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FACULTY OF COMMERCE
DEPARTMENT OF ACCOUNTING

Dissertation

Research topic:

AN INVESTIGATION ON THE EFFECTS OF FINANCIAL MANAGEMENT PRACTICES ON FIRM'S FINANCIAL PERFORMANCE (A CASE STUDY OF ZIMBABWE POWER COMPANY).

SUBMITTED BY:

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APPROVAL FORM

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DEDICATION

This research is dedicated to my family who have positively impacted directly or indirectly up to this far. All applause goes on the Almighty God for guiding and protecting me to this day.

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ABSTRACT

The study focused on the effects of financial management practices on the firm's financial performance. This study was motivated by the decline in the profitability of the organisation despite the company making effort to implement cost cutting measures. As a result, the study investigated the effect of current practices in the areas of working capital management, non-current assets management and investment practices. The study made use of descriptive research design as to allow quantitative analysis. The data collected was presented using graphs, tables and percentages. Regression analysis and Pearson coefficient of correlation was used to establish the relationship between the financial performance and financial management practices variables in the study. Correlation analysis shows that financial performance has a strong negative relationship with working capital management of -0.6722, a moderate negative relationship with investment practices of -0.5646 and a weak negative relationship with non-current assets management practices of -0.4027. The coefficient of determination (R-square) indicated that 99.87% of variation in financial performance is explained by changes in financial management practices. It was found that the financial management practices have a significant effect on the financial performance of Zimbabwe Power Company. The study recommended improvement in the areas of accounts receivables management and asset performance management to ensure efficiency in the utilisation of resources. In order to improve implementation of effective financial management practices the study recommended improvement in communication and training of employees at all levels.

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ABBREVIATIONS

ARR   Accounting Rate of Return

EOQ   Economic Order Quantity

GWh   gig watt per hour

IRR   Internal Rate of Return

MIRR   Modified Internal Rate of Return

NPV   Net Present Value

RONA   Return on Net Assets

ZETDC   Zimbabwe Electricity Transmission and Distribution Company

ZPC   Zimbabwe Power Company

CHAPTER ONE

1.0 Introduction

This chapter gives a general view background of study, problem statement, main research question, sub research questions, research objectives, delimitations of the study, assumptions of the study, limitations of the study and the summary.

1.1 Background of Study

The study sought to examine the effects of financial management practices on financial performance of Zimbabwe Power Company. Financial management is system by which resources of the organisation are planned, directed, monitored and controlled to ensure achievement of the business objectives (National Audit Office, 2013). According to Bempah and Smith (2016) sound financial management practices are the determinants for success of the organisation which should be enhanced by strategic planning and organisational transformation. Mazzarol (2015) supported the need to have sound financial management practices which are supported by adequate information technology to ensure the organisation succeed in a dynamic business environment. Nyakazeya (2014) outlined that Zimbabwean companies have faced high risk of closure due to poor financial management practices. Furthermore, Fanizza (2016) stressed on the need to have sound policies that can bring out Zimbabwe from the economic difficulties to strong economic potential after highlighting that the economic growth rate continues to decline. According to Makoshori (2018) the growth rate for Zimbabwe has improved by 2.7% in 2017 after a severe drop from 1.5 % in 2015 to 0.7 % in 2016.

Annual reports for Zimbabwe Power Company in the year 2016 shows that the company has faced low revenue collection, high credit risk, cash flow and operating challenges. In addition, BDO Zimbabwe in an audit report for 2016 brings out that the company has failed to service its long overdue long term loan of 271 202 793 which has indicated the going concern problems. The managing director also highlighted that during the year 2016 the company has faced extreme cash flow and operational challenges which has affected its financial performance of the company. Table1.1 shows the summary of company's reported profit for the period 2014 to 2016.

Table 1. 1 Extracts of Statement of Profit or Loss and Other Comprehensive Income

	2014	2015	2016
Revenue	496 639 666	494 299 781	444 809 988
Generation expenses	474 274 829	461 578 667	374 683 080
Profit before tax	19 091 003	5 076 585	44 023 236

(Source: Annual Financial Statements for Zimbabwe Power Company)

Revenue for 2015 declined by 9.5% from the previously collected amount of 496 639 666. The revenue further declined by 10% in the year 2016 which shows that the revenue levels of the company are constantly declining. The generation expenses for 2016 have declined by 15% as compared to the cost of the same period in 2015. Despite the decline in revenue the company has improved in profitability level as it experienced 131% rise in profit in 2016 compared to 2015 which was mainly due cost cutting measures implemented over capital expenditure, staff related costs and supply management costs (Gwariro, 2017). The decrease in generation expenditure which was due to low electricity units sent out which was 6.5% below the budgeted units of 7250.79 GWh but Kazhanje (2017) raised a concern over the high generation expense costs which negatively impacted on the performance of the organisation.

Zimbabwe power company has also failed to owner its creditors which resulted in an increase of creditors by 44.3% in 2016 compared to 134 678 070 owed in 2015 due to liquidity and operational challenges (Annual Report, 2016). In addition, Muzvimwe (2017) indicated that the company has been giving preferential treatment to suppliers of critical parts and services due to operational and liquidity challenges the company faced.

Practices such as financing of capital projects through debt financing have also affected operational performance of the organisation. According to Mhlanga (2017) the contract for the expansion of Hwange Power Station was signed in 2014 but up to 2017 no construction works as started due to the failure by the company to meet the financial closure with Export Import Bank of China for them to release funds for the project.

However, the managing director articulated in the annual report for 2016 that the organisation need turnaround strategies channelled towards improvement of investment, risk profile and ensuring the revenue maximisation. This led to the researcher to examine the effectiveness of financial management practices being applied on the   performance of the company.

1.2 Statement of Problem

Zimbabwe Power Company has been operating profitable but however facing challenges in settling its creditors, achieving desired level of plant availability and collection of the maximum revenue. The researcher seeks to bring about a solution through the assessment of the effectiveness of the financial management practices being applied and provide recommendations to ensure that the financial performance improves.

1.3 Main Research Question

How do the financial management practices applied at Zimbabwe Power Company affect financial performance?

1.4 Sub Research Questions

1) How do working capital management practices influence financial performance?

2) To what extent do investment practices influence financial performance?

3) How does non- current asset management affect profitability in an organization?

4) What would be the best approach towards implementation of effective financial management practices?

1.5 Research Objectives

1) To assess the effect of working capital management practices on the performance of the organization.
2) To examine how investment practices, influence financial performance of the organization.
3) To scrutinize the effect of non-current asset management practices on financial performance.
4) To recommend on the financial management practices to be implemented and ways to improve financial management at Zimbabwe Power Company.

1.6 Significance of the Study

 Researcher

The research is important as it will be carried out as part of fulfilment of the Bachelor of Commerce Honours Degree in Accounting at the Midlands State University.

Zimbabwe Power Company

The company must be able to find ways which enable them to improve their financial management practices to ensure desired level of performance is achieved and also consider adopting recommendations made.

Midlands State University

The literature will help other researcher have point of reference for both the existing and future generation and identify other areas of research that can be explored

1.7 Delimitations of the Study

The study shall be concentrated on financial information of Zimbabwe Power Company in the period between January 2015 and December 2016.

1.8 Limitation of the Study

Confidentiality- the company may consider some financial information as confidential hence it affects the data to be collected.

Tight schedule – the employees operate under tight schedule which might delay their response to questionnaire hence affect data collection period.

1.9 Solutions to the Limitations to Study

Confidentiality- the researcher shall try and structure the questionnaire and interview questions to ensure they do not seem sensitive to the target population.

Tight schedule – the researcher shall try and broaden the sample population to minimize the risk of having negative response from employees.

1.10 Assumptions of the Study

The following assumptions might be taken into account during the research:

➢ The case study will provide adequate information to ensure the conclusion is based on realistic data and the objective of the study is achieved.
➢ The financial management practices of Zimbabwe Power Company do not change under the period of study.

1.11 Definition of Terms

Financial management practices-it is a process of managing financial resources including decisions concerning the accounting and financial reporting, forecasting as well as capital budgeting decisions which include lease or buy and whether to issue debt or equity capital (Lightbody cited in Demba 2013).

1.12 Summary

The focus of this chapter has been on the problem and its setting. The background of the study, research objectives, main research question, sub research question were also presented. The chapter further outlines the assumptions, delimitations and anticipated limitations that affect the research. The next chapter is on literature review.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter covers literature review of main variables of the study. The sections of the chapter include working capital management practices, investment decisions and non-current asset management practices as they affect the financial performance. In addition, effects of financial management on performance and summary are also provided at the end of this chapter.

2.1 Influence of Working Capital Management Practices on Financial Performance

Financial performance is the measure of how well the organisation can use its assets in its primary mode to generate revenue (Matongo, 2017). Financial performance is a common indicator of firm's financial health over a certain period of time and can be used to compare the organisation with the organisation in the same sector of operations (Nthenge and Ringera, 2017). The three main measure of performance as highlighted by Matongo (2017) are profitability ratios, liquidity ratios and efficiency ratios.

Working capital management is the measure of the company short term efficiency and financial health of the organisation (Waithaka, 2012). Working capital management comprises of current assets and current liabilities. According to Kwenda (2015) working capital management is the administration of current assets and liabilities to ensure sufficient resources are available to continue operations and avoid costly interruptions. Working capital management is measured in term of cash conversion cycle, net trade cycle (Kwenda, 2015), quick ratio, net working capital and quick ratio (Muridzo, 2017). Waithaka (2012) highlighted that working capital management practices are measured in terms of efficiency in cash management, efficiency in receivables management and efficiency in inventory management.

2.1.1 Cash Management Practices

Cash management is the process of planning and controlling cash flow in to and out of business and cash balance held by an organisation at each point and time (Waithaka, 2012). In addition, Nyabwanga et al (2012) asserted that there is need to maintain optimal level of cash to hold considering the trade-off between the opportunity cost of holding cash and the

trading cost of holding too little to ensure that efficient management of cash is achieved. The study by Nyabwanga et al (2012) revealed that there is need to ensure efficient management of cash through use of cash budgets as the problem is cash management not the shortage of cash. The cash budget helps in ensuring that the sufficient amount of cash is in hold at any given time.

Chebet (2015) examined the impact of cash management on the profitability and concluded that companies have to incur costs to ensure that adequate cash is in hold. The costs are said to be in escapable since the organisation needs to meets short term expenditure on daily basis to ensure smooth flow of production. Moreover, the study supported the need to shorten the cash conversion cycle through extension credit time to accounts payable, shortening accounts receivable and including more efficient method of managing accounts payables and receivables to ensure adequate cash is on hold. Yahaya et al (2015) undertook an empirical study on the effect of asset management on financial performance and established that cash management have a positive effect on the financial performance of the organisation. More so Olouch (2016) asserted that cash management practices bears a positive and significant relationship with the firm performance. Similarly, costs were incurred to ensure cash for day to day operations at Zimbabwe Power Company is available however the relationship between cash management practices and financial performance was not established.

The study of Thevaruban (2016) on efficiency of cash management practices on financial performance was neutral on the effect of cash management practices on financial performance however they highlighted that there is a relationship. The study also established the need for cash management control to ensure optimal cash is in hold. Duncan et al (2015) was also neutral as to the effects of cash management on the financial performance and further supported the need for strong cash management policies and optimal holding of cash as they affect liquidity and ultimately profitability of the organisation. The study of Antwi, Mutala and Hamza (2015) evidences the need of maintain proper cash management policies as they led to downfall of several organisations and they did not consider the extent of the relationship.

The study of Nasieku and Waema (2016) observed a negative relationship between the cash management practices and the financial performance as they reflected that a slight increase in the cash conversion cycle would result in a decline in reported profitability of the firm.

The above studies evidence the availability of a relationship between the cash management practices and financial performance of organisations. However, the studies were based on the international research hence the current study sort to investigate this relationship at a local level.

2.1.2 Receivables Management Practices

Waithaka (2012) asserted that efficient management of receivables influences growth rate of the business and it plays a major role in financial performance of an organisation. Kwenda and Matanda (2015) outlined that accounts receivables management entails determine and implementing of firm's credit policy, length of credit to clients and the offering of cash discount instant rather than experiencing late payment. Dennis and Jennifer (2015) supported the use of strong policies on accounts receivable which are channelled towards the collection of receivables and minimisation of debtor written off. The study revealed that debtors should be closely monitored to ensure maximum revenue collection as it impact on the performance of the organisation. However, Kwenda (2015) is of the opinion the strict credit policies on receivables results in loss of potential customers hence it ultimately affects the financial performance of the organisation negatively.

Mihajlov (2013) asserted that accounts receivable management practices are positively correlated to financial performance but with no significant influence on the performance of organisations. In addition, Vartika, Jain and Jindal (2017) reflected a positive relationship between the accounts receivable and profitability and established the need to focus on debtors' management as it affects performance of the company. According to Mukhoma (2014) there is a positive relationship between accounts receivable and firm performance as the study established that increasing accounts receivable period results in an improved overall firm performance.

Mbula, Memba and Njeru (2016) are indifferent on the effects of accounts receivable practices on the performance of organisation however they alluded on the need for organisations to have policies that ensure effective management of long outstanding accounts. Yahaya (2016) established that the relationship of accounts receivable management practices and financial performance varies as per sector as indicated by their study on pharmaceutical industry which reveal that there is a negative relationship. In this regard, Nasieku and Waema (2016) established that there is a negative relationship between the accounts receivables and financial performance as the average collection days increase the profitability declines.

Mengesha (2015) established that there is a negative relationship between the accounts receivable days and profitability and hence there is need to loosen the credit policies as to improve financial performance of the organisation. The study of Mengesha (2015) supports the situation at Zimbabwe Power Company as the accounts receivable policies are slack and the average collection period has been increased resulting in a decline in the level of profitability of the organisation.

The studies revealed that credit policies are an important factor when considering the effect of accounts receivables management practices on financial performance hence the current study will examine the effects of credit policies on Zimbabwe Power Company.

2.1.3 Inventory Management Practices

The two main objectives of inventory management are to minimise investment in inventory and ensuring the demand of material for effective production and sales operations are met. Bhatia (2016) supported the notion of reduced investment in inventory holding and the study asserted that the is a trade-off between the inventory holding and a liberal inventory holding policy increasing holding costs and when less is in hold high costs of stock out and ordering increases.

Wachira et al (2013) investigated on the impact of inventory management practices on the financial performance of sugar companies in Kenya and asserted that there is a positive correlation between the investment management practices and financial performance. Determination of strong inventory management practices is based on the environment in which the organisation operates. In addition, Ahmed (2016) indicated that there is a significant positive relationship between inventory management and financial performance and companies need to implement efficient management of inventory to enhance profitability. Further study by Onikoyi (2017) asserted the need for organisations to implement best inventory management practices such as just in time, MRP and EOQ to enhance inventory management since there is a significant positive relationship between inventory management practice s and financial performance.

The study of Shardeo (2015) reflected neutral relationship between financial performance and inventory management and the study recommended the implementation of inventory control techniques which helps improve inventory turnover ratio and return on asset ratios to ensure profitability is improved. Tungo (2014) was also indifferent as to the effect of inventory management practices on the financial performance but however the study reflected the need

to identify various techniques to apply in inventory management as they vary depending on the industry. Elsayed and Wabha (2016) are of the opinion that inventory management affects to profits is dependent on the organisational lifecycle having a negative effect on profit at the initial stage ad positive relationship on growth and recession phase.

On the contrast, Kiptoo, Kariuki and Maina, (2017) establish that there is a negative relationship in inventory management practices and financial performance in tea processing companies in Kenya. Shin, Ennis and Spurlin (2015) also observed a negative relationship between the optimised inventory levels and firm profitability, with small entities suffering stronger negative effect on profitability compared to medium and large firms. Additionally, the findings of Panigrahi (2013) indicated a negative relationship between the inventory conversion period and profitability in cement industries in India. However, at Zimbabwe Power Company the inventory management system has been influenced by the need for materials rather than the drive for profitability. Some materials were critical to the operations of the organisation hence the need to maintain inventory turnover ratio was not of importance but economic order quantity theory was followed to ensure inventory cash is not tied up in inventories.

The scholars highlighted different views as the effect if inventory management practices on financial performance but with more emphasis on the need to evaluate relevance of inventory management practices to the relevant industry.

2.1.4 Effect of Working Capital Management on Financial Performance

Gill and Biger (2013) postulated that inefficiency in the management of working capital practices induced by poor corporate governance has a negative impact on the shareholder's wealth. The study reflected that poor policies relating to accounts receivable accounts payables and inventory management negatively affect the cash conversion cycle. The achievement of best working capital management is based on the experience of the board of directors as they have direct effect on the formulation and implementation of policies.

Ohman and Yazdanafar (2014) examined the impact of the cash conversion cycle on the form profitability. The study asserted that there is need to optimise its cash conversion cycle as there is a negative relationship between the length of the cash conversion cycle and firm profitability. There is need to have efficient policies and practices in an Organisation however, these policies do not necessarily need uniform across industries since they are related to the nature and size of the organisation (Ohman and Yazdanafar, 2014). Ahmed and

Triphathi (2016) supported the notion of a negative relationship between the working capital management and firm profitability and they brought to the management attention the need to efficiently analyse the short term liquidity of the organisation as it affects the wellbeing of the organisation. Efficient management of working capital management through strong policies benefit the company through release of funds which can be utilised for the investment in other ventures as internal finance is cheaper as compared to other sources of finances.

Monto, Karri and Talonpoika (2016) identify three categories of working capital management as net working capital, operational working capital and financial working capital. The study argued that there is much more emphasis that have need placed on the relationship of net working capital management and operational working capital management on financial performance refusing the need to consider financial working capital. The study reflected that practices of financial working capital bears a positive relationship with firm's performance hence they provided strategies to improve the financial working capital cycle as to improve financial health of the organisation.

Waithaka (2012) examined the effects of working capital management practices on the financial performance of agricultural companies in Kenya and the study showed a positive relationship between the financial performance and working capital management practices. Chebet (2015) investigated the effects of working capital management practices on the financial performance of manufacturing industries in Kenya and concluded that financial performance is positively correlated to working capital management. However, elements of working capital management such as accounts receivables, inventory management and accounts payable are inversely related to financial performance. Similarly, at Zimbabwe Power Company working capital management practices has influenced the financial performance of the organisation since the liquidity challenges and accumulation of accounts receivable has led to a slight decline in reported performance of the organisation. More so, Chebet (2015) asserted that organisation should not only consider profitability but there is need to ensure that investment in working capital does not exceed equity.

2.2 Influence of Investment Decision on Organisational Performance

Investment decision are also known as capital budgeting and it is the firm decision to invest its current fund most efficiently in the long term assets in anticipation of expected flow of benefits over a number of years (Nkuhi, 2015) investment decisions also involves expansion acquisition, modernisation and replacement of long term assets. The various way of analysing

investment decisions are non-discounted cash flow techniques and non-discounted cash flow techniques. In determining profitable investment strategies investment analysis uses both the quantitative and qualitative techniques.

2.2.1 Investment Decision and Evaluation Techniques

Verma and Batra (2017) studied the capital budgeting practices in Indian companies, they asserted that the companies in India have moved towards adoption of complicated discounting cash flow techniques why a little percentage of 5 % of large firms were adopting more sophisticated methods such as real options and modified internal rate of return. The study revealed that companies making use of discounted cash flow techniques realised an uptrend in the growth of sales. The study agreed with the findings of Singh eta (2012) which proved that out of sample of 65 companies all adopted discounted cash flow techniques and non-discounted cash flow techniques in evaluating investment projects. In addition, the study of Obi and Adeyemo (2014) revealed that management have been over confidence in their control of risk and they frequently adopted discounted cash flow techniques as compared to payback period. The study recommended the use of net present value however they were neutral as to the effects of investment appraisal techniques on the performance of the organisation. Lakew and Rao (2016) also established that there is a positive relationship between net present value, internal rate of return and organisational performance.

According to Jain, Singh and Yadav (2013) the non-discounted cash flow techniques are used in combination with discounted cash flow techniques with net present value getting high level of application in India. Jurgita (2013) supported the need to consider all evaluation techniques when evaluating the investment decisions as they both improve the financial performance of the organisation.

Niyonsaba (2016) investigated the effects of investment decisions on financial performance of real estate in Kenya and asserted that companies used net present value on independent projects, internal rate of return on replacement projects, payback on mutually exclusive projects and accounting rate of return on mutually exclusive projects. However, the limited use of sophisticated methods in project evaluation was mainly due to inexperience and non-familiarity (Farouq, 2016).

The literature has shown that investment decisions should be based on a stronger understanding and application of evaluation techniques to ensure improved financial performance.

2.2.2 Investment Decisions and Financial Reporting

According to Vetsine, Kule and Mbabize (2016), investment decisions should be undertaken based on financial analysis. The study revealed that quality information is vital for decision making and this is obtained mainly in the accounting information systems and annual financial statement. Siougle and Kapellas (2017) supported the view by saying distortion of accounting information drives the organisational value and determines investment decisions since the cost of capital earnings management and accounting quality are relevant to investment choices. Profitability and risk profile of the organisation are the instruments which drive the investment decisions of an organisation and this is obtained through analysis of financial information (Onoja and Anajo, 2015), hence financial reporting is the bedrock of investment decisions. According to Suh (2017) deeper understanding of company economy and performance is useful in the investment decision making process and this information is obtained from the financial reports.

The study of Carmen and Fatima (2017) was indifferent as to the effects of financial reporting on investment decisions and ultimately performance; however, they established that the organisations experiencing high return on assets invest more in physical assets and financial statement are used for investment decisions when the financial pressure arises.

However, according to Olivera, Blagica and Krume (2017) financial reporting alone cannot be adequate to provide information as a basis for decision making there is also need to consider non-financial information. In this regard Pegro and Farinha (2013) indicated that some information such as market share and investment opportunities have significant influence on the profitability of the organisation in relation to investment decisions. In comparison to investment decisions at Zimbabwe Power Company has been driven by the need for investment and less of financial reporting has been considered but deliberation was on the ability to secure finances for the projects.

The above literature has shown a significant influence of financial reporting on the investment decisions of the company with other researchers giving equal importance to the non-financial aspects.

2.2.3 Investment Horizon

Investment horizon is the other factors of investment practices an organisation need to consider to ensure operation achieve the desired objective. Mannasoo and Maripuu (2015)

examined the company performance, investment decisions and cyclical performance and they asserted that time of investment matters on the performance of the organisation. The study revealed that long term investments have positive contribution towards the company performance while short term decisions negatively impacts on the performance. Larcker and Miller (2014) are of the opinion that long term investments enables company to implement corporate strategies while it yields better return on assets rather short term investment which distracts strategic decisions as the company will be focusing on the short term performance which is reported in the annual financial statements. More so, Jain, Singh and Yadav (2013) asserted that the investment planning horizon is directly related to the level of performance, as the proposal originated from the notion that the higher the level of performance the longer the investment period. The study of Muchuki (2016) also revealed that long term investments enhance the return on assets as compared to short term investments.

However, the study of Koroti (2016) reflected no variation on the time of investment but the emphasised on the need to have right decision being made at the right time. Additionally, Mashosho, Mbabize and Shukla (2015) established that long term investments are health of the organisation but there is need to consider short term investment as they are the driver for the growth of the company. Likewise, in a bid to improve long term sustainability of the company through long term investment such as Hwange and Kariba extension projects the short term financial performance of Zimbabwe Power Company has been negatively affected. Derrein, Kecskes and Thesmar (2013) argued that investment horizon does not influence the corporate policies but rather the horizon matter when the firm is undervalued by the market.

The scholars provided differing perceptions on the importance of investment horizon in achieving better organisational performance hence this study will assess the effect on the local company.

2.2.4 Effects of investment decisions on financial performance

Niyonsaba (2016) examined the effects of investment decision by companies on firm performance; the study showed that the investment appraisal techniques affect financial performance. Mashosho, Mbabize and Shukla (2015) also investigated the effects of capital budgeting investment decisions on organisation performance in Rwanda based on a sample size of 70 employees. The study concluded that investment decisions positively affect the organisational performance and Investment decisions are affect organisation in terms of rate of growth, costs of operation and not share maximisation and cash flow.

Farouq (2016) explained capital budgeting as an area which has attracted many researchers in past but however, most business seemed unaware of the link between financial decision and investment decisions. The study of Farouq (2016) indicated that 43.8% of organisational performance is influenced by the investment decisions made by the management. This was supported by Tamar and Maisarudze (2015) as they explained that for the organisation to survive and succeed they should get the current investment decision right. According to Tamar and Maisarudze (2015) managers should perform various calculations in relation to investment appraisal techniques and then make decisions by weighing the results and using subjective judgement. However, due to the predominance of payback period in evaluating investment organisations have ran away from complicated discounted cash flow techniques (Farouq, 2016).

2.3 Noncurrent Asset Management Practices and Profitability

Non-current asset management is the accounting process that seeks to track on the non-current assets for the purpose of prevention, maintenance, theft deterrence and financial accounting (Kitonga, 2013). NALAS (2014) defines asset management as an integrated approach to monitoring, operating, maintaining, upgrading and disposing of assets in a cost effective manner while maintaining desire level of service. The objective of asset management is ensuring a long term sustainability of an organisation through creation, acquisition, operation, maintenance, rehabilitation and disposal of assets to provide for present and future customers in cost effective way. Murad (2015) identified three main categories of non-current assets as tangible fixed assets, long term investment and intangible assets. The relative effect of non-current assets management on profitability is analysed in term of asset performance, life cycle system and decisions to replace or repair the non-current assets.

2.3.1 Noncurrent Assets Life Cycle System

According to NALAS (2014) good management practices is characterised by maintenance and improvement of the process that manage all phases of the life of non-current asset system. The key phases of non-current asset life cycle are acquisition, maintenance, consumption and depreciation phase and finally the disposal phase (Lohrey 2018). Asset performance, risk and cost are the main concerns in the life cycle of the assets hence they need to be monitored. The life cycle of non-current asset has to establish, implement, and maintain process and procedures for ongoing identification and assessment of necessary

control measures throughout the cycle. According to Alhazmi (2014) four stages can be thought of as the value chain of an asset and all must be optimised to deliver better return on assets. FWHA (2017) established the general asset management model which supports the management process which can be used by asset managers in ensuring the level of performance is maintained to ensure profitability is achieved. FHWA (2017) asserted that non-current asset management is best achieved through the application of return on assets as a measure to ensure the required level of return is achieved.

According to Lakew and Rao (2016) appropriate acquisition, keeping of proper accounting records, periodically evaluation of the efficiency of fixed assets, regular maintenance and repair and proper disposal of non-current assets enhances organisational performance. At Zimbabwe Power Company the asset management cycle was maintained but the timing of replacement of non-current asset and rehabilitation has affected the financial performance of the organisation negatively.

The scholars have revealed that organisation should effectively monitor the lifecycle system of the assets to ensure it assists in the improvement of profitability.

2.3.2 Non-current Asset Replacement or Repair Decision

Non-current assets replacement and maintenance decision has an effect on the level of profitability of an organisation. According to Madusanka (2016) the optimal utilisation of assets results in an improved return on capital and ultimately shareholders' wealth. The study of Madusanka (2016) brings out the need for effective asset replacement or repair decision practices for the organisation which incorporate wide spectrum of evidence not to be based on internal factors of the asset alone to achieve desired objective. In this regard the study of Theron (2016) recommended the repairing and refurbishment of the current assets as this helps organisation continue to survive under the capital constrain and they emphasised on the need for the organisation to cut some irrelevant cost to achieve profitability.

Andy (2016) was indifferent as to the effects of replacement or rapid decisions on profitability but highlighted the need to consider the high maintenance costs which arise from continuous repairs of assets and the threshold that are available in the release of capital fund to ensure the replacement decision is undertaken. Gage (2013) asserted that the decision should be based on quantitative data but did not indicate the effects of these decisions on the profitability of organisations. Srirama (2014) established that the repair and replacement

assessment is based on the asset behaviour and is unique in each sector hence they developed a three stage model which helps is making such decisions.

According to Micromain Corporation (2017) the organisation need undertaken a replacement decision although it requires an initial outlay but however it is said to bring more productivity as compared to repairs which have costs such as downtime, more defects, low productivity, safety and efficiency which cost the affects profitability negatively in the long run. Arif (2013) supported the need to have are placement decision since worst first approach of maintenance is condemned of result in poor performance and ultimately loss of infrastructure that provide more utility to the public. Asset managers have to ensure strategic asset management is in place backed by preventive maintenance rather than waiting for the worst condition hence the replacement decision is more efficient (PBOT, 2013). In support of Arif (2013) opinion, the Hwange Power Station power plant has been aged resulting in high maintenance costs, increased downtime and low productivity which ultimately affected in the financial performance of the Zimbabwe Power Company negatively.

The study shows that the organisation has to implement a multi criteria decision making which helps to ensure proper maintenance of assets and replacement decisions at the right time to avoid reduction in profitability levels.

2.3.3 Non Current Asset Performance Management and Profitability

Asset performance management encompasses managing of optimally organised assets to maximise profitability and anticipated product supply (Miklovic 2015). Asset performance management assist in measuring the asset in terms of real contribution rather than valuing assets based on market value or depreciable value. In addition, Gartner (2017) cited that the assessment of asset performance through effective management reduces the costs associated with downtime and maintenance cost hence it improves profitability as a result of asset failure predictions. The study of Martin (2017) asserted that the asset performance management that is supported by adequate operations management results in operational and financial efficiency which leads to unprecedented increase in the profitability of the company. Further support was draw from PwC (2012) which outlines that profitability that is based on performance management framework changes the organisational strategy into a useful goal that can be supervised to certainly improve return on assets. According to Dennis and Ramaswamy (2016) the asset performance managing strategy improves revenue while

cutting back on operational and maintenance costs for asset intensive companies with relevant manufacturing requirements.

However, according to Agresti (2013) the use of asset performance management policies does not generally lead to profitability as there is need for association and behaviour change of the persons in the organisation. Ojjeh, Kadaba and Coletti (2016) argued that asset performance agent does not automatically result in improved profitability there is need foe relevant, reliable, transparent and timely management reporting to ensure real decision making process. In addition, the problem that exists between non-current asset performance management and profitability according to Jooste and Page (2016) is the failure to design a performance management model that incorporates business process and strategies whilst exposing industry to the asset performance management developments. In spite of Zimbabwe Power Company implementing performance management practices which ensures that the operations of the non-current assets are at its optimum through predictive and preventive maintenance, the company has faced decline in the profitability levels.

The study revealed that performance management is a factor of contribution towards profitability and better non-current assets management. On the other hand, there is need to consider factors around asset performance management to ensure it yields best results for the company.

2.3.4 Effects of Non-Current Asset Management on Financial Performance

Oluwaremi and Memba (2016) asserted that there is a significant positive relationship between asset management and financial performance given that managers establishes practices that allows for high maintenance and adequate depreciation strategy to be applied on non-current assets. In addition, Olatunji and Adegbite (2014) agree that there is a strong positive relationship between non-current asset management and profitability. Moreover, the study recommends that efficient non-current asset management should be implemented and ensures that noncurrent assets are effectively and productively applied to ensure client satisfaction and profitability is heightened. This also relates to Zimbabwe Power Company as it is a capital intensive organisation and its profits are driven by the proper management of non-current assets. Profitability and non-current asset management of Zimbabwe Power Company appears to be related as the deficiencies in the management of non-current assets also resulted in the downfall in financial performance.

Munair, Junaid and Ulfat (2015) investigated the impact of non-current assets on profitability and the study revealed no significant relationship between investment in non-current assets and profitability. However, they believed that the non-current assets to be acquired are determined by the demand of the product. Iqbal and Madhu (2012) also supported the notion that there is no significant relationship between financial performance and non-current asset management practices. The study of Iqbal and Madhu (2012) showed two different results, having a positive relationship between non-current assets management and profitability in cement industries while negative relative to other sectors. However, the study of Kitonga (2013) established that there is a negative relationship between the non-current asset management practices and firm performance.

The scholars were not clear as to the effects of non-current asset management on the profitability. However, the current study will evaluate the effects of non-current asset management on the profitability of Zimbabwe Power Company.

2.4 The Best Financial Management Practices

Best practices are defined as the set of procedures, ethics and ideas representing the most efficient course of action (Hunt, 2017). According to Muridzo (2016) it is a confirmed process that provides measurable improvements in an efficient and effective manner which helps to improve performance through a guide around drawbacks.

2.4.1 Implementation of effective financial management system

Implementation of integrated financial management system is one of the financial management reform practices which promote efficiency, effectiveness, accountability, data security management and comprehensive financial reporting (Hendricks, 2012). In the same way National Audit Office (2013) encourages implementation of effective financial management practice through consideration of medium and long term effects of organisational resource allocation to avoid incremental decision making and alignment of financial reporting with the initiatives of developing an improved management of information. Zimbabwe Power Company should have an initiative towards effective use of financial management system to ensure that the level of performance is achieved.

2.4.1 Best practices for Investment decisions

Gordon (2014) asserted that for the organisation to achieve the best practices there is need for an investment committee which has an explicit understanding of portfolio purpose and

objective and a clear definition of success. Furthermore, the investment committee need to be guided by a charter which outlines the qualification, roles and responsibilities of the committee members with the common sense and discipline (Gordon, 2014). According to Holtzman Partners (2014) the committee should initiate investment decisions, monitor and analyse investment related expenses and establish the most appropriate investments selection and monitoring procedures. OECD (2015) recommended that organisation should have sound and transparent financial management system that aligns investment decisions with medium term budgets. In the same way, Zimbabwe Power Company has a role in ensuring that the investment committee is guided by a charter which specifies the minimum requirements to participate in the investment decisions and consider the usefulness of incorporating investment decisions in the operating cycle of the organisation.

2.4.2 Best Practices for Working Capital Management

Best working capital practices are the practices tailored towards management of the three key components of net working capital that are inventory, accounts receivables and payables. Buchman and Jung (2016) highlighted that optimisation of cash collection period through reduction of inventory turnover, extending creditors' days and reducing receivable days. Feimster (2017) established the need for organisation to be in hold of adequate cash through analysis of past trends and through cash management process which is based on cash budgets. Chebet (2015) asserts that, if the investment in working capital exceeds equity, it would be translated into cash in the same operating cycles otherwise organisation might borrow to ensure that adequate working capital is available for operations.

2.4.3 Best Practices for Non-Current Assets Management

According to Mass (2017) the best non-current asset management consider current state of the assets, service level, critical assets and minimum life cycle cost the long term funding plan. At the current state level, the asset managers should asses the condition of the asset, remaining useful life and the asset value in tandem with the replacement and rehabilitation costs. Mass (2017) also highlighted that management should understand the current level of service of the assets, current and anticipated regulatory requirements while ranking the according to critical level to ensure performance is tracked over time. Furthermore, NALAS (2014) agrees with the idea of Mass (2017) that there is need to list the non-current assets in order of their critical effects on the system operation and conduct failure analysis so as to update the systems weakness assessments. Additionally, NALAS (2014) postulated that,

there is need to consider life cycle costs for critical assets, deploy assets based on asset condition and analyse the causes of failure to ensure effective response plan.

Lastly, there is need for the long term asset funding strategy which brings about planned sources of finance to ensure replacement, repair and rehabilitation costs are well funded. In order to adopt the best practice in non-current management practices Zimbabwe Power Company has a role to closely monitor the asset life cycle and ensure decisions about the non-current assets is related to the state of asset in quest of improving profitability through reduction of non-current asset related expenses.

2.4.4 Ways to Effectively Implement Best Financial Management Practices

The best financial management practices can be best achieved through employee motivation, capacity building and training, effective communication, strategic planning, implementation and control.

2.4.4.1 Strategic Planning, implementation and control

According to Craymer (2017) the structures, principles and processes of the company should be combined to ensure that strategic plans are effective as they have impact on the performance of the organisation. According to Masinkova and Kocisova (2014) strategic planning, strategic implementation and strategic control are the elements of the strategic management which ensure that the desired long term prospects and competitiveness of the organisation is achieved. The success of the implementation is conditioned by managers, employees and their organisation while having transformation of the organisational culture to ensure the strategy become part of everyday decision making process of the company. Furthermore, Nyamwanza (2013) outlined the need for managers to engage in proper business management practices relating to strategy formulation and employment to ensure company remain competitive in the vibrant business environment.

2.4.4.2 Employee Motivation

Motivation of employees is essential for the achievement of effective financial management practices. According to Lipmann (2013) management should ensure employees at all level are well motivated to ensure productivity. This is achieved through adequate training at all level provision of constructive feedback as to how well the practices have been implemented and ensure genuine support of employees when is needed (Lipmann ,2013). Further support was drawn from Hossain et al (2017) who asserted that employees will get an extra drive and

exertion to improve their performance when they are well motivated. On the other hand, the work practices empower and intrinsically motivate the employees to drive the organisational goals if they are innovative and empowering in nature (Cristine, 2011). Similarly, employee motivation at Zimbabwe Power Company should be driving force to the implementation of best financial management practices through training, decentralised decision making for some activities and effective flow of information rather than focusing on rewards.

2.4.4.3 Communication

Communication is a two-way process in which there is an exchange of thoughts, opinions or information through various communication channels to ensure mutual acceptance of the goal (MITRE Corporation, n.d). According to communication needs to tailored towards the target group to ensure that policies are understood clearly as whom shall implement and use such policies. According to South (2011) effective communication is vital if the results of that communication are to be put in place as policies and practices. The four phases of communication which ensures effective communication are development of communication strategy, building action plan measuring feedback to assess effectiveness of communication and integration of the feedback (Muridzo, 2016). Effective communication in a two way assist in the improvement of financial management system at Zimbabwe Power Company as ensure employees are well vested in the current practices and performance of the organisation on real time basis.

2.4.4.4 Capacity building and training

According to Hendricks (2012) for ensuring proper implementation of best financial management practices there is need to consider capacity building and training. Capacity building is the connection that strengthens an organisation's ability to accomplish its mission by promoting sound management, strong governance and tireless effort to achieving the goals (Limmert, Johnson & Fiore, 2015). Training is concerned ensuring that the different levels of work force are educated on the use of the system and ensure they are adequately resourced. United Way of Calgary (2012) asserted that for the development of appropriate and effective financial management process and system, the organisation should have the capacity to tactically use the financial information to support the programs of development which ensure stability and sustainability are essential for a healthy and vibrant organisation.

According to Limmert, Johnson & Fiore (2015) capacity building is best achieved when the organisation has sufficient staff with suitable skills and knowledge together with appropriate and adequate management, technical systems and physical infrastructure. With regards to capacity building and training, Zimbabwe Power Company has invested more on training however there is need to consider availability of the adequate systems which supports the desired level of operation.

The researchers have considered the above practices as some which assist the organisation in achieving better financial management practices which ultimately improves firm performance.

2.5 Chapter Summary

The chapter provided literature on the relationship of financial management practices (working capital management, investment decisions and non-current asset management). In addition, it provided best financial management practices in area of non-current asset management, working capital management; investment practices and provides ways to ensure best financial management practices are implemented.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The chapter provides discussion on the research method and instruments used to conduct the research on the effectiveness of financial management practices on firm's performance. The chapter provides information about the research design, research methods, sampling, data sources, research instruments, validity, reliability and ethical considerations.

3.1 Research Design

Saleem, Shabana and Sadik (2014) defined research design as an arrangement of conditions for the collection and analysis of data in manner which aims to combine relevance to the research purpose with an economic procedure. Kumar (2011) added that research design is a plan that is adopted by the researcher to answer questions validly, accurately objectively and economically. After considering the meaning of research design the researcher purposively chose the research design that suited the objective and question of the study. The main objective of the study was to investigate the effects of the financial management practices on financial performance therefore the researcher chose descriptive research design to answer the question of the study in an economical way. Descriptive research design was chosen as it enabled obtaining of current information about the phenomenon and helps to describe what exists between financial management practices and financial performance. The researcher also chose quantitative methods to better understand the cause and effect relationship between financial management practices and organisational performance.

3.1.1 Descriptive Research Design

Descriptive research design a basic approach that examines the situation at its current state through identification of characteristics of a particular occurrence based on investigation of correlation between the given phenomena (Williams, 2014). Dudovisky (2017) added that descriptive research design does not give a researcher control over the variables but simply determines what the relationship is. The researcher adopted descriptive research design as it allows the observation of the effects of financial management practices on financial performance in an unchanged and stable environment. Descriptive research design assisted the researcher to focus on the research question to meet the research objective as it uses

organisational statistics, questionnaires and interviews to ensure triangulation. Descriptive research design also allowed the researcher to integrate the qualitative and quantitative methods of data collection as they are suitable to the current study.

3.1.1.1 Quantitative Approach

Creswell (2014) defined quantitative research as an approach that tests the objective of theories by examining the relationship among variables that can be measured typically on instruments so that the data can be analysed using statistical methods. Kapoulas and Mitic (2012) also stated that such an approach can be utilised in describing and examining the cause and effect relationship, output of which is measured numerically and statistically. The researcher used the quantitative approach to quantify data collected and analyse it statistically and also determined the effects of financial management practices on the financial performance. Quantitative research was adopted in the current study as it assisted in removing researcher's personal bias through distancing the researcher form participants and allowing the use of acceptable computational techniques to establish the relationship of the research variables (Rahman,2016).

3.2 Study Population

Population is a total of all individuals with certain characteristics of interest to the researcher. Okafor and Otalor (2013) defined population as a collective association of objects on which researcher intends to deduce certain conclusion or rather set of individuals a researcher need to obtain a conclusion from. The study population was made up of 48 participants drawn from the finance department, purchasing department, senior management and finance trainees at Zimbabwe Power Company. The criteria for choosing the target population was to make sure everyone in the population understands the subject matter and that they are affected by the subject matter so as to reduce the risk of receiving substandard result from the research.

3.3 Sampling

According to Kumar (2011) sampling is a process of selecting a few components of the sample population to develop the basis of predicting the dominance of unknown information, situation or outcome of the whole population. Saunders et al (2012) stated that there are two types of sampling which are probability sampling and non-probability sampling.

In this study the researcher selected a sample of 30 employees at the Zimbabwe Power Company and applied judgemental sampling in tandem with stratified sampling to the sample.

Table 3. 1 Sample Size

Group	Population	Sample size	Percentage
Senior Management	6	4	66.6%
Finance Personnel	19	15	78.9%
Finance Trainee	8	5	62.5%
Purchasing and receiving personnel	15	6	40%
Total	48	30	62.5%

3.3.1 Stratified Sampling

Stratified sampling is a technique used to sample the population which does not constitute a homogenous group and it helps in obtain a representative sample (Creswell, 2014). Under stratified sampling the population is divided into sub population that are more homogenous than total population and then select items from stratum which will constitute a sample. The use of stratified random sampling enabled the proportional representation of all the employees in each stratum affected by the current research at Zimbabwe Power Company. In this regard, this study applied stratified random sampling as it provides precise estimates about each group which resulted in a more reliable and detailed information.

3.3.2 Judgemental Sampling

Etikan, Musa and Alkassim (2016) defined purposive sampling as a sampling technique that involves identification and selection of individuals that are proficient and well informed with the phenomenon of interest. Kumar (2011) alluded that the primary consideration of judgemental sampling is the judgement as who can provide best information that aids in achieving the objective of the study. In this study judgemental sampling was used by the researcher as it drew attention to the employees in the departments with expert knowledge as to the application of financial management practices in Zimbabwe Power Company. The

selection of the departments was based on the need of employees with knowledge of financial information which had bearing on the quality of data to be obtained about the effects of financial management practices on financial performance at Zimbabwe Power Company. Judgemental sampling was also adopted as it minimised the risk of data distortion since the participants has adequate expert about financial management practices and financial performance.

3.4 Sources of Data

3.4.1 Primary data

Primary data is the data collected specifically for the research and is usually collected through inspection, recording and observations and measuring of period activities (Griffin, 2013). Creswell (2014) added that the information is quite original and is collected through questionnaires and interviews. The researcher used primary data sources to ensure that the information gathered was directly related to the study which assisted in reaching a valued argument and conclusion in respect of the research objectives. The researcher used questionnaires and interviews to obtain information directly from the primary group of people applying financial management practices at Zimbabwe Power Company.

3.4.2 Secondary data

Secondary data is the information that is gathered from other already available sources such as journal, reports censuses and is extracted for own study use (Williams, 2014). According to Anon (2015) the secondary information is gathering to get initial insight about the research problem. The researcher examined the annual reports for ZPC, published books, journals related to financial management and newspapers articles which provided information which guided the direction specific for the research. The secondary data sources also provided the information that assisted the primary data collected through interview and questionnaires to conclude on the effectiveness of financial management practices on financial performance of Zimbabwe Power Company. However, the secondary data have the risk of being outdated due to the passage of time hence the researcher used recent documents in line with the research objective to curb for such an event.

3.5 Research Instruments

Research instruments refers to the tools used by the researcher in collection of primary data in supporting research objectives these include use of questionnaires and interviews (William, 2014).

3.5.1 Questionnaires

A questionnaire is a set of well-structured questions designed to be presented to respondents to give information relating to research objectives (William, 2014). The questions may be close ended or open ended questions. Close ended questions are the type of questions which limit the responses of the participants to the given scenario. On the other hand, the open ended questions allow expression of an opinion by the respondents since no possible answers are provided there by eliminating investigator's bias in the conduct of research (Kumar, 2011)

According to Adams, Khan and Hafiz (2014) the open ended questions enable respondents to freely convey their views while close ended questions reduces variability in the interpretation by the researcher. In this regard, the researcher adopted both close ended and open ended questions to ensure adequate information is provided by the respondents. The benefit of using questionnaire was that it removed the bias of the researcher since respondents answered questions on their own convenience.

3.5.2 Interview

According to Kumar (2014) interviews are a verbal conversation between two or more people with an objective of collecting relevant information for the research. Interviews can be unstructured, structured and semi structured. Personal interviews were used in the study and it assisted in following up ideas, probe responses motivate and investigate feeling the questionnaires cannot do. Open ended questions were used in the conduct of interviews to provide room for the respondents to be able to express themselves without limitations.

However, interviews have no anonymity hence sensitive information could not be shared and required more time to consider validity and usefulness of responses to the current study. This has been overcome through application of both the questionnaires and interviews to the study.

3.5.3 Likert Scale

Saleem Press (2013) described Likert scale as an instrument that is used in conjunction with the questionnaire and it provides a series of statement to which respondents indicate their level of agreement. The Likert scale has five predetermined categories that are "strongly agree", "agree", 'uncertain', "Disagree" and "strongly disagree". The researcher used Likert scales as they assist in the assessment of the level of agreement amongst respondents.

Table 3. 2 Likert scale

Item	Strongly Agree	Agree	Uncertain	Disagree	Strongly disagree
Points	5	4	3	2	1

3.6 Data collection procedures

Data collection procedures are the essential steps taken by the researcher to administer research instruments in order to accumulate data (Griffin, 2013). Appointments were schedules and agreed upon with the interviewees. In addition, the questionnaires were forwarded to the respondents through emails and hand delivery prior to the conduct of interviews. Respondents were given four days to answer the questionnaires after which a follow up was conducted in attempt to address ambiguous questions and increase the responds rate.

3.7 Data presentation techniques

The data gather was presented in the statistical methods such as the graphs, pie chart, tables and percentages to cater for the better understanding of the research. The data with the highest frequencies was used to conclude on the effects of financial management practices on organisational performance. Lee and Junyong (2017) asserted that ways of presenting data is determined by the data setup and the information to be interpreted as the inappropriately presented data will fail to clearly provide facts to person who reads and review the data presented.

3.8 Data Analysis

Data analysis is the systematic process of applying the statistical or logical techniques to describe, illustrate, condense and recap data (Northern Illinois University, 2015). In this study

normal comparison of data was used to analyse the data collected in a view to provide useful information and suggesting solutions.

In addition, study the researcher applied regression analysis and Pearson's coefficient of correlation to analyse and establish the relationship between financial management practices and firm performance. According to Uyanik and Guler (2013) regression analysis is a statistical model that is use to analyse the relationship between independent and depend variables to the study with a reason and result relation. In the current study regression analysis was used to establish the relationship between independent variables (working capital management practices, investment practices and non-current assets management practices) and dependent variable that is financial performance. In order to precisely evaluate the results of the research, Pearson's coefficient of correlation was also applied. The coefficient of correlation assisted in data analysis through establishing the extent of correlation between financial management practices and financial performance.

3.9 Data Validity

Data validity refers to the credibility of the research due to the ability of research instruments to address the need for research and applicability of the research findings in real world. According to Bolarinwa (2015) validity expresses the degree to which the research instruments measure what it purports to measure. In this study the researcher ensured validity of the research through linking the questions of both the questionnaire and interviews to research objective of the study. Additionally, the researcher used simple language in the research to ensure it is understandable to the respondents and distortion of results avoided. In pursuit of ensuring the validity of data the researcher under took a pre-test of questionnaire and review of instruments was done before distribution to the actual group of participants.

3.10 Data Reliability

Reliability is referred to as the degree to which results obtained measurement and procedure can be replicated (Bolarinwa 2015). The study also identified the elements of reliability as stability, equivalence and internal consistency. In the current study the researcher ensured the reliability of data through testing and peer review of questionnaires by a third party before conducting of the research.

Kumar (2011) also highlighted that if unreliable research instruments are utilised in the research study, the output lacks dependability and becomes valueless. In an attempt to curb

the problems mentioned above the researcher selected a sample of employees with vast knowledge and experience in the use of financial management practices and their effects on financial performance. Interviews were also undertaken during the respondents' normal business hours during their free time to ensure that reliable information is collected from the respondents. Reliability was also ensured through the use of both the questionnaire and interviews as it allowed to eliminate the weakness of each of the instruments and provided room for triangulation.

3.11 Ethical considerations

Ethics are norms or standard conduct that distinguishes between what is right or wrong. According to Yip, Han and Sng (2016) the researcher have a duty to protect the life, right to self-determination, integrity, confidentiality and dignity of participants' personal information as the subjects for research. In an attempt to ensure ethical values are maintained the researcher conduct the research at the flexible time of the participants after they had accomplished their job commitments. In addition, the data collected during the research was treated with integrity and kept confidential and utilised for the purpose of research only without personal opinions consideration to influence the information and the conclusion reached. Lastly the secondary data source that was used as an aid in the conduct of research was also acknowledged through in text referencing and reference list**.**

3.12 Summary

The chapter formed the basis of the conduct of the study. The chapter outlines the research design, research methods, research instruments and the sources of data consulted in the conduct of the researcher as well as data reliability, validity and ethical consideration. The chapter also highlights how the data collected would be presented and analysed in the next chapter under data presentation and analysis**.**

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction

The purpose of this study is to know the effects of financial management practices on firm's financial performance. This chapter presents the findings on the three main areas that are working capital management practices, investment practices and non-current assets management practices. The findings are presented in the order of questions asked. The findings are also corroborated with the literature review in chapter two. The statistical tools were used to present and analyse the research findings.

4.1 Response Rate

Response rate is the number of participants who attempted the survey questions divided by the total number of targeted population (Leah et al., 2016). The study of Leah et al. (2016) shown that the higher the response rate increases the dependable of the survey outcome.

Table 4. 1 Questionnaire Response Rate

	Frequency	Percentage
Questionnaire responded	22	73.33%
Questionnaire not responded	8	26.67%
Total questionnaire distributed	30	100%

Out of the 30 questionnaires distributed, only 22 were collected the remaining 8 was due to the failure by the respondents to fill the required information. The questionnaires responded amounted to 73.33% while the remaining contributed 26.67%.

The scholar also targeted three interviewees and all they were successful. Thus there was 100% response in interviews.

4.2 Academic Qualifications

The respondents highlighted their highest level of education to evaluate whether their responses can be purely relied upon in the current study.

Table 4. 2 Illustrations of Academic Qualifications

	Doctorate	Masters	Degree	Diploma	Up to A Level	others
Number of respondents	0	3	12	2	0	5

(Source: *primary data*)
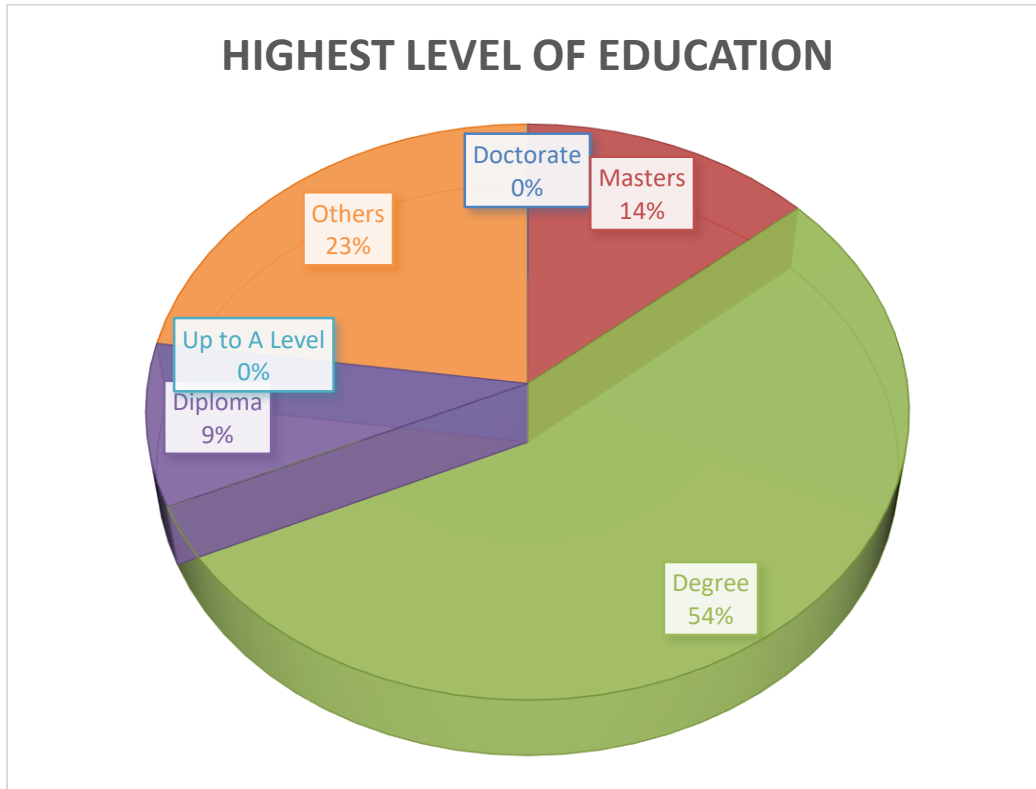
Figure 4. 1 illustration on the level of education

Figure 4.1 above shows that 54% (12/22) of the respondents holds a degree, 9% attained diplomas, 14% has Masters and 23% have other qualifications such as ACCA, CIMA, ICSAZ and FSAA. The results show that 20/22 of the respondents have qualifications that relates to positions that they hold hence they were able to interpret and understand the need of the questionnaire. According to Gupta and Panda (2014) having personnel with relevant academic qualification helps the organisation in achieving better practices and also enables the organisation to identify its weakness through contributions to researches.

4.3 Sample distribution in relation to departments

The following graph indicates the responds rate of the participants in relation to their departments. The department with greater population is the one which has highly contributed to the results obtained.

Figure 4. 2 Responses Distribution In Relation To Departments
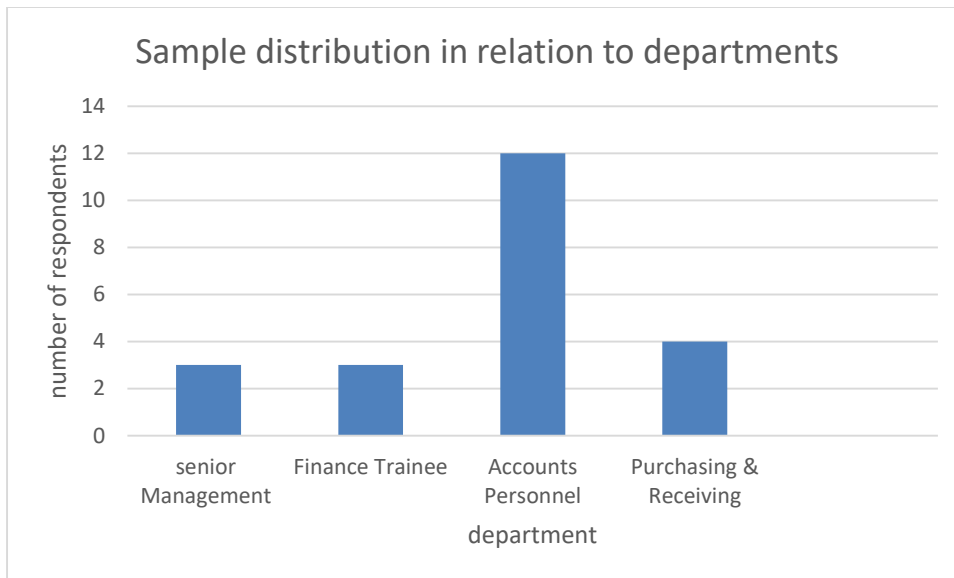
Source: Primary Data

The analysis of the data collected shown that most of the respondents were from the finance department contributing 55% (12/22) of the total sample. It was followed by the purchasing and receiving department that have contributed 18% (4/22) then followed by the senior management with 14% (3/22) which is slightly above the finance trainees who contributed 14% (3/22). The above results provided an insight that the finance department, purchasing and receiving have the relevant knowledge about the effects of financial management practices hence they were able to answer the questionnaires. The results showed that the finance department, purchasing and receiving department have an in depth appreciation of the study subject and they contributed to the credibility of this study.

4.4 Sample Contribution According to Experience

Table 4. 3 Respondents contribution in relation to their experience

Characteristics	Frequency	Percentage (%)	Cumulative frequency

Less than 5 years	6	27	27 %
Between 6 to 10 years	7	32	59 %
Between 11 to 15 years	5	23	82 %
Between 15 to 20 years	4	18	100 %

The table reflects that 27 % of the respondents has 1 –5 years of experience in the company,32 % of the respondents falls in the range of 6—10 years, 23 % are within the 11—15 years of experience and finally 18 % has the experience that is in between 15 and 20 years. Based on the observations in the table 73% of the respondents has above five years of experience with the company thus contributing a greater proportion of the sample hence they are adequately knowledgeable about the financial management practices of the company.

4.5 Working Capital Management Practices Adopted at ZPC

The working capital management practices were analysed in terms of cash management practices, receivables management and inventory management.

4.5.1 Cash Management Practices at Zimbabwe Power Company

This question sought to examine the cash management practices at Zimbabwe Power Company and relate them to the overall effect of working capital management practices on the financial performance of the company. Table 4.3 below shows the findings on the cash management practices that exist at Zimbabwe Power Company.

Table 4. 4 Responses to Cash Management Practices at ZPC

CHARACTERISTICS	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
The company has a written procedure for cash management	**15**	**5**	**2**	**0**	**0**
The company faces cash shortages	**5**	**12**	**5**	**0**	**0**
Optimal cash balance is maintained by the company	**2**	**11**	**1**	**8**	**0**

Cash management system is computerised	**16**	**6**	**0**	**0**	**0**
The company prepares cash budgets	**12**	**9**	**1**	**0**	**0**

(Source: Primary Data)

From the observation above the majority of the respondents are in support of the cash management practices at the organisation. The findings contained in table 4.4 shows that 68% (15/22) of the respondents strongly agrees that the company follows a written procedure when dealing with cash management, 23% (5/22) fairly agrees that there are manual procedures in places leaving 9 % (2/22) uncertain on the use of user manual in dealing with cash management. The findings revealed that a greater proportion supports the use of a written cash management procedure which helps to minimise the rate of error being committed during execution of their work.

The respondents greatly agree that the company faces cash shortages with 55% (12/22) in support of that idea while 23% (5/22) strongly agree that the cash shortage problems really occur in the organisation and lastly 23% (5/22) of the respondents are uncertain of the cash shortage problems in the organisation. This means that 87% of the respondents disagreed to the ideology of Nyabwanga et al (2012) which asserted that cash management was the problem in the organisation not cash management whilst Zimbabwe Power Company has faced problem mainly in accessing cash.

In relation to the adequacy of cash balance being maintained at the organisation the majority (50%) of the respondents agrees that there is optimal cash balance maintained, 9% of the respondents strongly agreed, 5% was uncertain and 36% disagreed to the idea that there is always optimal cash balance maintained at the organisation. The observation shows that 55% of the respondents were in line with the study of Thevuraban (2016) and Nyabwanga et al (2012) who stressed on the need for the organisations to maintain optimal cash balance to ensure efficient day to day operations of the organisation and short term obligations of the entity are promptly honoured.

According to the research results it is shown that 73% (16/22) strongly agreed that the cash management system is computerised and 27% (6/22) fairly agreed that the system is computerised. The observation provided a view that all respondents agreed to the use of computerised cash management system which supports the notion of Deloitte (2015) who

asserted that the financial system has to be computerised to reduce the risk of error and fraud when dealing with the business transactions. Furthermore, 55% (12/22) of the respondents strongly agreed that cash budgets are prepared which provide guidelines to the use of cash in the organisation, 40 % (9/22) of the respondents agreed to the preparation of the cash budgets and the remaining 5% (2/22) were not certain as to whether the cash budgets were being prepared in the organisation. The overall response rate indicates that95% of the respondents agreed with Waithaka (2012) on the cash budgets preparation which provides the organisation with a guideline as to how the cash would be spent in the forecasted period.

Conclusively, the use of written procedures, preparation of cash budgets, and computerisation of the cash management system and the handling of optimal cash to cater for short term benefits are the common practices that prevail at Zimbabwe Power Company. These practices have agreed with the study of Nyabwanga et al (2015), Chebet (2015) and Waithaka (2012) who asserted that the existence of such practices ensure efficient cash management which results in an improved financial performance of the company.

4.5.2 Accounts receivables management practices

The objective of the question was to identify the common account receivable practices that are prevalent in the operation of Zimbabwe Power Company. The question further need to identify how these practices has contributed to the reported financial performance of the company. Figure 4.2 shows the respondents views about the accounts receivable practices at Zimbabwe Power Company.

Figure 4. 3 Accounts Receivable Management Practices

Accounts Receivable Management Practices
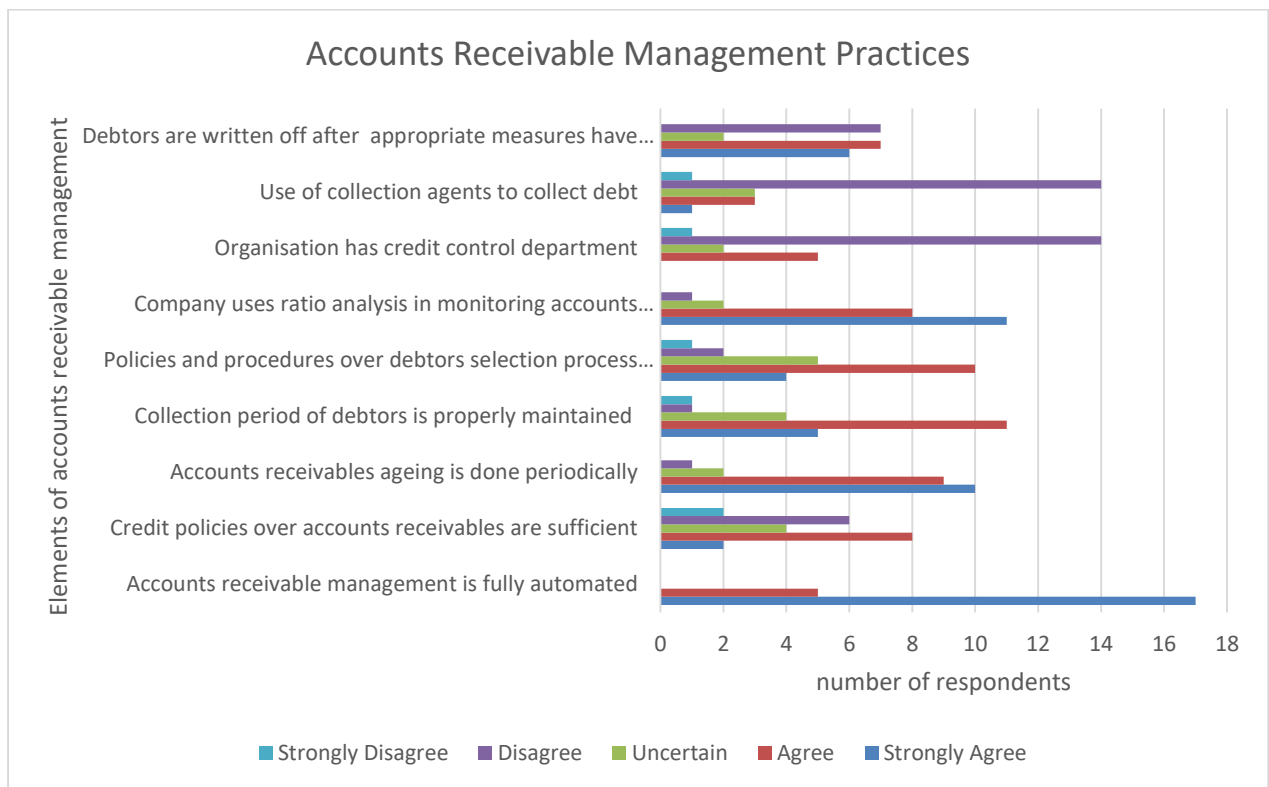
i) Debtors are written off after appropriate measures have been taken to collect debt.

The research findings show that 6/22 of the respondents agreed that debtors are written off after measures have been taken to ensure debt is collected while 7/22 also fairly agreed to the same idea. The respondents of 13/22 who agreed to the idea that debtors are written off after proper evaluation concurs with the study of Dennis and Jennifer (2015) who asserted that companies should improve its profitability by minimising amount of debtors written off through creation of policies which allow for scrutiny process of debtors. However, only 2/22 were uncertain whilst the remaining 7/22 disagreed on the use of appropriate measures by the organisation to collect debt which contradicts with Dennis and Jennifer (2015) as it reflects company's failure to closely monitor its receivables to ensure maximisation of revenue.

ii) Use of collection agents to collect debt

The findings in figure 4.3 above shows that the company does not make use of collection agents when collecting outstanding debts as reflected by 14/22 respondents who disagree to the use of collection agents in the company. This has further gained support from 1/22 of the respondents who strongly disagreed to the use of collection agents. However, 3/22 of the

respondents agreed to the use of collection agents whilst 2/22 strongly agreed on the use of agents in collecting date. The remaining 3/22 were neutral to the use of agents in debt collection.

iii)   Organisation has a credit control department

The research results show that only 5/22 of the respondents agree that the company has a credit control department while 5/22 were neutral on the existence of the control department. However, the majority of the respondents (14/22) disagreed to the existence of the credit control department with a further support of credit1/22 respondents who strongly disagreed on the existence of such practices. Consequently, as the majority of 15/22 disagreed on the existence of a credit control department this contradicts with the practices advocated for by Deloitte (2015) and the study of Dennis and Jennifer (2015) which emphasised on the need for a department which is responsible for assessing the credit worthiness and eligibility of the debtors for them to be offered with credit services in a way to minimise debtors written off.

iv)   Company uses ratios in monitoring accounts receivables.

The findings resemble that 11/22 of the respondents strongly agreed to the use of ratio analysis in management of account receivable as also supported by 8/22 of the respondents who fairly agreed on the same idea. There were only 2/22 of the respondents who were uncertain on whether the company applies accounting ratios in assessing receivables. However, 1/22 of the respondents were in disagreement as to the use of accounting ratios in assessing account receivables. This means that 19/22 of the respondents are in support of the use of accounting ratios in assessing debtors which in turn helps them in establishing the performance and effects of accounts receivable in relation to other aspects of the company such as profitability and any unfriendly conditions can be easily dealt with in the process.

v)   Policies and procedures over debtors are adequate

The research findings show that 4/22 of the respondents strongly agreed that policies and procedures over debtors' selection are adequate and this is supported by a further 10/22 of respondents who fairly agreed to the same notion. However, 2/22 of the respondents disagreed to the same idea while 1/22 strongly disagreed to the adequacy of policies and procedures over debtors' selection. The remaining 5/22 of the respondents were neutral on the adequacy of debtors' selection process. In summary the significant findings show that procedures taken when selecting debtors is sufficient which contradicts with the respondents'

previous views of the availability of credit control department whose role is to ensure that policies and procedure on debtors' selection are appropriate. Despite this conflict the adequacy of policies and procedures in debtors' selections concurs with the Deloitte (2015) who stress on the need to ensure that credit is extended to the right individuals and companies that will not affect company's operational efficiency through defaulting payment.

vi) Collection period of debtors is properly maintained

The respondents amounting to 5/22 strongly agreed that collection period stipulated by the company is properly maintained while 11/22 of the respondents fairly agreed. There were 4/22 of the respondents who were neutral on the ability of the entity to maintain its collection period. However, a small proportion of 1/22 disagreed while 1/22 strongly disagreed on the adequacy of the policies on collection of debtors. This means that 16/22 of the respondents agreed on the appropriateness of collection period and this is supported by Waithaka (2012) who said that efficient management of accounts receivable improves the growth rate of the company.

vii) Accounts receivable ageing is done periodically

Research results shows that 10/22 of the respondents strongly agreed to the appropriateness of ageing analysis procedure while 9/22 fairly agreed to the same idea. There was a proportion 2/22 of the respondents who were unaware as to whether the ageing analysis was conducted periodically and the remaining 1/22 was in disagreement over the performance of accounts receivable ageing analysis. The results established that account receivable analysis was conducted periodically which is a good practice which promote the identification of long outstanding debtors and ensure appropriate measures are undertaken to collect the debt.

viii) Credit policies over accounts receivable are sufficient.

There were 2/22 respondents who strongly agreed that credit policies over debtors were sufficient while 8/22 also fairly agreed to the same idea. The existence of sufficient policies as shown by the 10/22 of the respondent were in agreement with the study of Kwenda and Matanda (2015) who asserted that credit policies need not to be that strong but however they should be adequate to ensure that the company collects maximum revenue. However, 6/22 of the respondents disagreed on the adequacy of credit policies with a further 2/22 support of respondents who strongly disagreed. The in adequacy of credit policies shown by 8/22 of the respondents contradicted to the idea of Dennis and Jennifer (2015) which advocates for

strong policies over accounts receivable so as to ensure credit worthiness of customer has been guaranteed before extension of services. The remaining 4/22 of the respondents were uncertain as to the adequacy of such policies. Conclusively it can be established that the modal class agreed to the adequacy of such credit policies despite the disagreement by other respondents.

ix) Accounts receivable management system is automated.

The wholly set of respondent agreed that the accounts receivable management system is automated with 17/22 strongly agreeing while 5/22 fairy agreed. This practice of automating the accounts receivable management has been supported by Deloitte (2015) due to its enhancement of management program with reduced risk of error and easy accessibility of financial information when needed for the decision making process.

Conclusively the practices relating to automation of accounts receivable management, use of ageing analysis for debtors, establishing of debtors' selection policy, writing of debtors after appropriate measure have been taken to collect the debt have been commonly prevalent in the operations of Zimbabwe power company. However, the research signifies that the organisation fails to establish a credit control department and make use of collection agents which in turns increase the risk of long outstanding debtors as revealed by Kwenda and Matanda (2015)

4.5.3 Inventory Management Practices at Zimbabwe Power Company

The aim of this question was to establish the inventory management practice at Zimbabwe Power Company and compare them against the recommended practices for inventory management. The data illustrated in figure 4.4 shows the responses on the inventory management practices at Zimbabwe Power Company.

Figure 4. 4 Responses to Inventory Management Practices

Responses to Inventory Management Practices

Horizontal bar chart with categories (top to bottom):
- Inventory take is done frequently
- Accounting ratios are utilised in assessing the effect of inventory levels on profitability
- Inventory control system promotes uninterrupted production activities in the company
- Effective inventory management reduces machine downtime
- Inventory control minimises wastage in the organisation
- Inventory management system helps to reduce cost of production
- Most inventory decisions are done based on computerised data output
- There is a specific procedure for the cost components in total inventory
- In determining optimal stock levels Management strives to strike a balance between minimum costs of ordering and…
- Management is aware of the existing scientific models of managing inventory

Legend: ■ Strongly Disagree ■ Disagree ■ Uncertain ■ Agree ■ Strongly agree

i)   Inventory take is done frequently

The respondents 100% strongly agreed that the inventory take is done frequently in the company. This means that the inventory take process is done frequently at Zimbabwe Power Company which concurs with the study of Wachira et al (2013) who asserted that frequent inventory takes helps in the identification of obsolete inventory and reduces the risk of fraud to ensure that management make decisions based on realistic quantities of inventory.

ii)   Accounting ratios are utilised in assessing the effects of inventory levels on profitability.

The findings contained in figure 4.4 shows that 55% (12/22) of the respondents agree in the use of the accounting ratios in assessing the effects of inventory management on profits. Additionally, 18% (4/22) were uncertain and the remaining 27% (6/22) strongly agreed that the accounting ratios in evaluating the effects of inventory levels on profits. In summary the research findings indicate that 82 % (18/22) agreed that the accounting ratios are applied when assessing the effects of inventory management on the company profitability levels

which agreed with the study of Shardeo (2015) which asserted that inventory turnover and return on assets should be applied when measuring the efficiency of inventory control techniques being applied by the company.

iii) Inventory control system promotes uninterrupted production activities in the company.

Research findings shows that 73 % (16/22) of the respondents fairly agreed to the idea that inventory control system promotes active production without interruptions, 18% (4/22) strongly agreed that inventory control system improves uninterrupted production. Only 9% (2/22) were uncertain to the effects of inventory control system on the production activities. Therefore, it can be summarised that inventory management system has promoted uninterrupted production at ZPC as represented by 91% (19/22) of the respondents. This means that application of effective inventory management controls assists in ensuring that the production process runs continuous.

iv) Inventory management reduce machine downtime.

The research results in figure 4.4 shows that 28 % (6/22) strongly agreed that effective inventory management practices reduce machine downtime while 36% (8/22) respondents fairly agreed and the remaining 36% (8/22) were uncertain. The majority (64%) of the respondent agreed to the notion of improved machine efficiency due to adequate inventory management practices. This means that inventory management practices has ensured reduced downtime of the machinery that has can be caused by lack of required inventory.

v) Inventory controls minimises wastages in the organisation

The research findings show that 68% (15/22) of the respondents' fairly agreed to the view that inventory control minimises wastage, 18% (4/22) strongly agreed that the inventory controls minimises wastages and the remaining 14% (3/22) were uncertain to the effects of the inventory controls on wastage. In summary, 86% of the respondents agreed that the inventory controls in place has minimised wastage which concurs with Oniyoki (2017) who asserts that effective inventory techniques improves the management of inventory by the company.

vi) Most decisions are done based on computerised data output

There was a 55% (12/22) strong agreement on that the computerised data as used in making inventory decisions and 32% (7/22) fairly agreed that inventory decisions are

based on computerised data. Only 13% (3/22) of the respondents were uncertain on whether inventory decisions are done on a computerised data output. The respondents adding to 87% averagely agreed on the use of computerised data when making decisions relating to inventory this agreed to the view of Deloitte (2015) which asserts that computerisation of financial information reduces the amount of errors and data can be easily retrieved when the need arise foe use in decision making.

vii) **There is a specific procedure for the costing of components in total inventory**

The finding in the above graph shows that 64% (14/22) of the respondents strongly agreed to the fact that the inventory is allocated cost separately, 18% (4/22) respondents fairly agreed and the remaining 18% (4/22) were uncertain as to whether the organisation valued inventory separately. Based on these observations it can be concluded that the company to a greater extent values its inventory based on a specified procedure as represented by the 82% of the respondents. This means that costing of inventory is based on a specified procedure as also supported by the figure 4.3 that show weighted average cost method has been used in conjunction with first in first out in inventory valuation.

viii)   **Management strives to strike a balance between minimising costs of ordering and holding stock**.

The graph shows that 82% (18/22) of the respondents strongly agreed that management manages inventory with the need to reduce the opportunity cost of holding stock and minimising ordering costs. There is only 18% (4/22) of the respondents who fairly agreed that the management objective when managing inventory is to minimise ordering costs at the same time reducing inventory holding costs. In summary all respondents agree on the management of inventory with the need of minimising costs of ordering and holding costs as supported by Bhatia (2016) who cited the need maintaining trade-off between ordering costs and holding costs as the main objective in inventory optimisation process.

ix)   **Management is aware of the existing scientific models of managing inventory.**

Research findings indicate that 64% (14/22) of the respondents strongly agreed that management is aware of the existing inventory management models while the 36% (8/22) fairly agreed to the same opinion. In summary it can be established that inventory management is efficient since the management is aware of the models of inventory management such as just in time and economic order quantity which have been highlighted

by Oniyoki (2016) as the ways which improve inventory management process of the company.

Conclusively, the study evidences the availability of efficient management practices as the common practices at Zimbabwe Power Company agreed with the practices found in the literature review which improves financial performance.

4.5.4 Which method is used to account for inventory?

The objective of the question was to examine the inventory valuation method that exist at Zimbabwe Power Company and evaluate whether it was in was in line with commonly accepted method of valuing inventory. The results contained in figure 4.4 shows that 45 % (10/22) of the respondents agreed that the organisation uses weighted average cost while nil elected for the first in first out method in the valuation of inventory at the organisation. Out of the total respondents 52 % (12/22) of the respondents outlined that the organisation used both of the inventory valuation methods when valuing inventory. In summary the respondents agreed to the application of weighted average cost in inventory costing with an aid of first in first out method. This means that different method was used between weighted average costing and first in first out in valuing inventory which is dissimilar in nature or function.

Figure 4. 5 Inventory Valuation Method
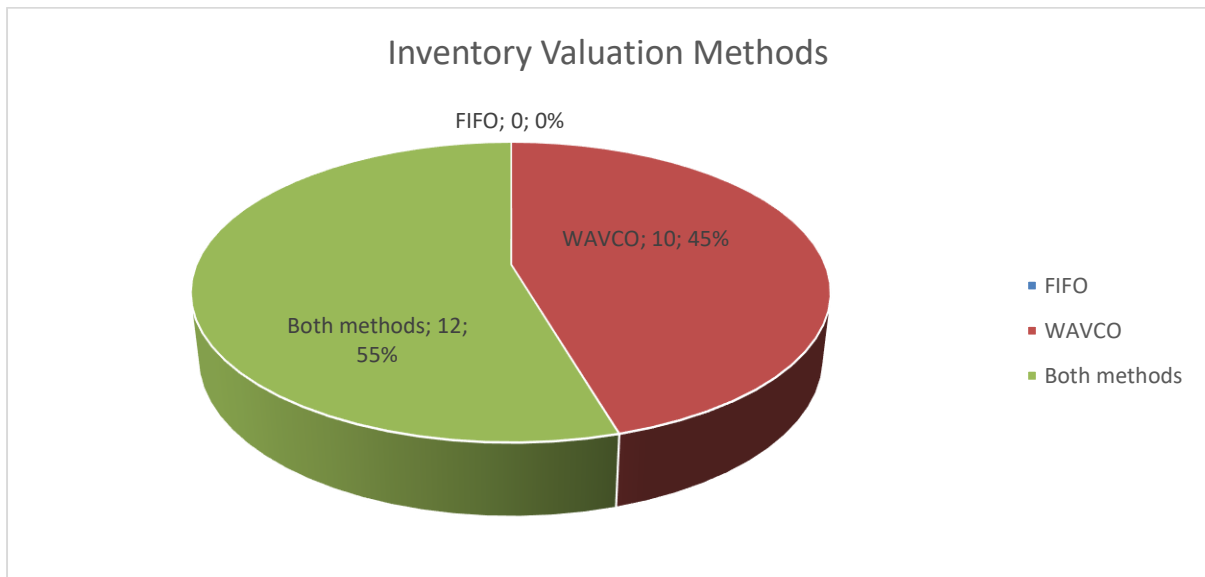
Source: primary data

4.5.5 Please specify any other challenges faced in the management of accounts receivables.

The respondents were of the opinion that poor of follow up debtors which resulted in long outstanding debtors. Some also indicated that due to the close operation of Zimbabwe Power Company and its major debtor of electricity ZETDC which resulted on difficulties on the enforceability of payment which further resulted in set off of accounts between companies. More so, some respondents indicated that there were poor policies over internal staff debtors resulted in default of payment. In summary, the views of the respondents indicated that company faced problems in the collection of debtors which resulted in long outstanding debtors.

4.6.1 Non-Current Asset Management Practices

The objective of this question was to assess the main non-current assets management practices that exists at Zimbabwe Power Company and assess who they affected the profitability of the company. The non-current assets management practices that were analysed are presented in figure 4.6 below.

Figure 4. 6 Non-Current Assets Management Practices
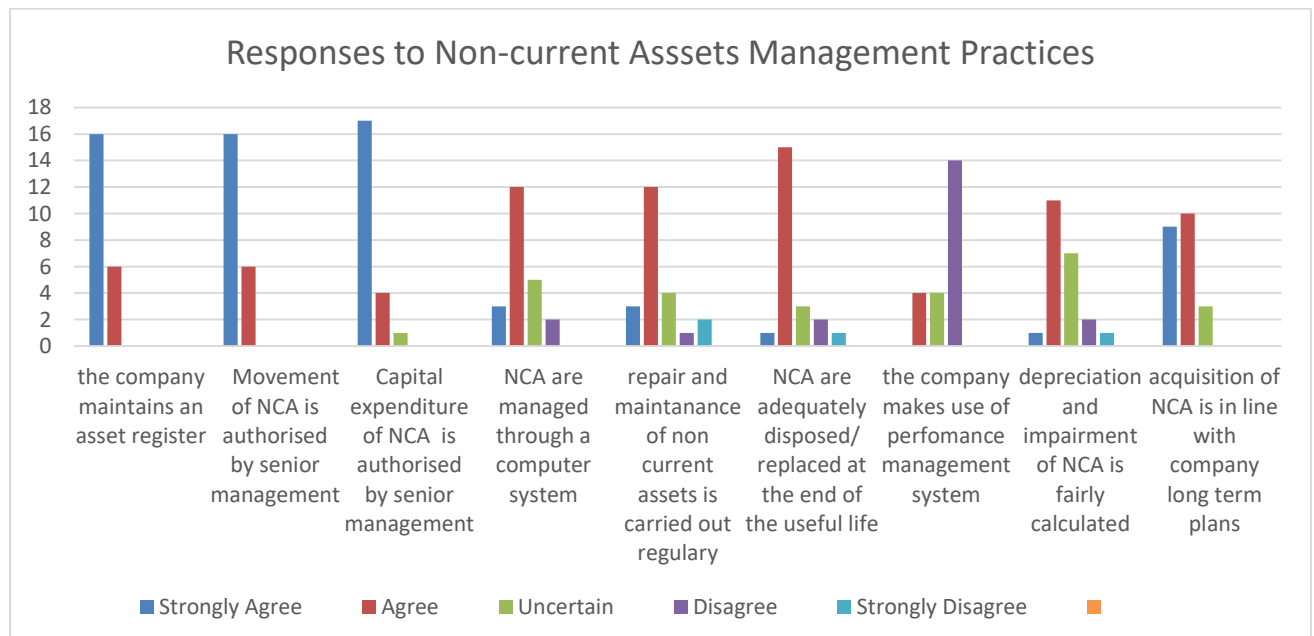
i)   The company maintains an asset register

From the observations contained in figure 4.5 above it is shown that 73% (16/22) of the respondents strongly agreed that the non-current asset register is maintained at the company.

The remaining 27% (6/22) fairly agreed that the company maintains an asset register for the non-current assets. In summary the respondents wholly agreed to the existence of the assets register which was supported by Mass (2017) who asserted the need for organisations to maintain a list of assets on which vulnerability assessments of the system can be done based on assets' critical conditions.

ii)   Movement of non-current assets is authorised by senior management

In relation to the authorisation of noncurrent assets movement the majority (73%) of the respondents strongly agreed that there is proper authorisation of assets by senior management. The remaining proportion of the respondents (27%) fairly agreeing to the proper authorisation of assets movement in the company. This means that the set of respondents wholly agreed that non-current assets are moved after proper authorisation by senior management which reduces the risk of misappropriation of assets.

iii)   Capital expenditure of non-current assets is authorised by senior management.

The research results show that 77% (17/22) of the participants strongly agreed that capital expenditure regarding purchase of noncurrent assets is authorised and decisions are taken by senior management while the 18% (4/22) fairly agreed to the same idea. Only 5% (1/22) of the respondents was uncertain whether the non-current assets were purchased after proper authorisation by senior management. In summary, the research findings shown that 95% of the respondents agreed that capital expenditure is authorised before finance is released for the purchased of non-current assets this concurs with the study of Mass (2017) and NALAS (2014) who revealed the need for management to plan for the replacement and rehabilitation of assets based on their performance assessments. Hence the practice of allowing top management to authorise purchase of non-current assets at Zimbabwe Power Company assists management in aligning the non-current assets management with their desired long term vision about performance and profitability of the company.

iv)   Non-current assets are managed through a computer system

Figure 4.5 shows that respondents adding up to 55% (12/22) fairly agreed that noncurrent assets are managed though a computer system while 14% (3/22) of the respondents strongly agreed. On same question 23% (5/22) of the respondents were uncertain and the remaining 2/22 (9%) disagreed to the use of computer system in management of assets. conclusively,

majority of the respondents agreed that non-current management system is computerised which agreed with the study of NALAS (2014) which highlighted that asset life cycle system should be managed with the aid of a computerised system to ensure that long term sustainability of the organisation.

v) **Repair and maintenance of non-current assets is done regularly.**

Research findings shows that 14% (3/22) of the respondents strongly agreed that repair and maintenance of noncurrent assets is done regularly, 55% (12/22) fairly agreed and 18% (4/22) were uncertain as to whether this maintenance of assets is surely done regularly. On the other hand, 5% (1/22) of the respondents disagreed to the existence of practices which allows regular maintenance of noncurrent assets and the remaining 9% (2/22) strongly disagreed to regular maintenance of the assets. This means that only 69% of the respondents agreed with the study of Madusanka (2016) who asserted that in order to ensure optimal utilisation of non-current assets there should be regular repair and maintenance of assets not based on internal factors alone but which incorporates some external factors which affects organisational operations.

vi) **Non-current assets are adequately replaced or disposed at the end of their useful life.**

In respect of replacement and disposal of non-current assets 5% (1/22) of the respondents strongly agreed while 68% (15/22) of the respondents fairly agreed that the assets are either dispose of and replaced at the end of their useful life, 14% (3/22) were uncertain as whether the replacement and disposal of noncurrent assets were done adequately according to laid down procedures. On the other hand, 9% (2/22) of the respondents disagreed to the existence of policies which specifies proper procedures for the replacement and disposal of assets and the 5% (1/22) strongly disagreed to the adequacy of the practices over disposal or replacement of noncurrent assets. Conclusively, 73% of the respondents agreed with Arif (2013) who highlighted that replacement and disposal of non-current assets should be properly maintained to avoid a worst condition on assets and improve profitability. However, the 14% who disagreed with assets replacement and disposal practices contradicts with view of Andy (2016) who established the need for the organisation to consider high maintenance costs if there are no procedures to be followed on replacement and disposal of non-current assets.

vii)   The company makes use of asset performance management system.

In relation to the responses contained in figure 4.5 above 18% (4/22) fairly agreed to that the organisation applied performance management system in the management of noncurrent assets which concurs with the study of Dennis and Ramaswamy (2016) which asserted that implementation of asset performance management system improves revenue base for asset intensive organisations while cutting back on unnecessary maintenance and operational costs. Additionally, 18 % (4/22) respondents were uncertain as to whether there was performance management system in place and the remaining 64% (14/22) had to disagree on the existence of the performance management system in the organisation. In summary the 64% of the respondents who disagreed were in line with the view of Jooste and Page (2016) that companies has failed to design performance management system which integrates business process and strategy at the same time exposing the company to new developments in assets management.

viii)   Depreciation and impairment of non-current assets is fairly calculated.

Research findings shows that 5% (1/22) of the respondents strongly agreed and 50% (11/22) of the respondents agreed that there are fair calculations on the depreciation of the noncurrent assets and impairment is properly reviewed this concurred with the study of Oluwaremi and Memba (2016) which cited that proper depreciation strategy helps in improving performance since the decisions about investment are based on reliable estimates. 32% (7/22) of the respondents were uncertain as to the fairness of method applied in the calculation of impairment and depreciation on the non-currents assets. However, 9% (2/22) of the respondents disagreed with a further support from 5% (1/22) of the respondents who strongly agreed to the adequacy of asset depreciation and impairment policies.

ix)   Acquisition of non-current assets is in line with long term plans off the company.

The research findings show that 40% (9/22) of the respondents strongly agreed that the acquisition plans for assets are aligned to the long term objectives of the organisation, 46% (10/22) fairly agreed. The remaining 14% (3/22) were uncertain as to whether the acquisition and construction of non-current assets was in line with the company's long term plans. This means that 86% of the respondents agreed that assets are acquired in line with the long term plans which concur with Macromain Corporation (2017) which highlights that such practices helps to reduce long run costs of the company. Mass (2017) also highlighted that if assets are

purchased in line with long term strategies of the company supported with well-planned sources of finance it reduces short term expenditure related to non-current assets.

In conclusion the non-current assets management practices at Zimbabwe Power Company are effective as shown by the respondents except the lack of use of performance management system in assisting assets related planning. The availability of such practices which provides for appropriate acquisition, proper record keeping and regular evaluation of non-current assets that prevail at Zimbabwe Power Company have been associated with improved organisational performance in the study of by Lakew and Rao (2016).

4.6.2 Please indicate any issues that relates to non-current assets management and its effects on profitability.

The motive of the question was to gain opinions about the effects of non-current assets management practices on the profitability of the company. Respondents highlighted that capital expenditure on non-current assets have been correctly done resulting in improved profitability of the company. However, the majority of the respondents indicated that high costs of maintenance have been incurred in an attempt to ensure plant availability. A further support was drawn from some respondents who established that profitability has been affected negatively due to the unexpected expenditure being incurred on critical parts which were needed for continued operations. In summary the performance of the company has been affected negatively due to high maintenance costs which concur with the study of Arif (201) who asserted that incurrence of high maintenance costs on the assets reflects the need for replacement as the continued incurrence of such expenditure will result in poor performance of the company.

4.7 INVESTMENT DECISION

The objective under investment decision practices was to determine the evaluation techniques used in investment decisions and consider factors which influence the investment decisions at Zimbabwe Power Company. These practices were assessed in light of the literature contained in chapter two and conclude on the effects of such practices on the financial performance of an organisation.

4.7.1 Evaluation techniques for evaluating projects

The aim of this question was to assess the investment evaluation techniques used in the evaluation of capital projects and relate them to the benefits and effects of such techniques as highlighted by other scholars.

Table 4. 5 Responses for the capital budgeting techniques applied.

	Net Present Value	Payback Period	Internal Rate of Return	Accountin g rate of return	Discounted payback period	Modifie d internal rate of return	Real Option s
Number of respondents	20	14	4	0	0	1	0

Source: Primary Data

Figure 4. 7 Evaluation Techniques for Investment Projects
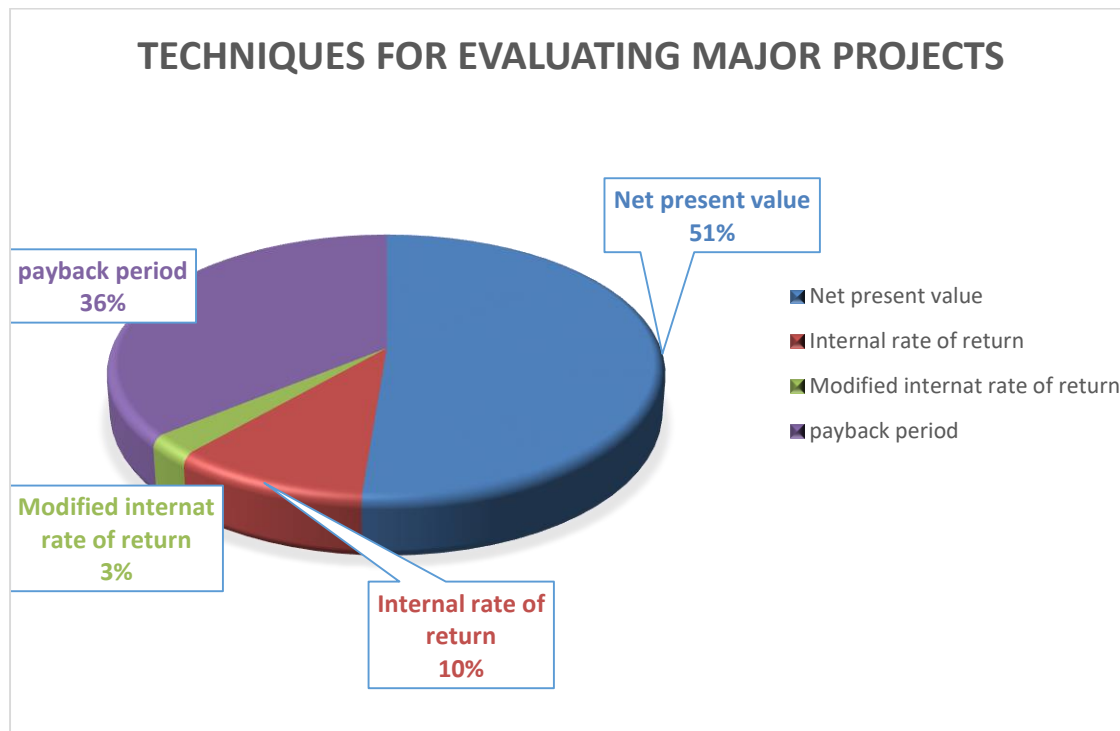
The research results in the figure 4.7 shows that net present value has a greater percentage of utilisation with 51% while payback period is the second ranking with a percentage utilisation of 39%. The respondents also reflected that internal rate of return has a percentage utilisation of 10 % and others modified internal rate of return (3%) leaving real options and discounted

payback period with no ratio of utilisation. In summary the greater proportion of the respondents indicated the use of net present value and payback period which agrees with the study of Jain, Singh and Yadav (2013) who asserted that payback period and net present value has more percentage of utilisation rather than sophisticated methods such as MIRR and discounted payback period. The use of net present value in evaluation of projects concurred with Obi and Adeyemo (2016) who asserted that management has applied discounted cash flow technique due to their confidence to control risk hence they are gaining more adoption in large firms.

4.7.2 Reasons for using the selected methods of evaluating major projects

The respondents indicated that the net present value was used in evaluating capital project due to its usage of discounted cash flow which resulted in calculated estimates of returns of the projects. Other respondents indicated that net present value was the most suitable technique in the company's operating environment while mentioning its benefits of taking into account of time value of money and the respondents who elected payback period mostly based on the fact that it was easier to calculate and provided the organisation with the earliest period on which invested amount can be realised from the projects. Only few went on to elect internal rate of return due to its application of organisation cost of capital hence the organisation would ensure the expected level of return is realised from the projects. The benefit cited by the respondents have agreed with the study of Farouq (2016) who cited that payback has gained usage by firms due to its predominance while net present value is cited as providing more dependable results if the future cash flows can be easily estimated.

4.7.3 Which method do you usually use to assess the following activities in your company?

The motive of the question was to explore on how the different elected project evaluation techniques are being used within the company. The figure 4.8 below shows the respondents' views on the use of techniques spread over investment in capital projects, general administrative projects, social project and expansion in the existing project.

Figure 4. 8 Techniques for Assessing Investment Projects
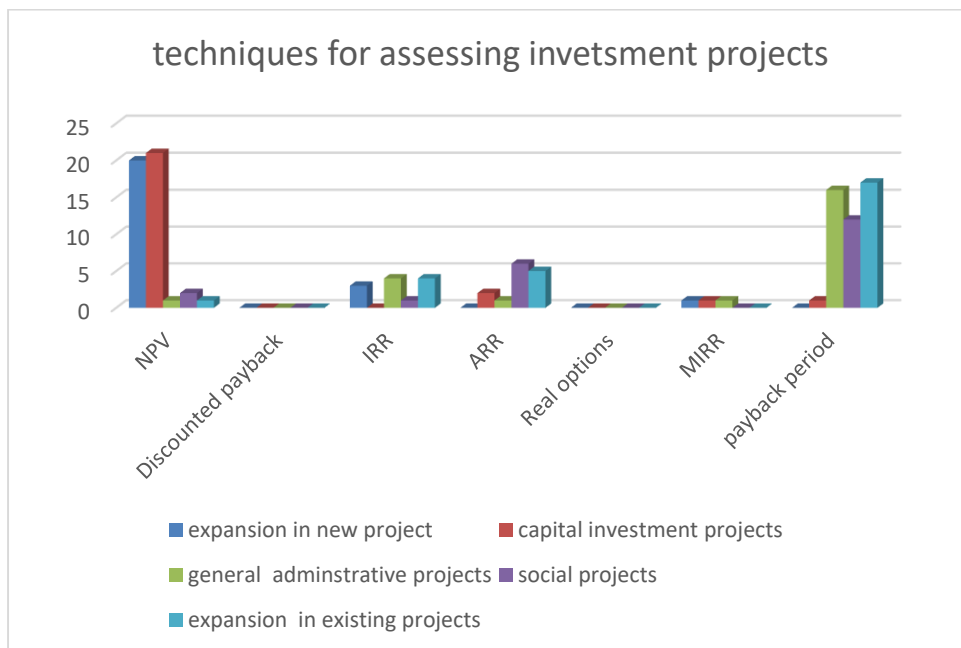
In relation to the figure 4.8 above 91% (20/22) respondents agreed that net present value is used in evaluating expansion in new projects by the company while 3/22 (14%) opted for the use of internal rate of return and 1/22(5%) was of the opinion that modified internal rate of return is used in the expansion into new projects. In summary, the company made use of net present value in evaluating expansion in new projects since 91% of the respondents agreed on the same view which agrees with the study of Nkuhi (2015) who asserted that companies commonly adopted net present value when evaluating new projects.

In respect of the investment in the existing projects the majority (77%) of the respondents agreed to the use of payback period, 5% (1/22) opted for the net present value, 4/22 (18%) selected applies internal rate of return and 23% (5/22) were of the opinion that accounting rate of return was used by the company in expansion in the existing projects. In summary the use of payback period in existing projects was in line with the view of Niyonsaba (2016) who highlighted that payback has been used in existing projects mainly for the replacement decisions and also accounting rate of return which was also further used for mutually exclusive projects.

The results of in the figure 4.8 also shown that capital investment projects were mainly evaluated through the use net present value with 95% (21/22) of the respondents supportive and only 5% (1/22) selected modified internal rate of return. In summary it can be concluded that the company applies net present value in making decisions about investment in the

capital projects. The use of discounted cash flow techniques in evaluating capital projects concurs with Batra and Verma (2017) who asserted discounted cash flow techniques has gained usage in industries over time as they are risk adjusted and is associated with increased revenue.

In addition, 76% (15/22) of the respondents showed that the company used payback period in the evaluation of general administrative projects, 2/22 (9%) agreed that the company utilises net present value, while 18%(4/22) of the respondents agreed that the company uses internal rate of return and 5% (1/22) agreed on the use of internal rate of return and modified internal rate of return. Due to the dominance of use of payback period it can be conclude that the company applied payback in evaluating general administrative projects and the level of risk considered in general administrative projects.

The respondents also indicated that 58% (12/22) agreed on the use of payback period in evaluating social projects, 27% (6/22) were of the opinion the company made use accounting rate of return, 10% (2/22) agreed on the use of net present value and the remaining 1/22 (5%) agreed on the use of internal rate of return. This means that payback has gained more adoption in social projects due to the fact that management is not concerned about returns but the offering of services to the public as a social responsibility hence there is need of payback due to its simplicity and time saving (Niyonsaba, 2016).

Conclusively, the research results in figure 4.8 shows that there is greater usage of net present value in evaluating capital investment projects, expansion in new projects and expansion in the existing projects. More so, payback period is being used by the organisation in evaluating investments in existing projects, general administrative projects and social projects. However more sophisticated methods of evaluating projects such as modified internal rate of return and discounted payback period have been neglected by the company which concurs with Dorothy (2014) who highlighted that the inability and non-familiarity to sophisticated projects evaluation methods led to their poor adoption when company makes investment decisions.

4.7.4 To what extent do the following factors influence the investment decisions?

The question sought to address the extent to which the investment decision of the company is affected by the size of profit, investment returns, and risk of investment penalties for early liquidation in tandem with environmental impact of the projects. Table 4.6 show the views of the respondents about the effect of each factor listed above in investment projects.

Table 4. 6 Factors that Influenced Investment Decisions of the Company

	slight	Very little	To a great extent	Very extensively	Not applicable
The size of profits	0	0	4	18	0
The ease with which investment can be realised	0	2	12	6	1
The risk and yield of the investment	1	0	9	12	0
Penalties incurred for early liquidation	1	8	7	0	6
environmental impact of the project	0	0	6	16	0

Source: primary data

i)   The size of the profits

The results in the table 4.6 shows that 82% (18/22) of the respondents were in agreement to the fact that the size of profits made by the company extensively affect the investment decisions. The remaining 18% (4/22) also agreed to the notion that size of the profits made affect the investment decisions of the company to great extent. In summary it can be established that size of profits has affected investment decisions of the company which in turn agreed with the study of Amit et al (2017) who asserted that the income level and past experience has greater influence on investment decision to ensure the financial management objective of shareholders' wealth maximisation is achieved.

ii)   The ease at which the investment can be realised

The findings contained in table 4.6 show that 55% (12/22) of the respondents highlighted that the ease at which investment can be realised affect investment decisions to a great extent. Furthermore, 27% (6/22) of the respondents agreed that this factor has an extensive impact on investment projects 9% (2/22) was of the view that ease at which the investment can be realised has a little affected on the investment decisions. Only 5% of the respondents were of the opinion that investment decisions are not affected by the ease at which investment can be realised. This means that 82 % respondents agree to the view that for an investment to be undertaken the company considers the ease at which the investment can be realised which further agreed with Tamar and Maisarudze (2015) that cited that for the company to succeed and survive it need to get the current investment decision right.

iii)   The risk and yield of the investment

Research findings has shown that 9/22 (40%) of the respondents were of the view that the risk and yield of investment affect investment to a great extent while 12/22 (55%) argued that is has a very extensive effect on the investment decisions. the remaining 5% (1/22) were of the opinion that the yield and the risk of the investment has a slight impact on the investment decisions of the company. The largest proportion (95 %) of the respondents reflected that the risk and yield of the investment has an effect on the investment decisions made within the company. this means that the organisation decisions are based on the risk and return of the identified project so as to ensure the company achieve desired growth level at the same time improving its financial performance as highlighted by Mashosho, Mbabize and Shukla (2015).

iv)   Penalties incurred in early liquidation

The research findings contained in table 4.6 shows that 8/22 of the respondents were of the opinion that the cost incurred in liquidating the investment decisions had a very little impact on the investment decisions to be taken by the company. 27% (6/22) were of the view that it is not applicable, 7/22 voted for the notion that the investment decisions are affected to a greater extent by penalties incurred in early liquidation of project and the remaining 5% (1/22) argued that it has a slight effect on investments decisions. This means the company does not consider penalties when investing in projects as the motive of investment is to ensure the project is successful rather than merely to breach the contract.

v)   The environmental impact of the projects

The findings contained in the table 4.6 shows that the environmental impact of the project is crucial for the company when making investment decisions as highlighted by 73% (16/22) of respondents who were of opinion that it is very extensive. On the other hand, 30%of the respondents argued that it affects investments decisions to a great extent. This mean that environmental impact of the projects affects investment decisions which concurs with the study of Batra and Verma (2017) who alluded that many projects might be financially viable but they are rather turned down due to their hazardous impact on the employees, adverse impact on social environment together with societal values and beliefs.

In summary the research findings indicated that the company is affected to mostly in investment decisions by the size of profits made, the environmental impact of the project and the risk and yield which is expected from the investment decisions made. However, the ease

at which the investment can be realised and the early liquidation cost have little impact on the investment decisions to be taken on capital projects. The common practices that prevail at Zimbabwe power company evidences that the company evaluates both the internal and external factors of the environment in which it operates to ensure the investment decisions are viable.

4.7.5 What would you consider the challenges of Zimbabwe power company financial statements in respect of investment decisions?

The question assessed the ability of users of financial statements to interpret and utilise the financial information in the statements when under taking investment decisions. The respondents reflected that there were no challenges in the use of financial statements in decision making. This supported the study of Siougle and Kapellas (2017) which highlighted that financial information should be free from distortion and should be easily understandable to ensure accurate decisions about investment are undertaken.

4.7.6 Apart from the financial information obtainable from financial statements what other information would you think is vital for investment decisions?

The respondents highlighted that the investment decisions of the company affected by the capacity of the company to undertake the project and also the effect of the project on the structures of the company including effects on existing employees and benefiting society. Some respondents also indicated the risk of the investment and the risk appetite of the entity are the main concerns when the company need to undertake investment projects. Additionally, the respondents highlighted the need to consider investment horizon in the projects which concurs with Moshosho, Mbabize and Shukla (2015) who highlighted that there is need for a balance between short term and long term investment of the company as long term investment is health for the organisation and short term investment are drivers for company growth.

More so other respondents considered the government policies and prevailing economic conditions as the major barriers to the investment decisions of the entity. The information highlighted in by the respondents concurred with Olivera, Blagica and Krume (2017) who asserted that non-financial information affects the investment decisions to the same effects as financial information hence equal consideration should be provided to all information around the organisational operations. Other respondents indicated that the need of the investment

project by the company together with the availability of the capacity to undertake the project influences the decision making process of the company.

4.8 Challenges which relates the implementation of effective financial management practices at Zimbabwe Power Company.

Respondents indicated that lack of commitment amongst subordinates in various department have caused challenges in the implementation of effective financial management practices. In addition, some highlighted that poor communication and lack of training have caused the implementation of such practices to be triggered. The lack of good communication has also been highlighted by Muridzo (2016) as a barrier to the implementation of effective financial management practices.

4.9 Recommendations to ensure that effective financial management practices are implemented.

The respondents propounded that cooperation amongst employees and improvement in the communication channels can add up to implementation of better financial management practices. Some responses advocated for the rotation of duties amongst employees for them to familiarise with the work environment and establishment of follow up procedures would ensure that the set practices are being adhered to by employees.

4.10 REGRESSION ANALYSIS

The scholar applied the multiple linear regression analysis to establish the relationship between financial performance (dependent variable) and the independent variables (working capital, investment decisions and non-current assets management). The financial performance was measured in terms of return on net assets whilst working capital management was measured using the current ratio. The investment activities were measured through made in total assets and non-current assets management was represented by the non-current assets held at the end of each period.

Table 4. 7 Extract of financial statements information.

	2011	2012	2014	2015	2016
Profit for the year	509 289 180	24 498 238	266 703 197	79 605 644	25 390 681

Investment in assets	51 855 741	44 156 211	143 038 695	97 974 990	143 281 303
Current assets	197 860 653	267 133 533	633 537 937	546 344 215	807 202 557
Current liabilities	387 904 725	392 143 126	588 867 837	497 780 524	708 948 800
Non-current assets	1 605 731 672	1 554 828 242	1 887 700 924	1 883 521 505	1 928 827 005

(Source: Zimbabwe Power Company Annual Reports)

Table 4. 8 Model Summary

Regression Statistics	
Multiple R	0,999381641
R Square	0,998763665
Adjusted R Square	0,995054659
Standard Error	0,010789796
Observations	5

The analysis results in the table 4.8 above shows that the coefficient of determination equals 0.999 as represented by R square. That is the working capital management, investment practices and non-current assets management explains 99.9% of the firm's financial performance leaving 0.01% unexplained. The p value of 0.013 being slightly below 0.05 implies that the model is significant at 95% confidence level.

Table 4. 9 ANOVA Table

	df	*SS*	*MS*	*F*	*Significance F*
Regression	3	0,094154793	0,031384931	3026,583392	0,013361071
Residual	1	1,03698E-05	1,03698E-05		

		0,09416516			
Total	4	3			

ANOVA findings in the table 4.9 show that there is a significant relationship between the predictor variables and the response variable which is return on net assets. An F ratio is calculated representing the variance between the groups divided by the variances within the group. The larger the ratio that there is more variability within the group more than there is within each group (error term). A significant F test indicates the level at which the null hypothesis can be rejected. The p value of 0,013361071 was less than 0.05 significant levels which shows that the model was significant for the current study.

Table 4. 10 Distribution of coefficients

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	1,07131	0,01908	56,13805	0,01134	0,82883	1,31379
WCM	-0,42875	0,00579	-74,08619	0,00859	-0,50228	-0,35522
investment	-0,50556	0,00824	-61,35119	0,01038	-0,61027	-0,40086
NCA	-1,42788	0,07893	-18,09042	0,03516	-2,43078	-0,42498

These are the values for predicting the dependent variable from the independent variables. The regression model will be:

ROA = 1.07131 -0.42875 WCM -0.50556 investment -1.42788 NCA + 0.01908

The constant of 1.07131 shows that the current ratio, investment and non-current assets are at zero the return on net assets would be at 1.07131. The regression coefficient for working capital is -0.42875 this means that the relationship between working capital and financial performance is negative. This implies that the company need to reduce its current ratio in order to improve e the financial performance. The p value for working capital is less than 0.05 which shows that the relationship is significant at 5 % significance level This is in support of the study of Ahmed and Triphathi (2016) who asserted that the working capital management bears a negative relationship with profitability and the organisation need to efficiently analyse the short term liquidity of the organisation to ensure profitability is achieved.

The regression coefficient for investment is -0,50556 thus there is a negative relationship between the investment activities and financial performance. The relationship between the return on net assets and investing activities is significant since the individual p value for the investment is 0,01038 which is much lower than the significance level of 0.05. This implies that the company has to reduce the number of investments towards assets to increase the return on net assets of the company. However, the findings contradicted with the study of Niyonsaba (2016) which stated a positive relationship between the investment decisions and the organisational performance.

In addition, the findings shown that there is a further negative relationship between return on net assets and the non-current assets represent by the regression coefficient of -1,42788. However, the relationship is not that significant as the p value (0,03516) for non-current assets is slightly closer to the significance value of 0.05. This implies that non-current assets management are not quite adequate to explain the changes in financial performance at 5% significance level. This is in line with the study of Kitonga (2013) who established that there was a negative relationship between the non-current assets and financial performance in the Kenyan shipping industry.

Table 4. 11 Correlation Analysis

	WCM	investment	NCA	RoNA
WCM	1			
investment	-0,2024	1		
NCA	0,0565	0,2369	1	
RoNA	-0,6722	-0,5646	-0,4027	1

The table shows the correlation between the study variables at 5% significance level. The findings show that here is a strong negative relationship between working capital management and financial performance represented by -0.6722. The findings also show that there is a moderate negative relationship between the financial performance measured by return on net assets and the investment activities. Lastly the study provided a weak negative relationship of -0.4027 between the financial performance and non-current assets.

4.11 INTERVIEW QUESTIONS RESPONSES AND ANALYSIS

1) **What are financial management practices applied at Zimbabwe Power Company**?

Considering this question the study wanted to obtain an understanding over the financial management practices that are evidenced at Zimbabwe Power Company. 3/3 of the respondents indicated that the company implemented practices relating to risk management, working capital management, financial reporting and analysis, fixed assets management, investment policies and the accounting information system which they clearly indicated the use of SAP system in undertaking day to day activities of the organisation.

The interviewees' responses have been in line with some major classes of financial management practices that have been under examination in this study such as working capital management, non-current assets management and investment decision practices. The financial management practices in place at Zimbabwe Power Company are in line with the five major practices which should be in place for the organisation to operate effectively as highlighted by Farouq (2016). However, other practices such as risk management, financial reporting analysis and accounting information system have not been dealt with in the current study.

2) **Are non-current assets management practices adequate to ensure profitability is achieved?**

In this question the study wanted to discover the effects of non-current assets management practices on the profitability of the company. 1/3 of the respondents indicated that the non-current assets management practices were adequate and they have ensured continued operations. 2 out of three of the respondents agreed that the efficiency of non-current assets is mostly measured with the ability of the company to ensure plant availability since its assets are mostly channelled toward power generation.

On the other hand, 100% of the respondents highlighted that the company have been facing high maintenance cost on the generation assets which has a negative effect on reported profits and forecasting of the company. One of the three respondents also highlighted that besides the rehabilitation process which the assets has been undertaken the plant have reached the estimated useful life.

The views of the interview respondents on the ability of the non-current assets to ensure operational efficiency concurs with the study of Olatunji and Adegbite (2014) who highlighted that profitability is boosted through efficient management of non-current assets as

they bear a strong positive relationship. However, a concern is raised on the high maintenance cost as this contradicted with the study of Arif (2013) who asserted that if there is continuous increase in maintenance cost of assets there is need for replacement as waiting for the worst condition would eventually result in poor performance. More so, this has placed a conflict to the 64% respondents to the questionnaires who actually agreed that the non-current assets were being adequately replaced and disposed of over their useful life.

3) What measures have been take to ensure that employees at all levels effectively practices financial management practices?

The objective of the question was to ascertain the different strategies that management has taken to ensure that employees are aware and adhere to the existing financial management practices in the company. All the three respondents indicated that policy manuals were sent to the employee's department which outlines procedures to be followed when dealing with activities in each department. 2/3 of the respondents further indicated that policy audit was under taken and every senior personnel have been set accountable for the proper implementation of practice by their subordinates. One of the respondents indicated the use of training facilities such as seminars and short term courses have been implemented to ensure that every employee is aware of the practices to be followed in their daily duties. The respondent also highlighted that the policies are frequently reviewed and enforced to ensure standard is maintained across all the departments.

The implementation of retraining programs concurs with the study of Hendricks (2012) who cited the need for training and capacity building activities whenever the organisation implements new programs. However, some of the questionnaire respondents have highlighted that the communication process is slow hence there is need to improve communication to provide constructive feedback over the use of effective implementation of the financial management practices.

4) What can be done to improve the financial management practices of the company?

The objective of this question was to identify the solutions to financial management practices from the personnel who were experiencing the challenges on the site. One of the respondents highlighted that that financial management practices can be improved by establishing recruitment policies which promotes employing personnel with adequate level of education. More so they added that the compensation system must be aligned to the company's strategic operations. However, the view that compensation system should be aligned with strategy of

the company contradicts with the view of Lipman (2013) which cited that employees need to be appropriately motivated through the establishment of appealing compensation system backed up with participation in decisions that affect them and provision of adequate feedback.

2/3 of the respondents highlighted that financial management practices can be improved through establishment of effective communication of financial policies and provided to the well-motivated group of employees. This view has been in line with the study of South (2011) who asserted that effective communication has to be established as part of companies practise and policies to ensure achievement of organisational objectives. The need for effective communication has also been identified as way which may assist in improving financial management by other respondents to the questionnaires.

4.10 Chapter Summary

The chapter discussed the research findings that were collected through the questionnaires, interviews and secondary data sources. The data was analysed through tables, graphs and regression and correlation analysis to provide the basis for conclusion and recommendations in the next chapter.

CHAPTER FIVE

FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

The chapter dealt with summary of all chapters and highlighted major findings identified in the study. The chapter also provides the conclusions and recommendations to the research problem which were found through data analysis in the previous chapter.

5.1 Chapter Summaries

The background of the study and the research problem which led to the study were outlined in chapter one. Having noticed the continued trend of declining financial performance at Zimbabwe Power Company, the scholar decided to determine whether the financial management practices at the company had an effect on the trend of profits. Therefore, the study was undertaken to assess the effect of financial management practices on the financial performance of the company. The chapter went on to identify the main research question, research objectives, research questions, significance of the study, limitations of the study and the measures taken to overcome the limitations for the study to be fruitful.

Review of literature was done in chapter two to determine what the previous studies has said about the effects of financial management practices on financial performance. The literature was broken down into the elements of financial management practise which are working capital management, investment practices and non-current assets management as they relate to financial performance. The chapter concluded by identifying the best financial management practice which can be implemented and as to how best they can be implemented in the organisations.

Chapter three dealt with the research design under which a descriptive research design was elected using the quantitative approach. The study also highlighted the sampling techniques that were used in the study which was stratified random sampling and judgemental sampling in order to come up with the desired level of sample. In this regard the chapter brought out the source of data from which data was obtainable and the ways in which data was to be presented and analysed. The chapter concluded by indicating the ways which data was tested for validity and reliability together with the fact that ethics was observed throughout the study.

Data analysis and presentation was done in chapter four with graphs, tables and charts being used to present the data that was collected from respondents through the questionnaires and interviews. Regression analysis was used to establish the relationships that transpired amongst study variables.

5.2 Main Research Findings

The study sought to investigate the effects of financial management practices on the financial performance of Zimbabwe Power Company. The research findings show that there is a strong significant relationship between the financial management practices and financial performance. The research findings show that working capital management, non-current assets and investment decisions are negatively related to the financial performance of the organisation.

The findings have shown that working capital movement has a strong negative relationship with financial performance of -0.6722. In this regard, the cash management practices of the company have been effective except for the fact that the company has faced extreme cash shortages in the company with 77% (17/22) respondents agreeing to the same issue. Additionally, the company has failed to maintain optimal cash balance as shown by 36% (18/22) of the respondents resulting in failure to service its short term obligations. In the same way, accounts receivable management practices for Zimbabwe Power Company were found to be adequate as shown by respondents who averagely agreed on the appropriateness of available practices. However, concern was raised over the weakness in credit policies and lack of credit control department which resulted in long outstanding debtors.

The non-current assets management practices have a weak negative relationship with financial performance of Zimbabwe Power Company as shown by the correlation coefficient of -0.4027. The practices at Zimbabwe Power Company relating to non-current assets have been found to be effective except for the use of asset performance management system which had a negative respond. Additionally, the financial performance of the company have been affected by high maintenance costs which have to be cut back to ensure profitability is improved.

The research has shown that there is a moderate negative relationship between the investment practices and company's financial performance as represented by a correlation coefficient of -0.5646. The results of the study show that the investment practices of Zimbabwe Power Company have been in line with common acceptable investment practices as it applied

recommended evaluation techniques in project evaluation such as net present value and payback period. The research also shown that company investment decisions are done based on the assessment of internal and external factors which resulted in improved financial performance.

5.3 Conclusion

The study aimed at investigating the effects of financial management practices on financial performance of Zimbabwe Power Company as well as bringing out ways to best implement financial management practices. The information gathered during the study assisted in establishing that financial management practices at Zimbabwe Power Company negatively impact on the financial performance.

5.4 Recommendations

Zimbabwe Power Company can improve on the management of accounts receivable through strengthening its credit policy to ensure accounts receivable collection days are minimised as highlighted by Kwenda and Matanda (2015). According to Deloitte (2015) accounts receivables may be optimised through strengthening internal processes to ensure collection process is appropriately followed to permit accurate reporting.

Zimbabwe Power Company can consider maintaining an optimal balance of cash on hand to ensure that short term obligations are settled as they arise and implement policies which ensure that the cash conversion cycle is kept short as it improves performance (Chebet, 2015).

Non-current assets can be efficiently managed through the asset performance management system and asset life cycle system to ensure decisions to replace and dispose the assets are one before the asset reaches the worst off conditions. This is in line with the best assets management practices outlined by Lakew and Rao (2016) that if the asset life cycle is properly maintained the company will benefit from improved organisational performance.

Additionally, investments decisions practices need to be towards long term investment and minimise number of investments the organisation under take in consecutive financial periods. According to Larcker and Miller (2014) long term investment yields better return on assets rather than short term.

Lastly, for the improved efficient application of financial management practices training and effective communication must be spread across departments. Senior personnel in each department should have a follow up procedure to ensure laid down financial practices are being properly observed.

5.5 Areas for Further Study

In order to come up with a detailed analysis of financial management practices in public sector further research is needed on the effectiveness of accounting information systems, financing decisions and capital structure management on financial performance.

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APPENDIX 1

INTERVIEW GUIDE

Research question: **An Investigation on Effects of Financial Management Practices on Firm's Financial Performance.**

1) What are the financial management practices applied at Zimbabwe Power Company?

2) Are the non-current asset management practices adequate to ensure profitability is achieved in the organisation?

3) What measures have been take to ensure that employees at all levels effectively practices financial management practices?

4) What are the challenges the companies have faced in implementation of financial management practices?

5) What can be done to improve the financial management practices of the company?

Thank you for your co-operation

APPENDIX 2

QUESTIONNAIRES

AN INVESTIGATION ON THE EFFECTS OF FINANCIAL MANAGEMENT PRACTICES ON THE FIRM'S FINANCIAL PERFORMANCE: A CASE STUDY OF ZIMBABWE POWER COMPANY.

Please take a few minutes to complete this questionnaire. Your honest responses will be completely anonymous and will be used for academic purposes only.

SECTION A: GENERAL INFORMATION

1 Gender   [   ]   Male   [   ] Female

2) Age   [   ] 18—29 years   [   ] 30—40 years   [   ] 41—50 years

                     [   ] 51—65 years   [   ] above 65 years

3) Designation (*Specify*) …………………………………………...

4) What is your highest level of education?

[   ] Doctorate   [   ] Masters   [   ] Degree   [   ] Diploma   [   ] up to A Level

Any other *(specify)* …………………………………………...

5) How long have you worked at the organisation?

   [   ] 0—5 years   [   ] 6—10 years   [   ] 11—15 years

   [   ] 16—20 years   [   ] above 20 years

SECTION B: FINANCIAL MANAGEMENT PRACTICES ADOPTED BY THE   COMPANY

i)   WORKING CAPITAL MANAGEMENT PRACTICES

The following questions relate to the effects of working capital management practices on the financial performance of the organisation. The questions are broken down into cash management practices, receivables management practices and inventory management practices.

(Please tick where appropriate. Indicate your opinion bases on the scale: *5*

–Strongly Agree   4—Agree   3—Uncertain   2—Disagree   1—strongly Disagree)

1) **The following are cash management practices at Zimbabwe Power Company;**

Cash management practices	Strongly Agree 5	Agree 4	Uncertain 3	Disagree 2	Strongly Disagree 1
The company has a written procedure for cash management					
The company faces cash shortages					
The company prepares cash budgets					
Optimal cash balance is maintained by the company					
Cash management system is computerised					

2) The following are the accounts receivable management practices at Zimbabwe Power Company;

Accounts Receivables management Practices	Strongly Agree 5	Agree 4	Uncertain 3	Disagree 2	Strongly Disagree 1
Accounts receivable management is fully automated					
Credit policies over accounts receivables are sufficient					
Accounts receivables ageing is done periodically					
Collection period of debtors is properly maintained					
Policies and procedures over debtors selection process are adequate					
Company uses ratio analysis in monitoring accounts receivables					
Organisation has credit control department					
Use of collection agents to collect debt					
Debtors are written off after appropriate measures have been taken to collect debt					

3) The following are inventory management practices at Zimbabwe Power Company;

Inventory Management Practices	Strongly Agree 5	Agree 4	Uncertain 3	Disagree 2	Strongly Disagree 1
Management is aware of the existing scientific models of managing inventory					
In determining optimal stock levels Management strives to strike a balance between minimum costs of ordering and holding stock					
There is a specific procedure for the cost components in total inventory					
Most inventory decisions are done based on computerised data output					
Inventory management system helps to reduce cost of production					
Inventory control minimises wastage in the organisation					
Effective inventory management reduces machine downtime					
Inventory control system promotes uninterrupted production activities in the company					
Accounting ratios are utilised in assessing the effect of inventory levels on profitability					
Inventory take is done frequently					

4) Please indicate some cash management problems not covered by the questionnaire

………………………………………………………………………………………………

………………………………………………………………………………………………..

………………………………………………………………………………………………..

3) Which method is used to account for inventory?

[ ] First in first out   [ ] weighted average cost   others *(specify)*……………………………

4) Please specify any other challenges faced in the management of accounts receivable (Debtors).

………………………………………………………………………………………………..

………………………………………………………………………………………………..

………………………………………………………………………………………………..

ii)   NON-CURRENT ASSETS MANAGEMENT PRACTICES

(Please indicate your opinion on the scale from: 5—strongly agree 4—Agree 3—Uncertain 2—Disagree 1—strongly Disagree)

1) **The following are the non-current asset management practices applied at the Zimbabwe Power Company;**

Noncurrent asset management practices	Strongly Agree 5	Agree 4	Uncertain 3	Disagree 2	Strongly Disagree 1
The company maintains an asset register					
Movement of assets is authorised by senior management					
Capital expenditure of non-current asset is authorised by senior management					
Noncurrent assets are managed through a computer system					
Repair and maintenance of non-current assets is carried out regularly					
Noncurrent assets are adequately disposed / replaced at the end of their useful life					
The company makes uses asset performance management system					
Depreciation and impairment of non-current assets is fairly calculated					
Acquisition of non-current assets is in line with company long term plans					

Please indicate any issues that relates to non-current asset management practices and its effects on profitability not considered above.

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iii)   INVESTMENT DECISIONS

The following questions relates to the investment practices applied by the company;

1) Which of the following capital budgeting techniques is used when evaluating major projects? (more *than one answer is possible*):

[ ] Net Present Value   [ ] Modified Internal Rate of Return
[ ] Payback Period   [ ] Accounting Rate of return
[ ] Internal Rate of Return   [ ] Discounted Payback Period
[ ] Real Options
Others *(specify)*...

2) **Please specify the reason for using each method(s). Give reason for each.**

....

....

....

3) **Which method do you usually use to assess the following activities in your company?**
   (Please tick where appropriate)

Activity	Payback period	Internal rate of return	Net Present value	Accounting rate of return	Real options	Modified internal rate of return	Discounted payback period
Expansion in existing operations							
Capital investment projects							
Expansion in new projects							
General administrative projects							
Social projects							

4) **To what extent do the following factors influence the investment decisions? Please indicate your answer on a scale from**;
   1-slight   2—very little   3—to a great extent   4—very extensively N/A— Not applicable

Variables	1	2	3	4	N/A
The size of profits					
The ease with which investments can be realised					
The risk and yield of the investment					

Penalties incurred for early liquidation					
The environmental impact of the project					

5) **What would you consider the challenges of Zimbabwe Power Company financial statements in respect of investment decisions?**

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6) **Apart from financial information obtainable from financial statements, what other information would you thinks is vital in investment decisions?**

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SECTION C: CHALLENGES AND RECOMMENDATION TO FINANCIAL MANAGEMENT PRACTICES.

1) **ARE there any challenges not covered in the questionnaire which relates to the implementation of effective financial management practices at Zimbabwe Power Company?**

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2) **Are there any recommendations you can provide to Zimbabwe Power Company in an effort to improve its financial management practices?**

……………………………………………………………………………………………

……………………………………………………………………………………………

……………………………………………………………………………………………

Thank you for your co-operation

APPENDIX 3

Letter of permission to carry out research.

Midlands State University

Department of Accounting

P. Bag 9055

Gweru

23 March 2018

Zimbabwe Power Company

Finance Department

P. O. Box 257

Old Victoria Falls Road

Hwange

Dear: Sir / Madam

Re: Application for permission to carry out a research at your organisation

I am Jonathan Stalon Tabona, a final year student who is currently studying Bachelor of Commerce in Accounting at Midlands State University. My final year course requires me to submit a research project on financial problems as part of my continuous assessment. My topic is "An investigation on the effectiveness of financial management practices on firm's performance: case of Zimbabwe Power Company**.**"

To make my project successful, I do hereby ask for approval to carry out a research at your organisation and gather information that enables me to complete my research.

The information gathered by the researcher will be solely used for academic purposes and the confidentiality of organisation will not be compromised.

Your cooperation is greatly appreciated

Yours faithfully,

Jonathan S. Tabona (R146265X)