclusions; nevertheless, no synthesized findings and conclusions are there in the case of developing economies, including Ethiopia. Thus, this seminar study attempted to review and analyze the existing scholars work and relevant material in order to know the most common practices and challenges that SMEs face to achieve successful growth due to the financial management dimension in developing countries.

Africa context

Various scholars have recognized good financial management practices as the backbone of small and medium enterprises' performance. In this point of view, many researchers at the African level have given attention to the topic of the financial management practices of SMEs in different African countries, addressing various findings and conclusions. For example, [11] investigated the extent of implementation of financial management practices in agri-SMEs in Tanzania and found moderate adoption of financial management practices. Specifically, agri-SMEs found frequently engage in working capital management practices, but financial reporting was less frequently practice, which suggests the need for improving financial reporting, analysis, and external financing usage in Tanzanian agri-SMEs. Besides, the result of the study revealed that SMEs in the Sunyani Municipality of Ghana did not effectively make financial plans, and financial reporting and analysis practices are very low that this may pose a great threat to the long-term success of the studied SMEs. No financial structure policy adopted for the sources of funds obtained. In the long term, such as investments in non-current assets, shares, and stocks, as well as in real estate investment.

There is poor cash management practice among SMEs surplus cash that does not enter into marketable security investments for income generation and low account receivable management among SMEs [1]. Cash budgets not regularly reviewed once they are prepared, there is no well-organized accounting information system, and there is informal accounting practice, which are the main challenges of SMEs, as found by the authors. Besides, the results of the prior study indicate that there is a positive effect of financial management practices on the performance of SMEs. Among financial management components, working capital management and capital structure decision has significant and positive effect on SME performance in Sri Lanka [17]. A similar study conducted in Afghanistan found that financial management practices of SMEs, such as accounting information systems (AIS) and working capital management (WCM) have a positive significance, except for the financial information system (FIS), on financial performance [7]. Similarly,

scholars mentioned that common challenges faced by MSMEs in developing nations are financial management, such as limited access to financial resources and a lack of financial literacy.

In addition, inadequate financial literacy among MSME owners and managers hindered their ability to make informed financial decisions and navigate complex financial environments effectively, for example, how to access finance [2, 13]. Therefore, scholars recommend that through better financial management practices and overcoming systemic barriers, SMEs enhance their competitiveness, access new opportunities for growth, and contribute more effectively to economic development. The dwindling growth of small businesses and their rate of failure in South Africa has been trace to poor financing. However, financial awareness, budgeting, accounting skills, and access to finance have positive and significant effects on the financial sustainability of SMEs.

Another research carried by [18] mentioned that low financial awareness causes bad financial management practices, which leads to frequent financial errors. Therefore, scholars revealed that better financial awareness has a positive impact on the sustainability of SMEs. [15] Addressed the most common financial management challenges faced by SMEs, including limited access to finance due to their smaller size, shorter record of accomplishment, and higher perceived risk, difficulty managing their cash flow effectively, working capital management, and a lack of resources and expertise to develop and implement effective financial plans and forecasts.

In Kenya, [8] were conducted research to determine the influence of working capital management practices on the financial performance of small and medium manufacturing enterprises. Both descriptive and causal design with a quantitative approach adopted a sample of 121 small and medium-manufacturing enterprises selected through stratified sampling techniques. The descriptive result revealed that SMEs were preparing cash budgets; sometimes the majority of them faced cash shortages; a few of them kept cash surpluses in bank accounts; and there was a credit policy. The result of regression revealed that 71.5% of the variation in financial performance of manufacturing SMEs in Naira, Kenya, was influenced by working capital management proxy variables jointly, and the result indicated that WCP passively and significantly affects the performance of SMEs, concluding that good working capital management practices lead SMEs to better performance.

Local context

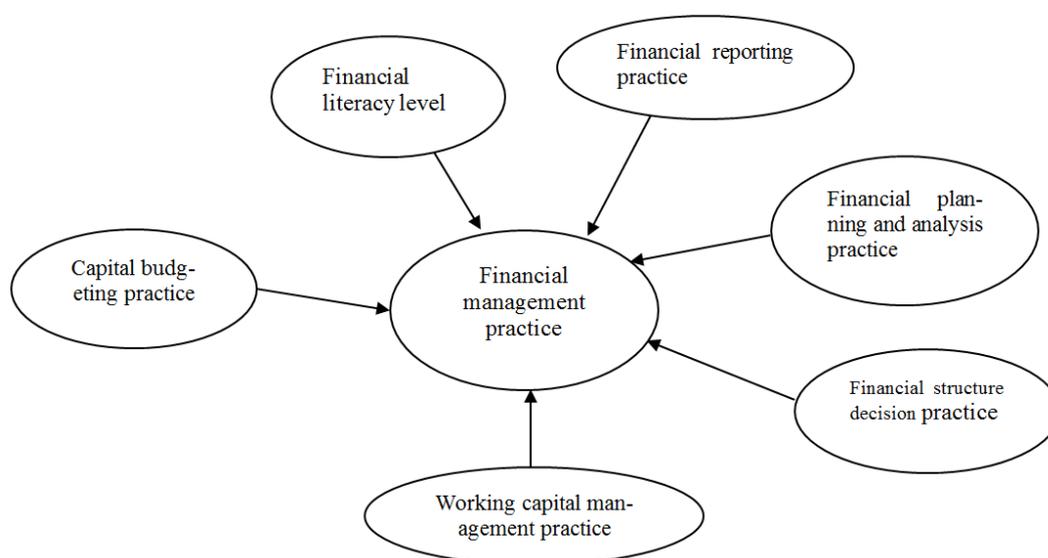
In the local context, various authors investigated and drawn their conclusions on the financial management practices of SMEs and their impact on growth in Ethiopia. Such as; [5, 9, 19, 4]. Financial management practices of SMEs in East Gojjam Zone, Ethiopia found poor and weak due to inadequate knowledge of financial management for both owners and managers. Lack of computerized accounting system, a lack of debt management skills, saving and deposit skills,

adequate working capital management policies and fixed asset management practices, and limitations on financial analysis and reporting skills [5].

Another researcher mentioned that effective financial management practices essential for success and have significantly influenced the performance of business organizations, including SMEs [16]. Hence, an accounting information system, financial reporting practices, financial education and literacy, working capital management, the field of education of the owners and managers, and the manner of formation of the enterprises are significant factors affecting entrepreneurial performance in west Oromia [9].

Recently, Tsegaye M., and N. Nalwaya [19] conducted their study in Ethiopia to determine the financial management practices of SMEs operating in Hawassa City. They found that the

majority of SMEs do not have sales record records practice, owners and managers do not keep accounting information, financial reports are prepared once a year, and there is no practice of credit policy or guidelines. In addition, they found that the financial performance of MSEs in Hawasa City is very low; 'financial management practices are not sound, and thus their business growth rate could be low. Another researcher who conducted his master's thesis study in Ethiopia found that most MSEs do not have financial management policies and procedures; owners and members do not have adequate financial management skills; they do not engage in financial planning, analysis, and control; and they do not set financing objectives. Thus, the mentioned scholar concludes that the financial management and reporting practices of most micro- and small-scale enterprises in Addis Ababa, Ethiopia, is poor [4].



Source: Developed by the researchers, 2024.

Figure 1. Conceptual framework.

In this review, developing a conceptual framework for further testing is one of the specific purposes of the seminar study I prepared. Hence, in order to achieve this objective, the scholar has reviewed the published articles by prior scholars in well-known index databases such as Google Scholar, Research Gate; research Science Hub, Science Directors, science directors and Institutional Research Repository from the period 2020 to 2020, respectively. Particularly, the relevant works of prior scholars such as [10, 5, 17, 7, 2, 4, 9, 19] reviewed. To end, the variables used in the conceptual model above extracted from the scholar's findings and conclusions on the financial management practice barriers SMEs face and their influence on performance in developing nations.

The proposed model is going to indicate the relationship between financial management proxy factors such as working capital management practice, capital budgeting practice, financial structure decision practice, financial planning and

analysis practice, financial reporting practice, and financial literacy with the financial performance of SMEs.

3. Methodology

The purpose of this seminar paper is to understand the existing financial management practices and the associated barriers that SMEs face in developing countries. In order to achieve a targeted goal, secondary sources of data were used and collected from the most recent published relevant articles and theses papers from well-known research databases such as the Research Gates, Google Scholar, Science Hub, institutional research repository, and relevant books. The selected articles for review focused on financial management practices and challenges that affect the soundness of SMEs in selected developing countries, including Ethiopia, from 2020 to 2024 this period selected purposively to get the latest information on topic reviewed. In this seminar,

eleven (11) published articles and three (3) theses were selected through purposive sampling techniques. The articles, such as those that focus on SMEs and non-African countries, are not available in the selected Scopus index journals and are not included in the selected ranges of periods excluded from review and analysis. The thematic and descriptive analysis techniques

adopted to achieve the targeted objective of this seminar study. In addition the main reason behind to select these countries is that they fit and exclude criteria set by reviewer such as availability of desired topic for review in these country context, the most of study conducted and published in these time period and targeted data base.

Table 1. Lists of sampled articles for review.

S/no	Article title	types of paper	Journal name	Author	Pub. year	Country	Source
1	Determinants of Financial Management Practice: The Case of Micro And small enterprises in the East Gojjam Zone, Ethiopia	article	Black Sea Scientific Journal of Academic Research	Gedefaw&Beza	2022	Ethiopia	Google scholar
2	The effect of financial management practices on the entrepreneurial performance of micro, small, and medium-scale enterprises in West Oromia	article	Journal of Process Management: New Technologies	Kenenisa et al.	2020	Ethiopia	Google scholar
3	Financial Management and Reporting Practices in Micro and Small Enterprises The Case of Addis Ababa Ledeta Sub-City	MA paper	St. Mary's research repository	Esubalew	2020	Ethiopia	research repository
4	A Study of Financial Management Practices in Micro- and Small-Scale Enterprises: A Case at Hawassa City Administration, Sidama, Ethiopia	article	Journal of Positive School Psychology	Tsegaye &Nalwaya	2022	Ethiopia	research gate
5	The Effect of Financial Management Practices on the Performance of Micro and Small Enterprises in Keffi, Nasarawa State, Nigeria	article	Direct Research Journal of Management and Strategic Studies	Mohammed and Suleiman	2022	Nigeria	research gate
6	Financial Management Challenges in Small and Medium-Sized Enterprises: A Strategic Management Approach	article	international journal of research	Kumar & Lakshmi	2023	Africa	science-hub
7	Influence of working capital management on financial performance of small and medium manufacturing enterprises in Nyamira County, Kenya	MA paper	Africa Nazarene University institutional research repository	Onyari	2023	Kenya	research repository
8	Factors Affecting Small and Medium Enterprises 'Financial Sustainability in South Africa	article	African Journal of Inter/Multidisciplinary Studies	Msomi &Olarewaju	2021	south Africa	Google scholar
9	An Investigation of the Extent of Implementation of the Financial Management Practices of Agri-SMEs in Developing Countries: Evidence from Tanzania	article	Sustainable Technology and Entrepreneurship, Journal	Mang'anaa et al.	2024	Tanzania	science direct
10	The financial management practices and performance of agricultural small and medium enterprises in Tanzania	article	Social Sciences and Humanities	Mang'anaa et al.	2023	Tanzania	science direct
11	The Effects of Financial Management Practices on SME Financial Performance: Evidence from Nangarhar, Afghanistan	article	International Journal of Current Research in Sciences,	Hussain & Stanikzai	2022	Afghanistan	Google scholar
12	Small and medium enterprises financial management and performance: a case study in the Delta States of Nigeria	article	Journal of Social and Administrative Sciences Studies	Sinebe	2023	Nigeria	research gate

S/no	Article title	types of paper	Journal name	Author	Pub. year	Country	Source
13	effective working capital management practices and SMEs financial performance in the service and construction sectors in Senegal	PhD thesis	Wales Trinity Saint David University's digital repository.	Henriette	2023	Senegal	research repository
14	Financial management proficiency is essential for the success of Micro, Small and Medium Enterprises (MSMEs)	article		Chaidir et al.	2023		Google scholar

Source: collected from a research database by a scholar (2024)

4. Data Analysis and Major Findings

To achieve the predetermined objective of the seminar study secondary sources of data collected from well known research data base and the analysis done in meta analysis approach (see [table 2](#) below).

Table 2. Summary of Meta-analysis.

s/no	Article Title	Author	Year	Methodology	major Findings	Gaps of the study
1	Determinants Of Financial Management Practice: The Case Of Micro And Small Enterprises In East Gojjam Zone, Ethiopia	Gedefaw & Beza,	2022	explanatory research design adopted, questionnaires tool used, combination of purposively, stratified and systematic sampling method adopted. multiple linear regression model adopted	FM knowledge, financial attitude, size of enterprise and use of IT has significance and positive effect on FM practice of MSEs' in east Gojam zone	The study conducted only one zone of Amhara region of Ethiopia. That the result wouldn't represent all zones found in Amharic regions and other region
2	The effect of financial management practice on entrepreneurial performance of micro, small and medium scale enterprises in west Oromia	Kenenisa eta el.	2020	mixed research design with mixed approach adopted, proportionate to sample applied and 342 enterprises were selected and sample enterprises selected convince sample techniques, primary and secondary source of data used, questionnaires tool has supported to collected primary data, both descriptive and binary logistic regression analysis method adopted	accounting information system, financial reporting practice, financial education and literacy, WCM practice and field of the study of owners, has major factors affecting entrepreneurial performance in west Oromia region of Ethiopia	The study carried in limited geographical area, it not includes another zones of Oromia region and not includes other regional states of Ethiopia.
3	Financial Management And Reporting Practice In Micro And Small Enterprises The Case Of Addis Ababa Ledeta Sub-City	Esubalew	2020	Survey design with mixed approach employed both purposively and simple random sampling applied, 200samples selected from 1475 MSEs in Ledetasub city. Interview and self administered questionnaires were used and the descriptive analysis was applied	the financial management and reporting practice of the most of micro and small scale enterprises in A. A Ledeta sub city is very poor	The study did not includes all sub city of A. A, and another geographical area, only descriptive analysis has done that the finding not revealed the extent of financial management and reporting practice effect on performance of the study organization and secondary source of has not collected.

s/no	Article Title	Author	Year	Methodology	major Findings	Gaps of the study
4	A Study Of Financial Management Practices In Micro And Small Scale Enterprises: A Case at Hawassa City Administration, Sidama, Ethiopia	Tsegaye & Nalwaya	2022	Descriptive design with mixed approach adopted. both primary and secondary data used. stratified random sampled applied and 100 sample selected from 1936 SMEs operating in hawassa city, sidama region and descriptive analysis method adopted static	The half of SMEs has sound financial management practice. and the majority of SMEs has not apply sales record	the study did not adopted causal effect method, secondary data analysis not done, the study focused on hawassa city that the findings not represent sidama region whole and other geographical area of Ethiopia, the sample size used in very small
5	The Effect of Financial Management Practices on the Performance of Micro and Small Enterprises in Keffi, Nasarawa State, Nigeria	Mohammed, & Suleiman	2022	survey design with quantitative approach adopted, sample of 163 used, primary data collected b questionnaires tool, and both descriptive and inferential analysis has applied	WCM practice has favorable effect on MSEs in Nigeria, but the financial planning has the largest effect on performance of MSEs found in Nigeria	The study not includes other parts of Nigeria; it not includes other developing countries.
6	Financial Management Challenges in Small and Medium-Sized Enterprises: A Strategic Management Approach	Kumar & Lakshmi	2023	not mentioned	most financial management challenges of SMEs were; access to finance, cash management, financial planning and forecasting due to absence of expertise in finance lack of effective financial decision making	methodology were not clearly determined in study, the specifically study area not clearly indicated, to what extent of such factor to be affect SMEs is not mentioned clearly in the study.
7	Influence of working capital management on financial performance of small and medium manufacturing enterprises in Nyamira county, kenya	Onyari	2023	survey conducted on 176 manufacturing sectors SMEs, questionnaires were used to collect primary data, both deceptive and casual research design employed, descriptive and inferential analysis' adopted	majority of SMEs in manufacturing sector has cash budgeting practice, receivable management practice, majority of them face cash shortage problem and there was a few of them keep the surplus cash at bank account. the result of regression indicated that 71.5% of variation in FP of manufacturing SMEs jointly contributed by WCM components positively and significantly	the focused only Kenya, other developing Africa countries not included, the study conducted only manufacturing sector of SMEs in Kenya other sector such as service, merchandise and agriculture and construction sectors were forgone, thus the finding of this study did not represent SMEs found in Kenya and other Africa countries
8	Factors affecting Small and Medium Enterprises 'Financial Sustainability in South Africa	Msomi & Olarewaju	2021	quantitative design with positivist paradigm applied, 321 sample used primary data collected by, administered questionnaires were distributed for SMEs purposively selective respondents	Financial sustainability of SMEs in south Africa has significantly influenced by financial awareness level, budgeting practice, accounting skills and access to finance. Of these, budgeting practice and access to finance variables has a lion share to affect SMEs financial sustainability. Therefore improving financial literacy is a major solution to handle such problem.	the study focuses only South Africa, it didn't includes another sub-Saharan or another developing countries, that the finding not represent the reset of developing countries.
9	The Financial man-	Mang'ana	2023	questionnaire survey used,	WCM practice and FM	geographical limited

s/no	Article Title	Author	Year	Methodology	major Findings	Gaps of the study
	agement practices and performance of agricultural small and medium enterprises in Tanzania	a eta el.		explanatory research design adopted and SEM model employed	practicehas significant positive influence on performance of agro enterprises, while the accounting, financial reportingpractices and capital budgeting management practices have insignificant influence on the performance Agri-SMEs	only Tanzania not includes other developing countries, It focuses only Agriculture sector another sector not included
10	An Investigation of the Extent of Implementation of the Financial Management Practices of Agri-SMEs in developing countries: Evidence from Tanzania	Mang'ana a eta el.	2024	questionnaires survey used, descriptive statistic and SEM model adopted	financial management practice of SMEs was moderate, financial reporting practice less frequently prepared	Geographical scope limitation
11	The Effects of Financial Management Practices on SMEs Financial Performance: Evidence of Nangarhar	Hussain & Stanikzai	2022	descriptive design with quantitative approach adopted 300 questionnaires were distributed to service sector SMEs, both descriptive and inertial analysis done	Accounting Information System (AIS) and Working Capital Management haveapositive significance except the Financial Information System (FIS) on financial performance (FP).	the study conducted only on service sector SMEs, it didn't includes other sectors SMEs and other developing countries. Thus the finding not represents all African countries
12	Small and medium enterprises financial management and performance: a case study in delta states of Nigeria	Sinebe	2023	Survey design adopted. From, total 172 SMEs 120 verities SME were selected randomly, primary data collected through questionnaires.	Implementing effective Financial Management Practice could be beneficial and influence financial performance of SMEs in the state.	has geographical scope limitation
13	effective working capital management practice and SMEs financial performance in service and construction sectors in Senegal	Henriette	2023	Mixed design with mixed approach used, cluster-sampling techniques employed, both primary and secondary data source used but more focuses on primary source. Questionnaire and interview utilized and sample of seven (7) SMEs selected from 2016to 2019.	WCM has negatively associated with receivable management practice, negative and insignificant link between profitability and debt management, and poor management of cash convection cycle in SMEs in Senegal	the focuses only WCM another financial management components were forgone, it done only service and construction sector another sector of SME were not included. and also the study focuses on Senegal that the result not represent another Africa countries
14	financial management proficiency essential for the success of Micro, Small, and Medium Enterprises (MSMEs)	Chaidir eta el.	2023	interpretive approach, qualitative approach employed, semi-structured interviews used to collect primary data, A purposive sampling technique, thematic analysis used to identify patterns	the common challenges faced byMSMEs in financial management, such as limited access to financial resources and lack of financial literacy	the study adopted only qualitative approach that how those variable impacts of financial management of SMEs has not clearly mentioned

Source: Reviewed articles, (2024)

5. Conclusion and Suggestion

The aim of this systematic review is to determine the extent of the soundness of the soundness of existing financial management practices and the associated barriers that SMEs face in developing countries. As the results of the meta-analysis indicate in the summary [Table 2](#), this seminar study revealed that the financial management systems adopted by SMEs in developing countries were poor. In addition, the major common barriers that affect the soundness of the financial management of SMEs in developing countries are a lack of adequate financial literacy for both managers and owners. Besides, the study found that the major gaps in the empirical study were the geographical scope gap and the methodology gap. In addition, the majority of studies conducted on the financial management of SMEs in selected developing countries, including Ethiopia, did not include all financial management proxy variables. Based on the above-mentioned findings, this review concluded and recommended that the majority of SMEs operating in selected developing countries, including Ethiopia, should manage their finances in a proper manner due to the inadequacy of financial literacy skills for owners and managers. Therefore, financial skills shall be improved through conferences, workshops, and training. Moreover, the basic financial subjects need to be included in the lower-level education curriculum by the African countries ministries of education. Further, the study revealed that most of the gaps in the empirical study were geographical scope and methodology, which dropped the most important financial management proxy variables, so the forthcoming researchers should include and study these predetermined gaps in developing countries, particularly in the Ethiopian context.

6. Future Research Direction

The main goal of this systematic review was to review and understand the existing financial management practices soundness adopted by SMEs and the most common barriers that affect their financial management soundness in selected developing countries. It carried to satisfy and achieve the PhD finance seminar course by the scholar. The future reviews advised to consider undertaking the same field of review for graduation purposes. Besides the study selected and analyzed 14 articles from 2020 to 2024, the forthcoming researchers shall review and analyze more articles to arrive better understanding on topical issue in developing countries. The current study collected and analyzed the empirical work of former researchers and scholars that it suggested for the collection and analysis of the primary data by the forthcoming researchers on the same topic to conduct reach and arrive at better and well-informed conclusions. In addition, since this review utilized a qualitative research approach and thematic analysis, the future studies shall adopt a quantitative approach to examine the cause-and-effect relationship between financial management proxy variables and SMEs performance in Ethiopia. For this end, this review conducted to understand only the practice of

financial management adopted by SMEs and barriers that affect its soundness in selected developing countries. The future researchers shall be to investigate the effect of financial literacy level on the financial management practices and performance of SMEs in developing nations, specifically Ethiopia.

Abbreviations

SMEs	Small and Medium Enterprises
FIS	Financial Information System
WCM	Working Capital Management
AIS	Accounting Information System
GDP	Gross Domestic Production
OECD	Organization of Economic Commission Development

Author Contributions

Aklilu Assefa Adato: Conceptualization, Data curation, Formal Analysis, Methodology, Resources, Writing – original draft, Writing – review & editing

Henry Onsare: Methodology, Supervision Validation, Visualization, Writing – review & editing

Conflicts of Interest

The authors declare no conflicts of interest.

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Biography



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