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THE IMPACT OF FINANCIAL PLANNING ON THE FINANCIAL PERFORMANCE OF SMALL SCALE BUSINESS FIRMS IN EKITI STATE

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ABSTRACT

This study examined the impact of financial planning on the financial performance of small scale business firms in Ekiti State. The study particularly determined the relationship between risk management on the financial performance of small scale business firms in Ekiti state; assessed the effect of cash budgeting on the financial performance of small scale business firms in Ekiti state and evaluated the impact of cash control on the financial performance of small scale business firms in Ekiti State. The cross-sectional research approach was employed as fifteen (15) SMEs were purposively selected from Ado-Ekiti Metropolis, one hundred and fifty respondents were further selected randomly and primary data was amassed using a well-designed questionnaire. Data gathered in the study was estimated using descriptive analysis - frequencies, inferential estimations - correlation, regression and other post estimation tests (Linearity, Normality, Serial Correlation and Heteroskedasticity Tests). Discoveries ascertained in the study demonstrated that a positive insignificant relationship exists between risk management and the financial performance of SMEs in Ekiti State; also, the study revealed that cash budgeting exerts a significant effect on the financial performance of SMEs in Ekiti State and cash control impacts positively on the financial performance of SMEs in Ekiti State. Following these discoveries, the study suggested that management firms of business firms should develop a risk policy; management of business firms in Ekiti State should prepare a financial plan and cash allocation, disbursement and cash management generally should be accorded an increased focus.

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INTRODUCTION

Finance has been regarded as one of the main solution to causing an effective formation of business, and make ease in the harnessing of business prospects to aid business growth (Aminasaun and Babayanju, 2016). The cardinal approach to a productive performance in business is the strategic and adequate use of the various sources of finance such as equity and loans (Carpenter and Petersen, 2011). Finance is described as the series of actions geared towards creating, allocating and utilizing financial resources to facilitate business activities and causing an effective cash flow management of business firms (Daniel and Reitsperger, 2009). The place of finance in all business organizations cannot be overstated; this is true as a challenge caused to the system of finance in a business organization exerts a negative influence on the liquidity of the business and ultimately the economic performance of the nation (Aminasaun and Babayanju, 2016). Business firms, particularly small business firms have been ascertained to be one of major source of economic prosperity, but it has recently been observed that inadequate financial planning have caused several business firms to struggle with the challenge of underinvestment or underinvested assets (Omboga and Okibo, 2016). Financial planning includes the analysis of the flow of financial resources in a firm, predicting the shortcomings of several investments, allocating finances to investment and dividend decisions as well as assessing the effects of numerous alternatives (Joseph, 2013). Financial planning is one of the various aspects of management of organizational finances; however it is vital to the financial performance and the overall performance of any business. The need for financial planning is borne out of the usual ineffective handling practiced by several business management coupled with the numerous risks and uncertainty that has flooded business environments all over the world (Sivakumar, 2015). Following this evident challenge, the need for financial planning becomes undoubted. Planning involved the detailed description of the main objectives that an organization intends to meet and the basic policies and strategies that will guide the attainment of the objectives. This suggests that a firm should be effectually controlled, that is, the adequate use of financial resources should be encouraged so as to guarantee the effectiveness of the general performance the business (Sivakumar, 2015). Financial planning signals an effectual growth in business activities, execution of profitable investments, timely allocation of funds and ultimately an effectual financial performance of business organizations (Rosilyn, 2007). It entails the creation of expected statement of profit and loss, cash flow and the financial position of the firm (Sivakumar, 2015). The financial planning activities assist the financial manager in the management and control of cash flow, which includes the creation and the allocation of funds. Hence, the need for planning and control of finance to ascertain the profitability of future operations in any business is urgent. Pandey (2005) affirmed that the financial planning process contains the assessment of the present financial position of the firm, evaluate the growth potentials and available alternatives, examine the investment alternatives, forecasting the future prospects, growth and profitability of business operations, apprise financial needs and considering alternative financing opting, examining the differences and selecting the alternative financing options, growth plans and analyses the actual performance relative to the expected performance of the business.

Kwame (2010) expressed that a remiss financial management practice are the primary reason for the failure of any organization, despite the person in charge of the management of the business i.e. either the business owner or an agent (manager), once a faulty financial decision is taken, there is a great chance that the profitability position of the business will be negatively affected. The most important aspect of financial management that requires a meticulous attention in any business firm includes financial planning which contains all forms of current assets and approach of sourcing for both short term and long term finances. Financial management is formed by several components including financial planning and control, financial accounting, management accounting, working capital management, capital budgeting and financial analysis (Mohd *et al*., 2010). The capacity of the management to plan, organize, lead and control is an urgent managerial function that affects noticeably the performance of business firms (Sivakumar, 2015). Budgeting, a well-known financial control measure is often aimed at causing a more impressive management of the business firm and to attain an increased profit while reducing loss. A budget is described as a robust plan demonstrating the approach to sourcing and utilizing resources in an organization (Hilton *et al*., 2006). Garrison *et al.* (2003) affirmed that budgeting methods helps to achieve several aims with planning and control forming part of the important functions. They further maintained that the management is saddled with the responsibility of making choices of functions that is suitable for the business firm. Additionally, it is believed that bigger firms should concentrate on the control and match the numerous features of budgeting, but small scale companies are expected to concentrate more appreciably with the aspect of planning, this which includes the establishment of goals for the business firms.

Financial performance is related to as the level of satisfaction ascertained in the performance of a business activity. In a wide sense, financial performance demonstrates the level to which the financial objective of a business organization is attained. It reflects the position or the results of enterprises' policies and operation in monetary terms (Joseph, 2013). More importantly, the success and efficient service delivery depends on a firms utilization of resource, this represents the best measure for the financial performance of a business firm. An effective financial performance is key to the longevity of a firm; this is consequent upon the fact that through an efficient utilization of resources, an impressive financial performance is ascertained. However, low financial performance can reduce the level of firm's efficiency which directly impact negatively on the attainment of organizational objectives (Adebayo and Onyeiwu, 2018). Therefore, Harley and Emery (2016) suggested that in the bid to reach effectiveness and efficiency, an elaborate control and management of an entity's finances is required to guarantee a favorable financial condition. The main drive of financial decisions is to examine the financial resources that will be needed to activate the programmes and activities to attain the aim and objectives of the plan, to causing an adequate and timely funding, and to ensure the efficient utilization of resources and assess the development appropriately towards reaching the aims and objectives (Rosilyn, 2007). The series of actions involved in financial planning triggers great initiatives in managers, hence driving them towards developing new concepts, systems, approaches and strategies for the achievement of the firms long and short term objectives (Joseph, 2013). Kenneth (2010) maintained that these actions are crucial for the growth and expansion of business environments. Moreover, the process of financial planning entails the task of monitoring and controlling risks. Risk evaluation and control describes the series of involved in examining the identified risks, analyzing the residual risks and determining new risks. This process ascertains that the risk plan provided by the financial manager is employed and evaluation of the capacity of the plain in curtailing risk is frequently caused (Frinkler, 2015).

Statement of the Problem

Despite the recognition of the prospect of business firms in generating adequate revenue for the prosperity of the business and ennobling the wealth of the nation (Nigeria) and Ado-Ekiti particularly, business firms is practically not growing neither has it significantly influenced the prosperity of the nation's economy (Oladele, Oloowokere and Akinruwa, 2016). Ajonbadi *et al*., (2014) identified that the failures in the business sector can be attributed to the adverse notion developed by business managers towards financial planning and control, he maintained that despite the worldwide acceptance of the financial planning by scholars of managements as a tool designed to aid organizational performance, other management personnel and scholars have perceived the effect as a challenge to workflow process. However, the reigning stagnancy and business failures are noticeably related to the unimpressive financial performance of corporate firms occasioned by a suboptimal financial planning and control (Ibrahim and Mustapha, 2019). Although the management of business firms and the sustenance of financial performance have over the years been complicated due to the complex and rapidly changing business environment; this has to an appreciable level hindered the attainment of the short and long term objectives of several business firms (Joseph, 2013). The frequency of this failure has heightened in recent time and the cause of this albatross in several business environments is the lack of confidence derived by investors in the activities of certain businesses especially small business firms. Apparently, a significant number of business firms seem to be adopting financial planning but yet they are not reaching a better financial performance, relative to the banking and insurance firms that powerfully uses the financial planning strategies. These policies concerns adequate risk management strategies, cash budgeting approaches, cash control, borrowing pattern and investment decisions and expansion strategies. All of these financial planning requirements have been lacking in most small business firms, this which have contributed to the increased insolvency and ultimately, the liquidation of business firms in Nigeria (Adeniyi, 2004). Again, the focus and concern of business owners and the management of both corporate firms and small business firms in Nigeria have been heavily and exclusively concentrated on increased return on assets, higher equity and financial assets including debtors, loan stocks, stocks, machines and equipment's, cash, properties etc., while the creation of financial resources, adequate allocation of resources, formulation of financial strategies and the efficient utilization of resources towards causing an impressive output within an expected time, for the attainment of the organizational goal and the overall prosperity of the business have been almost ignored or not properly prioritized (Lambe, 2014). This signals the need to assess the twin issue of financial planning and the financial performance of business firms and subsequently assess the impact of financial planning on the financial performance of small scale business firms in Ekiti State.

Research Questions: The study sets out to establish adequate answers to the research questions listed below:

- What is the association between risk management and the financial performance of small scale business firms in Ekiti state?
- What is the effect of cash budgeting on the financial performance of small scale business firms in Ekiti state?
- Does cash control impact positively on the financial performance of small scale business firms in Ekiti State?

Research Objectives: The primary objective of this study is to examine the impact of financial planning on the financial performance of small scale business firms in Ekiti State. Specifically, the study aims to:

- Determine the association between risk management on the financial performance of small scale business firms in Ekiti state.
- Assess the effect of cash budgeting on the financial performance of small scale business firms in Ekiti state.
- Evaluate the impact of cash control on the financial performance of small scale business firms in Ekiti State.

Research Hypotheses: The following under listed hypotheses are stated in null form:

$H0_1$ risk management does not maintain any association with financial performance of small scale business firms in Ekiti state.

$H0_2$ cash budgeting does not exert positive effect on the financial performance of small scale business firms in Ekiti state.

$H0_3$ cash control does not exert positive impact on the financial performance of small scale business firms in Ekiti state.

Scope of the Study: This study aims at examining the impact of financial planning on the financial performance of small scale business firms in Ekiti State. The research focuses on about 20 (twenty) small scale business firms operating in Ado-Ekiti, Ekiti State. The study further randomly sampled five employees from the finance and accounting sections as a unit of analysis to acquire data on the effect of financial planning decisions including cash budgeting, cash control and risk management in causing an optimal financial performance of the firms.

LITERATURE REVIEW

Conceptual Clarification

Financial Planning: Financial planning describes the series of action involved in creating a robust and detailed target for the functions, departments and operations of an organization. The need to align the short term plans and daily objectives with the long term aims and objectives of an organization is very urgent (Sivakumar, 2015). Again, Eadie (2000) addressed that the drive for financial planning is occasioned by the need to maintain an adequate financial balance in an organization. The process of financial planning involves the use of an organized approach in gathering details about the vision of the organization and creating a long term goal alongside with specific objectives and strategic actions geared towards ennobling the financial performance of an organization. It combines the long term strategic ideas, partial analysis and impartial analysis of the organizational goals and objectives in the bid to cause a predetermined strategic actions geared towards causing the vitality and prosperity of the business in the long run (Anthony, 2013).

Financial Performance: Every organization is undoubtedly established for a particular purpose. The purpose for which an organization is created can only be achieved if its operational performance is effectual. Business organizations in the quest to sustain financial performance and gain competitive advantage over competitors in the industry require an effective strategic business practices (Umar and Dikko, 2018). The performance of an organization is judged with the capability of the organization in achieving its specific objectives. Mawanza (2014) buttressed that performance depicts the capability of an organization to carryout operations efficiently, effectively, portably as well as survive, develop and respond to the environmental and industrial opportunities and threats. The performance of business organization is an important signal that demonstrates the height of potential developed to be experienced in a society. In recent time, the problem stemming from business environment globally have reemphasized the urgency of the effectiveness of corporate organizations (Umar and Dikko, 2018). Firm's performance has over the years attracted the concern and interest of numerous finance and management scholars (Gavrea, Ilies, &Stegerean, 2011). The concept of financial performance is a concept that reflects the level to which an organization has attained its desired goals. It demonstrates the organization effectiveness in its operations over time (Saeidi, Sofian&SitiZaleha, 2014). The performance of a business firm serves as an signal that provides facts which aids the evaluation and assessment of the effectiveness of an organization in the course of its operation and the level of satisfaction the business serves its stakeholders (Antony & Bhattacharyya, 2010). Asat, Maruhun, Haron and Jaafar, (2015) also referred firm performance to as the ability of a firm to reach its goals through the satisfactory use of limited resources at the disposal of the firm.

Risk Management: The concept of risk management has over the years attracted noticeable concern from researchers and practitioners in the contemporary economic environment (Olalere and Omar, 2016). The justification for researchers and practitioners interest in this concept was provided by Olusanmi (2015). He maintained that the practice of risk management controls unwanted financial losses of business firms across all nations. Risk management combines the selection of suitable risk environment to prevent business firms from unimpressive performance and reduce risk exposure (Olalere and Omar, 2016). This according to the Basel Committee on Banking Supervision (2001) can be attained through the distribution of events into the numerous kinds of risks such as credit, market, business and operational risks using one of the several risk techniques as well as examining and preparing reports of risk evaluation as at when due and causing an effective risk control through the top level management. However, business firms that encourages the adoption of risk management in its planning and performance management of the business possesses a great potential to achieve an expected financial performance.

Cash Budgeting: Cash budget have is described as a statement that reflects the summary of the potential cash inflow and outflow of a business firm over a period of time (ACCA, 2012). The Chartered Institute of Management Accountants (2008) also referred cash budget to as a robust budget of expected inflows and outflows including the income and current capital assets of a firm. In ensuring an optimal use of cash in an organization as well as ascertaining the frequent availability of cash, financial managers require the cash budgeting tool. The place of budget in the management of business firms or government parastatals cannot be overstated as the system have been adopted in aiding an effective control system of numerous organizations over the years (Merchant & Van der Stede, 2003). The essence of cash budgeting in the desire to cause an impressive financial performance of bushes firms is signaled by its ability to make clear to managers, possible liquidity threats and at the same time provides managers with structures to curtail the liquidity challenges (Kwame, Emmanuel, Kelvin and Felix, 2013). The authors further asserted that without cash budget, financial managers may experience critical challenges in their bid to trigger positive changes in the organization and consequent upon this, reactions towards investment and finance issues in the organization may be delayed.

Cash Control: Cash control or cash management depicts the management and monitoring of credit as well as the collection policies, cash distribution, disbursement arrangement, sequence of invoicing and debtors payment policies (Brealey, Myers and Marcus, 2007). Cash management has to an appreciable level been examined by several scholars and experts and surprisingly, there exists a similarity between the ideas of the numerous scholars. Cash management according to the (CIBN, 2000) is used in planning, evaluating and influencing cash operating cycle as well as the position of cash geared towards ennobling the liquid position of the firm. The concept was also referred to as an instrument used in determining the potential revenue and expenditures as well as selecting the best finance option and consequently increasing the expected profit derived from an investment. Again, Larsson and Hammarlund (2005) suggested that items including receivable policies, currency control and risk, payable policies, funds management, sales and purchases, debtors and creditors and short term financing should make up the concept cash management.

Theoretical Review: The Contingency Theory: The contingency theory was postulated by Pike in 1986. The author aimed at expounding the numerous financial management ideas with the theory. The theory posits that there exists several related factors that influences the operation of business organizations this includes technology as well as the external environment of the business (Henri, 2006). Chenhall (2003) averred that these factors determines the structure of the business firm and exerts a noticeable influence on the financial structure of the business. Operational efficiency will only be ascertained if a balance is caused between the business structure and the financial operations of the business. The theory focused on three main corporate issues that are expected to influence the design and operation of the financial system of corporate business firms. This includes the professional competency level, ordinary investment result history and capital budgeting control measures. The author assumes that organizations employ varying accounting systems and hence the different financial performance recorded over time (Pike, 1986). The cause of the application of different accounting system might be the several micro and macro-environmental factors facing the firms. Hence, resource allocation couple with adequate financial management practices should be adequately caused while properly considering these factors (Pike, 1986).

EMPIRICAL REVIEW

Evidence from Nigeria: Abbas and Abu (2019) examined financial control mechanisms and the profitability performance of manufacturing firms in Nigeria. Specifically, the study investigated the association between the use of financial control mechanisms and profitability of manufacturing firms in Nigeria; assessed some of the financial control mechanisms that affects the profitability of Nigerian manufacturing and suggested some alternatives to enhancing the effectiveness of the use of financial control mechanisms for better profitability performance of the manufacturing firms in Nigeria. The survey method (cross-sectional) was adopted as five employees were randomly selected across twenty five firms that participated in the study. A well-structured questionnaire was used in collecting primary data from the study’s respondents. Data gathered in the study were analyzed descriptively and inferentially using one-sample t-test and Pearson's Product Moment Correlation. Findings from the study demonstrate that significant positive relationship exists between financial control mechanisms and firms’ profitability performance. Based on this discovery, the study advocated that financial

control approaches should be further strengthened through the adoption of adequate control system in manufacturing firms.
Lasisi and Nuhu (2015) evaluated cost control and the survival of Nigerian firms. Focusing on the Nigeria Bottling Company Plc, the study particularly assessed the various cost control techniques and their impact on Nigerian firms and investigated the usability of cost control as a rare strategy for organizational growth. Primary data was gathered from 30 staffs of the NBC using a questionnaire in Jos, Plateau State. Data gathered afterwards were descriptively analyzed using t-test and comparative percentage. Findings stemming from these analyses indicated that cost control and cost management exerts a positive and noticeable impact on the profitability of the company. Also, the study ascertained that the challenge faced by manufacturing firms among others is the increased overhead costs of the company. Following these findings, the study recommended that the quest to attain increased cost control in NBC can be attained with the adoption of the just-in-time system alongside with the value engineering and value analysis.

Regina (2012) examined the practices of financial management among small firms in Nigeria. Primary data were collated using questionnaire and inferential analysis - chi square was used in examining the study's data. Findings from the study demonstrates that that accounting system and financial management information increases the risk perception of fund providers and following this small firms find it awkward to amass adequate funds for the business. Premise on these findings, the study advanced that the management of SME firms should enhance its practices and its performance by employing the services of a certified accountant. Ajonbadi, Lawal, Badmus and Otokiti (2014) assessed the impact of financial control on the performance of Nigerian small and medium scale enterprises. Specifically, the study ascertained the relationship between financial control practices and organizational effectiveness of SMEs and determined the relationship between these practices and the effectiveness of SMEs. The research was correlation researched based as it ascertained majorly the connection between variables identified in the study. Adopting the cross sectional survey design, primary data were obtained using questionnaire and were analyzed descriptively and inferentially using the Pearson Product Moment Correlation. The result caused from the study showed that participating firms significantly use encourage the usage of traditional control tools such as stocktaking, quality control and financial statements. The study also ascertained that other forms of control were to an insignificant extent used by participating firms. Again, the relationship between financial control measures and organisational was determined to be positive and significant. Following this findings, the study suggested that SMEs should encourage the use of financial control so as to cause the effective performer of firms in the country.

Akinyomi (2014) appraised the effect of cash management on the profitability of Nigerian manufacturing firms. The correlational research design was adopted as the study randomly selected fifteen manufacturing companies recognized on the NSE. Secondary data spanning fifteen years was collated for the dependent variables return on assets and return on equity and the independent variables - cash concertino cycle and the control variables - current ratio (CRatio), debt ratio (DRatio) and sales growth (SG). Inferential analyses including correlation and ANOVA analysis were used in analyzing the study's data. Findings revealed from the study shows that a positive and noticeable connection exists between return on equity and cash conversion cycle while an insignificant negative connection was discovered between cash conversion cycle and return on assets. The study advocated for the expansion of the scope of subsequent researches on the focus.

Evidence from Other Developing Countries: Omoboga and Okibo (2016) assessed the effects of financial planning practices on the growth of small manufacturing firms in Kenya. The study also ascertained the level to which cash processing, cash control and cash budgeting affects the growth of small manufacturing firms in Kenya. The descriptive survey design was adopted as data were amassed from respondents using questionnaire. The descriptive and inferential techniques of data analysis was employed and the result stemming from the study reflects that cash control, cash budgeting and cash processing exerts a significant influence on the growth of small manufacturing firms. Based on this premise, the study suggested that small manufacturing firms should manage their credit periods to customers to fit with cash inflow and outflow and ensure effective control of payables and relievable for an effectual control of cash in the manufacturing firm; manufacturing firms should make urgent the need to have the best cash balance which can used in causing investment in other businesses and capital assets should also be adequately plan for and controlled satisfactorily. Abdul-Rauf (2016) empirically analyzed financial management practices in small and medium sized enterprises in Sri-Lanka. Particularly, the study examined the extent to which working capital management is practiced in the SMEs; evaluated the extent of adoption of financial planning and control measures in the SMEs and assessed the level of application of total quality management system in SMEs. Primary data were gathered using a standard questionnaire from six owners of SMEs sampled purposively for the study. Data retrieved from the study was analyzed using descriptive, regression and correlating analysis. Findings stemming from the study demonstrated that financial planning and control, exert a negative significant relationship with the financial management practices while working capital management and total quality management system reflects a positive significant relationship with the financial management practices. Based on these findings, the study suggested that government policies as regards the adoption of financial management strategies should be caused amongst SMEs and training programmes should be created for SME owners.

Lakew and Rao (2017) assessed the effect of financial management practices and characteristics on the profitability of business enterprises in Ethiopia. Specifically, the research covered the investigation of the effect of Efficiency in financial management practices planning on the profitability of firms and examined the effect of financial characteristics on the profitability of firms. Primary and secondary data were amassed from 37 business enterprise in Jimma town in Ethiopia and data gathered were inferentially analyzed. Findings from the study held that profitability is grossly influenced by financial management techniques including accounting reporting and analysis, financial planning and control, working capital management, fixed asset management and financial characteristics - debt ratio and current ratio. Premise on the discovery of the study, it was suggested that business managers should further ennoble their financial management system and financial characteristics. Mardiana, Puji and Ayyu (2018) examined the effect of risk management on financial performance with good corporate governance in Indonesia. In the study, risk management was represented by capital adequacy ratio (CAR), non-performing loan (NPL) and operating efficiency (BOPO) while financial performance was proxied by return on assets of Islamic listed banking firms purposively sampled for the study. Secondary data spanning six years (2011-2016) were collated of these banks were collated from the Indonesia Stock Exchange. Data collated were analyzed using the multiple regressing analysis technique. Findings resulting from the study demonstrated that CAR and NPL exerted a negative and insignificant effect on ROA, and BOPO exerted a negative and significant effect on ROA. Hence, the study recommended that commercial financial institution should pay close concern to their operating efficiency so as to further improve firm's profitability.

RESEARCH METHODS

This study employs the cross-sectional survey research design. The study focused on the owners of small and medium scale enterprises in Ado-Ekiti Metropolis, Ekiti State. The study area was considered relevant for the study due to the numerous small scale business firms operating across the senatorial districts of the state operates fully in the state capital. A total of one hundred and sixty five respondents were randomly selected from fifteen (15) small scale business firms purposively selected in Ado-Ekiti Metropolis.

A well-designed questionnaire was disseminated to respondents from the accounting and finance departments of the firm using the stratified sampling technique. An aggregate of one hundred and sixty-five questionnaires were distributed during the survey but only one hundred and fifty were satisfactorily completed. The number of completed questionnaire gathered by the researchers formed the data used in the analyses conducted in the study. Descriptive and inferential statistics were employed in estimating data gathered in the study. The descriptive statistics will provide details concerning the demographic status of the study's respondents while the inferential statistics including correlation analysis and multiple regression analysis in determining the association between risk management, cash budgeting and cash control on the financial performance of small scale business firms; this will aid the test of the stated hypotheses and also ascertain the presence of multicollinearity among the variables of the study.

RESULTS AND DISCUSSION

Descriptive Results: The demographic details of the respondents selected across business units operating in Ado-Ekiti - the study area are reflected in the above Table 1. The table demonstrated that 70% of the participants of the study are male; this indicates that males denominate the respondents of the study. The distribution of age of the respondents revealed that 28% of the total respondents are between the age range of 18-28 years, while 56% falls between the age gap of 29-38 years while 24% falls between the age range of 3-48 years, this implies that the respondents that participated in the study are matured and information provided as regard the issue under discourse can be leveraged upon. Also, from the result revealed in table 1 above, it is ascertained that 50% of the study's respondents are single while 44% are married. Furthermore, the dimorphic result displayed above indicated that 62% of the participants of the study are exposed to the operations of the business as they have a knowledge spanning three years and above, while 32% of the respondent possessed 3-5 years experience in business operations. Lastly, demographic information from table 1 demonstrated that 10% of the respondents possesses a SSCE, while 52% has attained a Diploma certificate, 30% has also reached a Bachelors degree and the remaining 8% are postgraduates. This result implies that the respondent's demographics satisfy the demographic qualities required by the researcher in eliciting useable information for the study.

Table 1. Demographic Characteristics of Respondents

S/N	Demographics		Frequency	Percent	Valid Percent	Cumulative Percent
1	Gender	Male	105	70	70	70
		Female	45	30	30	100
		Total	150	100	100	
2	Age	18-28	42	28.0	28.0	28.0
		29-38	84	56.0	56.0	84.0
		39-48	24	16.0	16.0	100
		49 And Above	-	-	-	100
		Total	150	100	100	
3	Marital Status	Single	75	50	50	50
		Married	66	44	44	94
		Divorced	9	6	6	100
		Total	150	100	100	
4	Years of Business Experience	Below 3 Years	93	62.0	62.0	62.0
		3-5 Years	48	32.0	32.0	94.0
		6 And Above	9	6.0	6.0	100
		Total	150	100	100	
5	Education Qualification	O'Level	15	10.0	10.0	10.0
		Diploma Certificate	78	52.0	52.0	62.0
		Bachelors Degree	45	30.0	30.0	92.0
		Masters Degree	9	6.0	6.0	98.0
		Doctoral Degree	3	2.0	2.0	100
		Total	150	100	100	

Source: Author's Computation, 2019

Correlation Analysis: The above table reveals the correlation matrix for groups of variables used in the study. The above table reflects correlation coefficients of 0.444479, 0.025518, 0.406297 and 0.070875 for FIP and RIM, CAB and FIP, CAC and FIP and CAC and RIM respectively. The result indicates that a strong and significant association exists between all the pairs of proxies used in the study, this implies that the variables move mostly in the same direction with the financial performance of small scale business firms in Ekiti State.

Table 2. Correlation Matrix

Variables	FIP	RIM	CAB	CAC
FIP	1.000000	0.444479	0.025518	0.406297
RIM	0.444479	1.000000	0.234036	0.070875
CAB	0.025518	0.234036	1.000000	-0.152047
CAC	0.406297	0.070875	-0.152047	1.000000

Source: *Author's computation, (2019)*

Regression Analysis

Table 3. Regression Estimation Results

Dependent Variable: FIP

Variable	Coefficient	Std Error	t-statistics	Prob.
C	8.501695	8.353670	1.017720	0.3240
RIM	0.351127	0.175111	2.005171	0.0622
CAB	0.014336	0.186186	0.076998	0.9396
CAC	0.323141	0.178823	1.807040	0.0896

R-square=0.312998*, Adjusted R-square*=0.0.250543, F-statistics=5.011601 Prob (F-statistic)=0.016089

The estimates of the regression results revealed in table 3 above affirmed that risk management exerts positive insignificant effect on the financial performance of small scale business firms, with a coefficient estimate of 0.351127 (p=0.0622>0.05) while cash budgeting was ascertained to influence the financial performance of small scale business firms positively and insignificantly with coefficient estimate of 0.014336 (p=0.9396>0.05) and cash control exerts a positive insignificant impact on the financial performance of small scale business firms with coefficient estimate of 0.323141 (p=0.0896>0.05). Also, the R-squared statistics showed in table 2 above stood at 0.3130 which indicates that risk management, cash budgeting and cash management contributes over 31% of the variation in the financial performance of small scale business firms in Ekiti State.

Post Estimation Test

Table 4. Post-Estimation Results

Linearity Test		
Statistics	*Values*	*Probability*
T-statistic	0.992275	0.3368
F-statistic	0.984609	0.3368
Likelihood Ratio	2.171523	0.2595
Normality Test		
Statistics	*Values*	*Probability*
Jarque-Bera Stat	2.406471	0.300221
Serial Correlation LM Test		
Statistics	*Values*	*Probability*
F-statistic	0.143030	0.8680
Heteroskedasticity Test		
Statistics	*Values*	*Probability*
F-statistic	2.833385	0.0713

Source: *Author's Computation, (2019)*

The estimates of Ramsey test demonstrated in above includes three statistics such as the t-statistics, f-statistics and likelihood ratio statistic as well as the probability values relating to the analysis. The study particularly determined t-statistics of 0.992275, f-statistics of 0.984609, and likelihood ratio statistics of 1.2751523 alongside respective probability values of 0.3368, 0.3368 and 0.2595. The reported statistics and their respective probability values indicate that alternative hypothesis is well identified and the model is rightly represents proxies that affects the business performance. This is true as the analysis indicated that there is a linear relationship between financial performance and all the explanatory variables included in the model. The Jarque-bera statistics and probability values of the estimation conducted in the study reflect a coefficient estimate of 2.406471 and probability value of 0.30221. This estimate indicates that alternative hypothesis is well demonstrated and following the probability result (0.3000221>0.05), we affirm the normal distribution of the error term of the study's model. Also, the Breusch-Godfrey serial correlation LM test result presented in above table also demonstrated that the f-statistics and probability values of 0.143030 and 0.8680 respectively. The statistics suggests that there is no evidence to refuse the acceptance of the null hypothesis and this demonstrates that there exists no serial correlation between the estimation results, this also justifies the autocorrelation of the error terms in the estimated models. Finally, the heteroskedasticity test which assessed the heterogeneity of the variables reported f-statistics and probability values of 2.833385 and 0.0713 also describes that there is no justification to rejecting the null hypothesis of constant variance of the error term (homoscedasticity). Therefore, the test determined the lack of issue as regards heteroscedasticity in the error term of the models demonstrated in the study.

Summary of Findings

The investigation conducted in the study to examine the impact of financial planning on the financial performance of small scale business firms in Ekiti State showed that a positive relationship exists between risk management, cash budgeting, cash control and financial performance of small scale business firms in Ado-Ekiti. The study specifically revealed that risk management exerts a positive insignificant impact on the productivity of cocoa farming with a coefficient estimate of 0.351127 (p=0.0622>0.05). This implies that an increase in risk management techniques of small scale business firms of business will cause an increase in the level of business performance by 0.351127. Again, the study affirmed that cash budget influences the financial performance of small scale business firms with coefficient estimate of 0.014336 (p=0.9396), this indicates that an increase in the usage of cash budgeting in small scale business firms will occasion and increase the finance performance of small scale business firms by 0.014336. The study also discovered that cash control affects financial performance positively although insignificantly with a coefficient estimate of 0.323141 (p=0.0.0896>0.05). This reveals that implies that if cash control increases noticeably in small scale business firms in Ekiti State, the level of financial performance will accrue by 0323141.

Conclusion and Recommendations: This study examined the impact of financial planning on the financial performance of small scale business firms in Ekiti State. Discoveries from the study determined that that a positive insignificant relationship exists between risk management and the financial performance of small scale business firms in Ekiti State; also, the study revealed that cash budgeting exerts a significant effect on the financial performance of small scale business firms in Ekiti State and cash control impacts positively on the financial performance of small scale business firms in Ekiti State. Premise upon these findings, the study concludes that an efficient and effective financial planning will occasion the financial prosperity of small scale business firms in Ekiti State. Hence, it is expedient that management of business firms should develop a risk policy so as to ascertain a good risk appetite for business firms and consequently reduce financial losses of small scale business firms in Ekiti State; Again, management of business firms in Ekiti State should prepare a financial plan so as to avoid unnecessary expenditures and improve the financial performance of small scale business firms; Lastly, cash allocation, disbursement and cash management generally should be accorded an increased focus, this will guarantee the long-term liquidity and effective financial performance of the firm.

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