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### Analysing the Effectiveness of Financial Management in Indigenous Business: A Case study of the Hospitality Industry in Lusaka

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#### Abstract

Hospitality industry in Lusaka, encompassing lodging, dining, and event planning sectors, is heavily reliant on effective financial management to ensure sustainability and success. This study analyses the effectiveness of financial management of indigenous-owned hospitality businesses in Lusaka, highlighting their importance in achieving both economic viability and broader organizational goals, including cultural preservation and community development. The research employs a mixed-methods design, combining quantitative data from structured questionnaires and qualitative insights from semi-structured interviews with business owners and managers. Stratified random sampling ensures representation across various business sizes and types, with a target sample size of 70 businesses. Data analysis incorporates descriptive and inferential statistical techniques alongside thematic analysis to identify trends, relationships, and contextual factors

influencing financial management practices. The study aims to assess the effectiveness of financial planning and management in indigenous business, examine the effectiveness of budgeting techniques and cost management in indigenous business and assess the financial literacy in indigenous business. Expected results include identifying effective strategies and areas for improvement, offering insights that can inform policy and support indigenous entrepreneurs in enhancing their financial management capabilities, ultimately contributing to the sustainability and growth of the hospitality sector in Lusaka. The findings are also expected to reveal how indigenous hospitality businesses balance financial objectives with cultural and community commitments, providing a nuanced perspective on how these enterprises contribute to social and economic development.

**Keywords:** Hospitality Industry, Indigenous Business, Financial management

#### 1. Introduction

##### 1.1 Background

Globally, the hospitality industry thrives on the intricate interplay of people, resources, and services geared towards providing a welcoming experience for guests (Okoli, 2011). This industry encompasses diverse sectors like lodging, restaurants, and event planning, all relying heavily on financial resources to function effectively (Ikusemiju, 2012) [18]. Financial management plays a critical role in the success of these businesses, particularly those owned by indigenous communities. Sound financial decisions by hospitality managers directly impact the organization's ability to weather economic fluctuations and ensure long-term viability (Anuolam, 2014) [3]. Effective financial management allows indigenous hospitality businesses to evaluate investment and financing options strategically, ultimately aiming to maximize returns and achieve various organizational goals. This research focuses on the case of Lusaka's indigenous hospitality sector. It underscores the vital role of financial management in ensuring the sustainability of these businesses. While wealth creation is a significant objective for many businesses, financial management transcends mere profit maximization. Even within the context of indigenous-owned hospitality businesses, which may prioritize cultural preservation or community development alongside financial goals, effective financial management practices are crucial for survival. Financial management goes beyond simply securing funding; it encompasses the strategic use of those funds and investment decisions that ultimately determine a business's

success (Anuolam, 2014) <sup>[3]</sup>. This research delves deeper into the financial management practices employed by indigenous hospitality businesses in Lusaka, aiming to understand their effectiveness in achieving financial well-being and long-term sustainability.

### 1.1 Statement of the problem

Indigenous-owned businesses in the hospitality industry in Lusaka are growing in number and significance, contributing to cultural preservation and economic development. However, these businesses face unique financial management challenges that can hinder their sustainability and growth. Traditional financial practices often struggle to balance cultural values with modern business requirements, leading to inefficiencies and financial instability. There is a notable lack of comprehensive research focused on the financial management practices of indigenous-owned hospitality businesses in Lusaka, particularly how these practices affect operational efficiency and long-term viability. The integration of advanced financial management software and technology presents potential benefits, yet the extent of their adoption and effectiveness remains unclear. This study aims to fill this gap by critically analysing the financial management strategies employed by these businesses, identifying their strengths and weaknesses, and assessing the impact of financial management on operational efficiency. Additionally, the study explored the role of financial literacy and stability in enhancing financial decision-making processes, providing insights into how they can be better utilized to support the financial health and growth of indigenous hospitality enterprises in Lusaka.

### 1.2 Objective

#### 1.2.1 General Objective

To analyze the effectiveness of financial management practices in indigenous businesses within the hospitality industry in Lusaka.

#### 1.2.1 Specific Objectives

1. To assess the effectiveness of financial planning on business management in hospitality industry.
2. To examine the effectiveness of cost management on business management in hospitality industry.
3. To assess financial literacy in hospitality industry.
4. To investigate financial stability in Hospitality Industry.

### 1.3 Theoretical Framework

This study employed the Resource-Based View (RBV) theory posits that a firm's resources and capabilities are central to achieving and sustaining competitive advantage. In the context of financial management, RBV focuses on how indigenous businesses in the hospitality industry leverage their unique resources—financial, human, and social capital to improve financial performance and efficiency (Barney, 2015) <sup>[4]</sup>. Indigenous businesses in Lusaka's hospitality industry possess unique resources such as local knowledge, cultural heritage, and community ties. These resources are critical as they differentiate these businesses from non-indigenous competitors. For instance, local knowledge allows these businesses to tailor their services to the preferences and expectations of local and international guests. Cultural heritage can be used to create authentic experiences that attract tourists seeking genuine cultural interactions (Benmelech and Bergman, 2012).

Indigenous businesses develop and utilize their financial management capabilities to optimize resource allocation, reduce costs, and enhance profitability. This involves implementing effective budgeting techniques, financial planning, and cost management strategies. For example, by leveraging community ties, these businesses might negotiate better terms with local suppliers, thereby reducing costs and improving financial stability. Additionally, training programs focused on financial literacy and management skills can enhance the capability of business owners and managers, leading to better financial outcomes (Creswell, 2014) <sup>[10]</sup>. The unique resources and capabilities of indigenous hospitality businesses can contribute to a sustainable competitive advantage. This advantage is maintained through continuous improvement and strategic use of these resources. For example, leveraging cultural heritage in marketing strategies can create a unique brand identity that is difficult for competitors to replicate. Effective financial management ensures that the business remains profitable and can reinvest in enhancing these unique resources, thus sustaining the competitive advantage over time (Barney, 2015) <sup>[4]</sup>.

### 1.4 Significance of the study

This study holds substantial significance for several reasons. By focusing on the effectiveness of financial management in indigenous businesses within Lusaka's hospitality industry, the study aims to identify best practices and areas for improvement. This can lead to better financial outcomes for these businesses, ensuring their sustainability and growth. This research will provide insights into how these businesses can leverage their unique resources and capabilities to achieve financial success. The findings will empower indigenous entrepreneurs with knowledge and strategies tailored to their specific context. The results of this study will also inform policymakers about the financial management needs and challenges of indigenous businesses in the hospitality sector. This will lead to the development of targeted policies and support programs that enhance the financial stability and growth of these businesses. By examining financial management practices within a specific cultural and economic context, this study adds to the body of knowledge in business and financial management. It provides a case study that can be compared with other contexts, enriching the theoretical understanding of financial management in indigenous enterprises.

## 2. Literature Review

### 2.1 Effectiveness of financial planning on business management in hospitality industry

According to Foley (2008) <sup>[14]</sup>, the hospitality industry operates in a dynamic environment characterized by constant change, high competition, and susceptibility to external factors such as economic fluctuations, climate changes, and global events. These factors directly affect operational stability and profitability. Financial planning emerges as a cornerstone for ensuring resilience and growth in this volatile industry. It allows businesses to set realistic goals, allocate resources efficiently, and anticipate risks, thus enabling them to maintain operations even during adverse situations. Without a robust financial framework, hospitality businesses are left vulnerable to unexpected disruptions, potentially leading to revenue losses or

operational shutdowns. As noted by De Bruijn, M. (2019)<sup>[12]</sup>, financial planning provides a structured approach to managing resources, forecasting market trends, and making informed decisions, ultimately contributing to the sustainability and competitiveness of the organization.

Financial planning plays a crucial role in helping hospitality businesses establish a competitive edge. Firms that manage their finances effectively are better positioned to invest in customer experience improvements, such as modern amenities, personalized services, and loyalty programs. These investments attract more customers and encourage long-term loyalty, which is essential for sustained revenue growth (Anwar, S. (2017). Additionally, businesses with solid financial plans are more likely to secure funding from investors or financial institutions. Clear budgeting, cash flow management, and growth projections demonstrate financial stability, making businesses more appealing to investors.

A case study by Foley (2008)<sup>[14]</sup> on indigenous tourism enterprises in Australia found that successful businesses often had strong financial management frameworks, clear financial goals, and regular financial reviews. These businesses also employed culturally relevant financial practices that resonated with their community values.

A study by Zulu (2020)<sup>[30]</sup> on indigenous businesses in Zambia highlighted the importance of financial management in improving business performance. The study found that indigenous entrepreneurs with good financial management skills were better able to secure financing, manage their budgets, and plan for future growth. There is a need for more focused research to develop tailored financial management strategies that address the unique needs of these businesses in Lusaka's hospitality industry.

## 2.2 Cost management in business management in the hospitality industry

Cost management is a vital aspect of business operations in the hospitality industry, especially in Lusaka, where competition is intensifying, and the demand for profitability is ever-growing. Many scholars have studied cost allocation practices and the issues associated with them, with a focus on their implications for hospitality businesses (Millar *et al.*, 2010)<sup>[26]</sup>. The general practices of cost allocation, particularly joint and common costs, are foundational in understanding how costs should be distributed within an organization. These allocation methods are widely debated by scholars and industry professionals alike, as they significantly affect the profitability and financial health of businesses. According to Johnson and Kaplan (1987)<sup>[21]</sup>, as well as Altbach and Knight (2007)<sup>[1]</sup>, the allocation of costs can be a challenging process, often requiring a two-stage allocation strategy to manage the complexity of overhead costs. The issues surrounding cost allocation in the hospitality industry are particularly relevant in Lusaka, where the growing size of businesses necessitates a more sophisticated approach to managing costs and ensuring long-term profitability.

The contrast between successful and unsuccessful companies in the hospitality industry is often linked to their ability to plan and control costs effectively. Companies that are able to implement effective cost management strategies, which include proper allocation of overhead costs, are better positioned to achieve financial stability and growth

(Jegadees, 1993)<sup>[19]</sup>.

Viceira, (2002)<sup>[7]</sup> emphasizes the importance of selecting an appropriate allocation base that closely aligns with the overhead costs incurred. This approach ensures that cost allocations are more accurate and reflect the actual expenses associated with running the business. The complexity of cost allocation practices in Lusaka's hospitality industry reflects broader challenges in the global business environment, where overhead costs continue to increase due to factors such as rising energy costs, labor shortages, and maintenance needs. As such, the hospitality industry in Lusaka must adopt more sophisticated cost management strategies to stay competitive and financially viable. This includes implementing more accurate cost allocation methods that consider all aspects of a business's operations, rather than relying solely on direct labor hours or other simplistic allocation bases. Adopting a more comprehensive approach to cost management can enable hospitality businesses in Lusaka to better control their overhead expenses, improve profitability, and enhance service quality, which is essential for gaining a competitive edge in a crowded market (Gibson, 2004)<sup>[16]</sup>.

The Importance of managing costs effectively in the hospitality sector cannot be overstated. As the cost structure in hospitality businesses is often complex, understanding the true cost of products or services is crucial for making informed pricing, investment, and operational decisions. For example, a hotel in Lusaka may face challenges in allocating costs for its various services, such as room rentals, dining, and conference facilities. Each of these services has its own set of cost drivers, and using a one-size-fits-all approach to cost allocation may lead to pricing inaccuracies or profitability issues. Therefore, effective cost management requires a deep understanding of the underlying cost drivers and the implementation of appropriate allocation methods that reflect these realities (Bhimani *et al.*, 2010)<sup>[5]</sup>.

## 2.3 Financial literacy in hospitality industry

Globally, financial literacy is an increasingly critical competency in the hospitality industry, especially in Lusaka, where the sector is expanding rapidly and contributing significantly to the local economy. The hospitality industry in Lusaka encompasses various businesses, including hotels, restaurants, and tourism-related services, which often operate in a capital-intensive environment (Fuller *et al.*, 2016)<sup>[15]</sup>. The need for financial literacy is evident at all levels of operation, from daily management of resources to strategic decision-making. A solid understanding of financial concepts such as budgeting, revenue management, cost control, and financial planning is essential for the survival and success of businesses within the industry. The importance of financial literacy in the hospitality industry, particularly in Lusaka, is reflected in the challenges faced by businesses in managing their finances effectively. The capital-intensive nature of the sector requires professionals to possess strong financial skills to make informed decisions regarding investments, operational costs, and revenue generation (Anderson *et al.*, 2006)<sup>[2]</sup>.

A global survey conducted by Millar *et al.* (2010)<sup>[26]</sup> indicates that financial knowledge is increasingly recognized as a critical component of the hospitality industry. Studies have consistently highlighted the importance of financial literacy for professionals entering

the field. For instance, Bansal and F Kumar (2019) and Wang *et al.* (2010) <sup>[29]</sup> in their research found that professionals in the tourism and hospitality sectors ranked accounting and finance as essential areas of knowledge for career success. The growing demand for financially literate professionals in Lusaka reflects this trend. As the hospitality industry in the city continues to expand, businesses are increasingly looking for skilled managers who can effectively manage finances to improve profitability and ensure long-term sustainability (King, 1993) <sup>[22]</sup>.

The relationship between financial literacy and business performance in the hospitality industry has been widely documented. Studies suggest that financially literate managers are more adept at budgeting, resource allocation, and managing operational costs, which in turn improves profitability (He and Wang, 2019) <sup>[17]</sup>.

Research by He and Wang (2019) <sup>[17]</sup> suggests that, in Africa integrating financial literacy training into hospitality education improves the decision-making skills of graduates, preparing them for the financial challenges they will face in the workplace. Furthermore, industry professionals have emphasized the need for a more financially literate workforce to meet the evolving demands of the hospitality sector. As businesses become more data-driven and rely heavily on financial metrics to make decisions, graduates with strong financial knowledge are better positioned for success in the hospitality industry (Elliot, 2016) <sup>[13]</sup>.

In Lusaka, where the hospitality industry is growing rapidly, financial literacy has become an increasingly important issue. A study by Mumba (2019) <sup>[27]</sup> highlighted the fact that while many hospitality businesses in Lusaka had access to financial resources, they struggled to manage these resources effectively due to a lack of financial expertise. The study found that many business owners and managers relied on external financial consultants for budgeting and forecasting because they lacked the skills to perform these tasks themselves. This reliance on external experts underscores the need for more targeted financial literacy training within the industry, especially for small business owners and managers who may not have formal education in financial management. Building the financial literacy of these individuals is essential for improving the overall financial health of the hospitality sector in Lusaka (Mumba, 2019) <sup>[27]</sup>.

The relationship between financial literacy and business performance in the hospitality industry has been widely documented. Studies suggest that financially literate managers are more adept at budgeting, resource allocation, and managing operational costs, which in turn improves profitability. For instance, Van Der Merwe and Fouché (2017) <sup>[28]</sup> found that hospitality managers in South Africa who possessed strong financial literacy skills were more efficient in managing resources and creating budgets, resulting in higher profitability. Similarly, Chen and Volpe (1998) <sup>[8]</sup> observed that financially literate managers were more likely to use financial data for strategic decision-making, leading to more effective business outcomes. These findings highlight the critical role that financial literacy plays in driving business success, especially in a highly competitive and resource-intensive sector like hospitality (Mankwik, 2016).

Financial literacy also plays a pivotal role in facilitating access to financial services and resources. Indigenous entrepreneurs often face challenges in navigating financial

institutions and accessing capital due to limited financial knowledge (Fuller *et al.*, 2016) <sup>[15]</sup>. By enhancing financial literacy, entrepreneurs can confidently engage with financial institutions, understand financial products and services, and leverage external financing options such as loans, credit facilities, and investment opportunities to expand their operations or mitigate financial risks.

## 2.4 Financial stability in Hospitality Industry

Financial stability is a cornerstone for the success and longevity of the hospitality industry, which encompasses a wide range of services such as lodging, food and beverage, and travel. Its capital-intensive and customer-focused nature makes financial stability indispensable for maintaining quality service, sustaining operations during economic downturns, and fostering growth. Without a stable financial foundation, businesses in this sector often struggle to adapt to market changes, maintain operational standards, or invest in long-term improvements, ultimately jeopardizing their competitiveness and survival (Jones *et al.* 2020) <sup>[20]</sup>.

At the core of financial stability in indigenous hospitality businesses lies effective financial management, encompassing budgeting, financial planning, and resource allocation strategies (Brigham & Ehrhardt, 2013) <sup>[6]</sup>. These practices are essential for indigenous entrepreneurs to forecast financial needs, manage cash flow effectively, and make informed decisions that support long-term business viability. Research indicates that indigenous businesses often face unique challenges such as limited access to capital, sparse infrastructure, and regulatory constraints, which can hinder financial stability (Anderson *et al.*, 2006) <sup>[2]</sup>.

Cultural factors play a pivotal role in shaping financial stability within indigenous contexts, influencing economic practices and business operations profoundly. Traditional values such as reciprocity, communal stewardship of natural resources, and collective decision-making frameworks are fundamental to indigenous economic activities (Cornell & Kalt, 2007) <sup>[9]</sup>. These values guide how businesses interact with their communities and environment, influencing their approach to financial management and economic development. Integrating these cultural values with modern financial management techniques is crucial for indigenous businesses to maintain financial stability while preserving their cultural heritage and identity (Dana, 2015) <sup>[11]</sup>.

Research underscores the multifaceted impact of cultural factors on financial stability in indigenous businesses. For instance, community-based economic initiatives often leverage local knowledge systems and social networks to enhance economic resilience and mitigate financial risks (Fuller *et al.*, 2016) <sup>[15]</sup>. These initiatives promote sustainable practices and community engagement, contributing to the overall economic well-being of indigenous communities.

Economic conditions play a significant role in shaping financial stability in the hospitality sector. During economic downturns or periods of high inflation, consumers tend to reduce discretionary spending, including on travel and leisure activities. This decline in consumer spending directly impacts the revenues of hospitality businesses, forcing them to cut costs or scale back operations. For example, Mumba (2019) <sup>[27]</sup> noted that hospitality businesses in Lusaka faced significant challenges during Zambia's economic downturn, with many struggling to cover fixed expenses such as rent

and employee salaries. This economic vulnerability underscores the need for proactive financial planning and diversification to mitigate risks associated with economic fluctuations (Lusardi and Mitchel, 2011) [23].

Effective financial management practices play a critical role in achieving financial stability in the hospitality industry. Budgeting, cost control, and revenue management are some of the key practices that help businesses optimize their financial performance. For example, Jones *et al.* (2020) [20] argue that revenue management strategies, such as dynamic pricing and demand forecasting, enable hotels and restaurants to maximize income during peak periods while minimizing losses during off-seasons.

Cost control is equally vital for maintaining financial stability. Research by Chen and Volpe (1998) [8] indicates that hospitality businesses with strong cost management systems are better equipped to identify inefficiencies, reduce waste, and maintain profitability. This includes monitoring labor costs, negotiating supplier contracts, and implementing energy-saving measures to reduce utility expenses (Lusardi and Mictchel, 2014) [24].

### 3. Research Methodology

The study adopted a mixed-methods research design, combining both quantitative and qualitative approaches to provide a comprehensive understanding of financial management practices in indigenous hospitality businesses in Lusaka. This design is chosen for its ability to capture the complexity and multifaceted nature of financial management in this specific context.

The target population for this study consists of indigenous hospitality businesses operating within the city of Lusaka. This population included a diverse array of enterprises, such as hotels, lodges, guesthouses, and restaurants, all of which are owned and managed by local entrepreneurs. By focusing on this specific population, the study aimed to gather detailed and relevant insights that pertain to the unique context of indigenous businesses in the hospitality sector.

A stratified random sampling design is employed in this study to ensure comprehensive representation across different types of hospitality businesses within the indigenous sector. This method is chosen for its ability to improve the accuracy and reliability of the results by ensuring that various subgroups within the population are adequately represented. In this study, the sample size consisted of a total of 70 participants.

The main research tool which was used in the study is a structured questionnaire consisting of closed-ended questions. Primary data was collected through structured questionnaires and face-to-face interviews to gather data. The study used triangulation as a research strategy to enhance the validity and reliability of the findings. Triangulation involves comparing and contrasting findings from both quantitative and qualitative analyses to validate and corroborate the results. By triangulating data from multiple sources, the study enhances the credibility and reliability of its findings.

## 4. Findings and Results

### 4.1 Presentation of results on background characteristics of the respondents

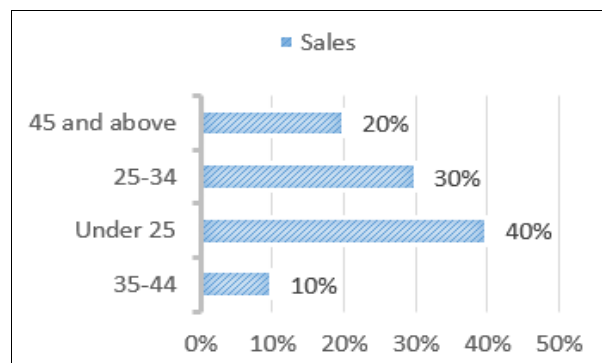


Fig 1: Age Distribution

The majority of respondents (70%) are between 25 and 44 years old, indicating a relatively young workforce in the indigenous hospitality industry in Lusaka.

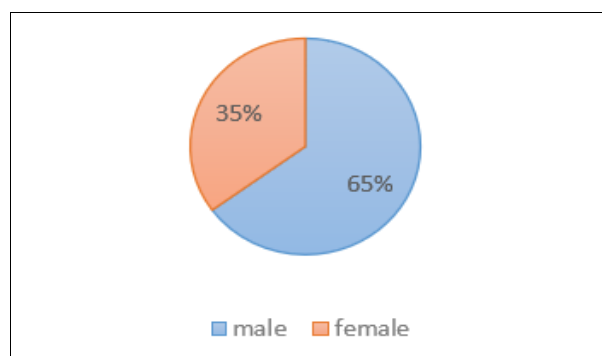


Fig 2: Gender Distribution

The gender distribution shows a slight male predominance (65%) but with a significant representation of 35% of females (35%).

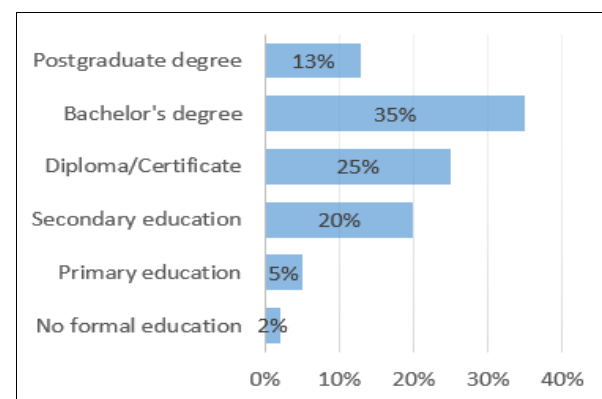


Fig 3: Highest Level of Education

A substantial portion of respondents have higher education qualifications, with 73% having at least a diploma/certificate while 27% had secondary education and less.

### 4.2 Presentation of results based on effectiveness of Financial Planning and Management in Hospitality Industry

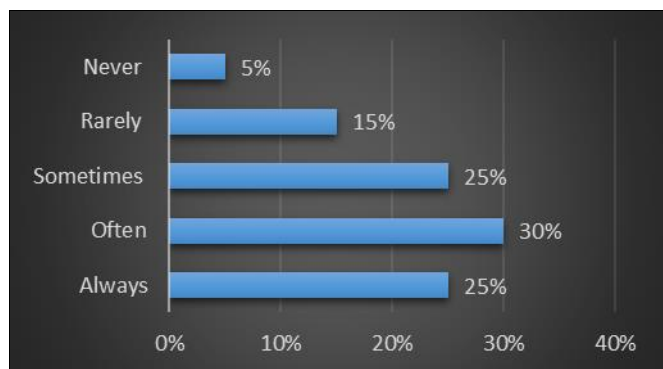


Fig 4: How engaged in financial planning activities of the business

55% of respondents reported that they engage always or often, 25% sometimes, and 20% rarely or never. 25% indicates a need for these businesses to increase the consistency of their financial planning to enhance their financial forecasting and management. The 20% of respondents who rarely or never engage in financial planning are at a higher risk of financial mismanagement and instability.

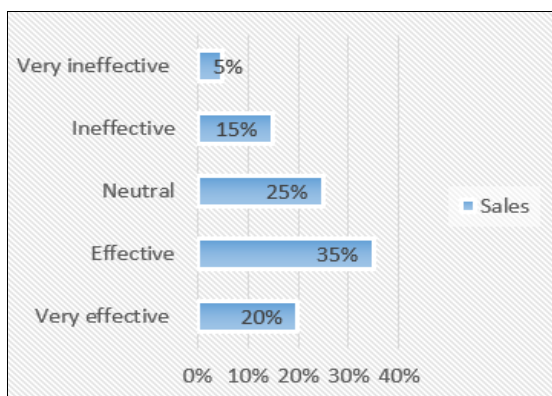


Fig 5: Effectiveness of current financial management practices

A majority of respondents (55%) rate their practices as either very effective or effective. 25% of respondents hold a neutral view while 20% of respondents find their practices ineffective or very ineffective, highlighting significant challenges in achieving financial stability and growth.

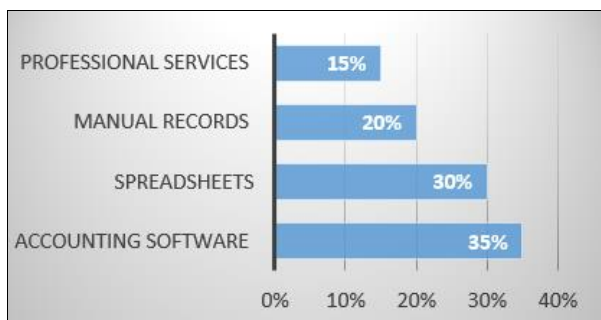


Fig 6: Methods used for financial planning and management

Accounting software is the most popular choice, used by 35% of respondents. Spreadsheets are utilized by 30% of respondents, indicating a reliance on customizable and

flexible tools. Manual records is used by 20% of the respondents while Professional services are employed by 15% of respondents.

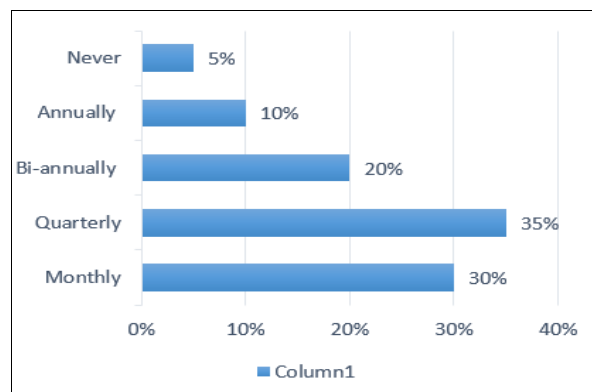


Fig 7: Frequency of review and update of financial plans

Regarding frequency of review, a significant portion, 30%, review and update their plans monthly, Quarterly reviews is practiced by 35% of respondents. Also, bi-annual updates is represented by 20% while annual reviews are undertaken by 10% of the respondents. 5% of the respondents never update their plans at all.

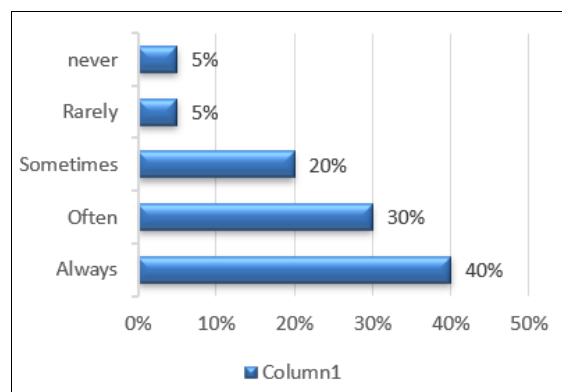


Fig 8: How often the budget for the business is created

According to survey results, 40% of businesses create budgets always, indicating a strong commitment to financial planning and foresight. 30% create budgets often and 20% of businesses create budgets only sometimes. Additionally, a small percentage (5%) of businesses rarely create budgets and 5% also never create budgets.

### 4.3 Presentation of results based on effectiveness of cost management in Hospitality Industry

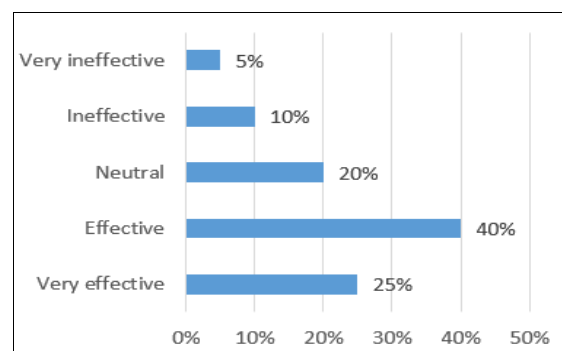


Fig 9: Effectiveness of current budgeting techniques

According to survey responses, 25% of businesses rate their current budgeting techniques as very effective and 40% find their techniques effective.. However, 20% of respondents express a neutral stance, reflecting uncertainty or room for improvement in their budgeting processes. Meanwhile, 10% perceive their budgeting techniques as ineffective, pointing to challenges in achieving financial goals and maintaining stability. A smaller portion, 5%, rate their techniques as very ineffective.

**Table 1:** Budgeting processes implemented in the business

Budgeting Processes	Percentage
Regular Budget Creation	30% (21)
Effectiveness Rating	25% (18)
Use of Budgeting tools	20% (14)
Review and Adjustment of old budget	15% (11)
Confidence in Budgeting Skills	10% (7)

A significant majority, 30%, regularly created budgets and 20% of respondents use tools to aid their budgeting. In terms of review and adjustment frequency, 15% of businesses conduct monthly or quarterly reviews. Additionally, 10% express confidence in their budgeting skills, reflecting a solid understanding and proficiency in financial planning among respondents.

**Table 2:** How to measure the success of budgeting techniques

Measurement Method	Percentage
Profitability	30% (21)
Budget Variance Analysis	25% (18)
Cash Flow Stability	20% (14)
Achievement of Financial Goals	15% (11)
Cost Control Efficiency	10% (7)

Profitability is represented by 30% of respondents, Budget Variance Analysis on the other hand is 25% of the responses. Cash Flow Stability has a 20% representation of the respondents while achievement of Financial Goals is recognized by 15%, and this evaluates the extent to which budgeting contributes to meeting predefined financial targets and objectives. Lastly, cost Control Efficiency has 10% of the respondents.

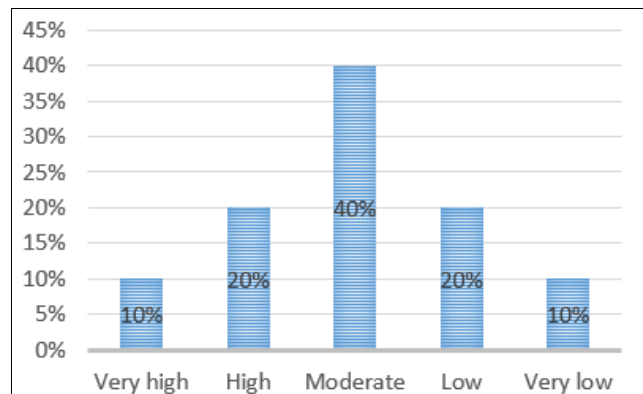
**Table 3:** Effective strategies in improving budgeting practices

Effective Strategies	Percentage
Regular Financial Reviews	30% (21)
Detailed Budgeting and Forecasting	25% (18)
Utilizing Budgeting Software	20% (14)
Involving Key Stakeholders	15% (11)
Staff Training and Development	10% (7)

Regular financial reviews has 30% of the respondents. Detailed budgeting and forecasting is cited by 25% and utilizing budgeting software is represented by 20% of businesses. Involving key stakeholders, is highlighted by 15% while continuous financial education and training is represented by 10% of respondents. Overall, his cultivates a knowledgeable workforce capable of navigating complex financial landscapes, thereby improving overall financial

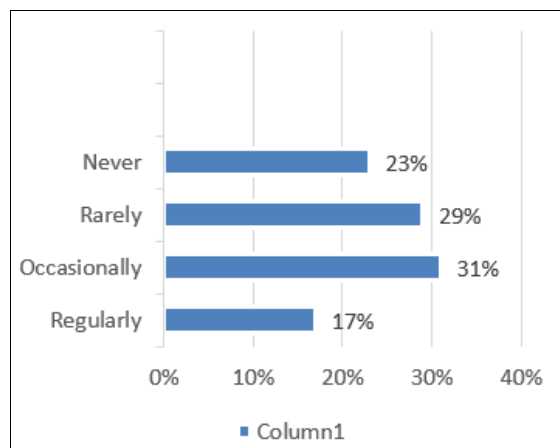
literacy and contributing to more informed budgeting practices.

**4.4 Presentation of results based on financial literacy in Hospitality Industry**



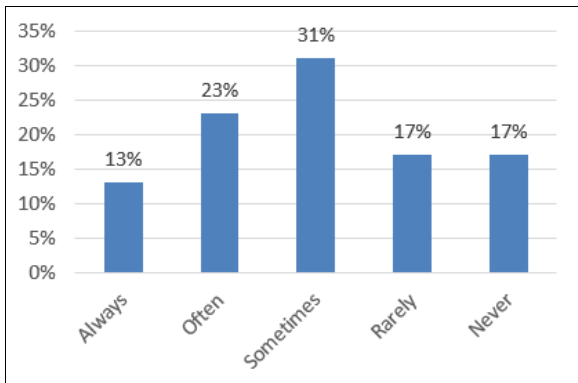
**Fig 10:** Understanding of basic financial concepts (e.g., interest rates, inflation, Savings)

The largest group of respondents (40%) rated their understanding as moderate. This indicates that while many participants are familiar with basic financial concepts, they do not consider their understanding to be extensive. High and Low Understanding equal proportions of respondents of (20%) for each category. Only 10% of participants rated their understanding as very high or very low. This suggests that very few participants consider themselves to be either highly knowledgeable or largely uninformed about basic financial concepts.



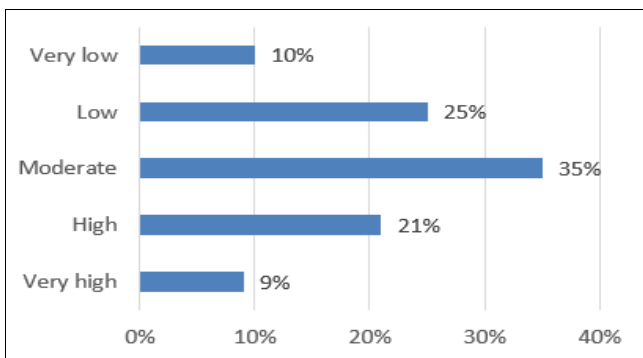
**Fig 11:** How often business leaders seek financial education or training

According to the results, 17% indicate they seek financial education regularly, 31% seek education occasionally, suggesting a significant portion that recognizes the importance of periodic updates and learning. Conversely, 29% of respondents seek financial education rarely and 23% admit to never seeking financial education, highlighting a segment that may overlook opportunities to improve their financial literacy and proficiency.



**Fig 12:** Usage of financial statements to make business decisions

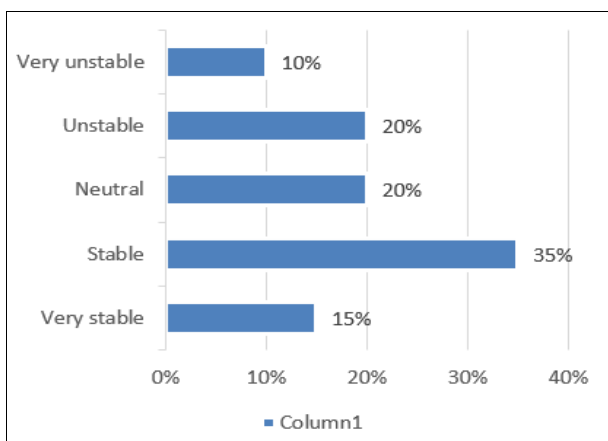
The largest group of (31%) uses financial statements sometimes, indicating a moderate reliance on these tools for decision-making. High Utilization of 13% and 23% uses financial statements always or often, showing that over a third of participants consider these documents critical for business decisions. Low Utilization of 17% rarely use and 17% never use financial statements, suggesting a significant portion of participants might be making decisions without these essential tools.



**Fig 13:** Ability to interpret financial statements

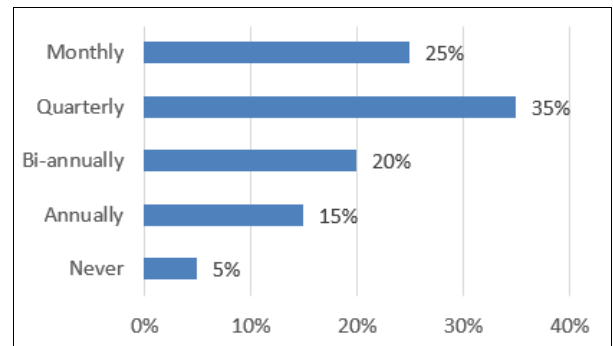
A small proactive number which is of 10% have very low ability of interpreting financial statements. The majority of 35% are at moderate and 25% have low ability of financial statement interpretation. High interpretation is represented by 21% while 9% of the respondents have very high ability of interpreting financial statements.

**4.5 Presentation of results based on investigation of financial stability in hospitality industry**



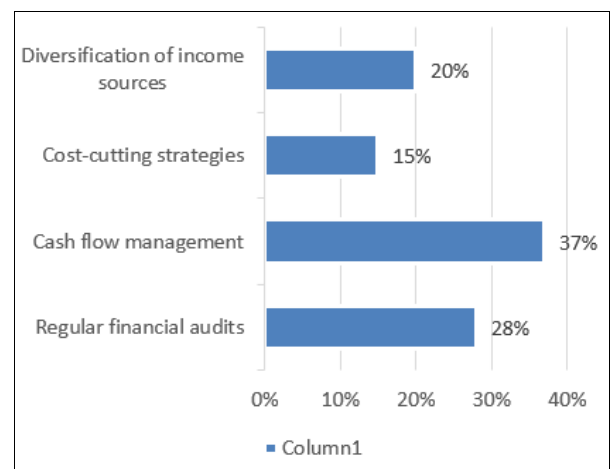
**Fig 14:** Current financial stability of the business

From these results, it can be inferred that a significant portion of respondents (50%) perceive the business as stable to very stable. Meanwhile, 30% of respondents are neutral or indifferent regarding the financial stability, suggesting uncertainty or lack of strong opinion on the matter. The remaining 30% view the business as unstable to very unstable, indicating areas of concern.



**Fig 15:** Review of financial reviews to assess stability

A significant portion of businesses (60%) conduct financial reviews either monthly or quarterly, indicating a proactive approach to monitoring financial stability and performance. However, 20% of businesses conduct reviews bi-annually or annually, suggesting a less frequent oversight strategy that may pose risks in rapidly changing economic conditions. A small minority (5%) never conduct financial reviews, potentially indicating a lack of structured financial management practices or awareness of their importance.



**Fig 16:** Methods used to ensure financial stability

The results indicate a balanced approach among respondents in the hospitality industry in Lusaka towards ensuring financial stability. Cash flow management (37%) is the most favored method, followed closely by regular financial audits (28%) and diversification of income sources (20%). Cost-cutting strategy (15%) is less commonly used, while a small percentage of respondents employ other diverse methods.



**Table 4:** Factors that contribute to the financial stability of the business

Indicator	Importance (%)
Current Ratio	20%
Quick Ratio	15%
Debt-to-Equity Ratio	10%
Net Profit Margin	20%
Return on Assets (ROA)	15%
Cash Flow from Operations	20%

Current Ratio is represented by 20% and this is an indicator that measures a company's ability to cover its short-term liabilities with its short-term assets. Quick Ratio has a percentage of 15% and it describes the measurement of liquidity by excluding inventory from current assets, providing a stricter measure than the current ratio. Debt-to-Equity Ratio has a percentage of 10% from the respondents. Also, 20% is Net Profit Margin of the respondents Return on Assets has 15% and this measures how efficiently a company uses its assets to generate profit. The importance is a higher ROA indicates more effective use of assets in generating profit while Cash Flow from Operations has 20% and it measures the cash generated from the company's core business operations.

#### 4.6 Discussion of research findings

The survey reveals that a significant majority of respondents (55%) engage in financial planning activities either always or often. This indicates a strong awareness among business owners and managers about the importance of financial planning, which is crucial for maintaining financial stability and making strategic decisions. Effective financial planning allows businesses to forecast future financial performance, set realistic goals, allocate resources efficiently, and anticipate potential challenges.

However, 25% of respondents only sometimes engage in these activities, and 20% rarely or never do so. This moderate engagement suggests a need for increased consistency in financial planning to enhance forecasting and management capabilities. The businesses that infrequently engage in financial planning are at higher risk of financial mismanagement and instability, highlighting the necessity for educational initiatives and accessible financial planning tools.

Encouraging regular financial planning through workshops, training sessions, and the adoption of financial planning software can help businesses develop more robust financial strategies. Additionally, mentorship programs where experienced financial planners guide less experienced business owners can also be beneficial. The goal is to foster a culture of continuous financial planning to ensure that all businesses, regardless of size, can achieve financial stability and growth.

The survey findings indicate that 55% of respondents rate their financial management practices as either very effective or effective. This reflects a high level of confidence and likely positive outcomes from their financial strategies. Effective financial management practices involve accurate record-keeping, regular financial analysis, and strategic planning to ensure that the business's financial health is maintained.

However, 25% of respondents remain neutral, which suggests inconsistency in their practices and potential areas

for improvement. These respondents might not be fully utilizing available financial data or might lack the necessary skills to analyze and act on financial information. Providing targeted training in financial analysis and decision-making can help these businesses improve their financial management practices.

Furthermore, 20% of respondents find their practices ineffective or very ineffective, highlighting significant challenges in achieving financial stability. These challenges might include poor cash flow management, lack of financial literacy, inadequate budgeting practices, or reliance on outdated financial systems. Addressing these issues requires targeted support, advanced training, and potentially mentorship from businesses with effective practices.

Implementing a structured financial management framework that includes regular audits, financial reviews, and performance assessments can help businesses identify weaknesses and take corrective actions. Additionally, leveraging technology to automate financial processes and improve accuracy can significantly enhance financial management practices.

A variety of tools are used for financial planning and management, with accounting software being the most popular (35%). This preference for automated solutions suggests a trend towards modern, integrated financial systems that enhance accuracy and efficiency. Accounting software can provide real-time financial data, streamline processes, and reduce the likelihood of errors. It also offers features such as budgeting, forecasting, and financial reporting, which are essential for effective financial management.

Spreadsheets, used by 30%, remain a common tool due to their flexibility, although they carry a higher risk of errors. While spreadsheets are versatile and cost-effective, they require manual data entry and are prone to human errors. This can lead to inaccuracies in financial reports and decision-making. Transitioning from spreadsheets to more sophisticated accounting software can help businesses improve accuracy and efficiency.

Manual records and professional services are still in use by some businesses, indicating a range of sophistication in financial management practices. Manual records can be time-consuming and less accurate, while professional services, though beneficial, can be costly for small businesses. Encouraging businesses to adopt more advanced tools could significantly improve their financial planning and management processes. Providing training on how to effectively use these tools can also enhance their adoption and usage.

The frequency with which businesses review and update their financial plans varies widely. Monthly reviews, conducted by 30% of respondents, indicate a proactive approach that allows for timely adjustments. Regular reviews enable businesses to monitor their financial performance, identify variances, and make necessary changes to stay on track with their financial goals.

Quarterly reviews, practiced by 35%, ensure regular updates aligned with business goals. Quarterly reviews strike a balance between being frequent enough to address changes and not being overly burdensome. They allow businesses to adjust their strategies based on quarterly performance and market conditions.

However, 20% of respondents review their plans bi-annually, and 10% annually, which may not be frequent

enough in dynamic business environments. These less frequent reviews can result in delayed responses to financial issues, potentially exacerbating problems. Encouraging more frequent reviews can enhance strategic agility and stability.

The 5% who never update their plans are at significant risk of financial mismanagement. Without regular updates, these businesses may be operating based on outdated assumptions and data, leading to poor financial decisions. Increasing the frequency of financial plan reviews can enhance strategic agility and stability. Implementing a structured review process that includes regular financial analysis, performance assessments, and strategic adjustments can help businesses stay on top of their financial management.

## 5. Conclusion

The study on the effectiveness of financial management in indigenous businesses within the hospitality industry in Lusaka reveals several critical insights. The findings demonstrate a mixed level of engagement in financial management practices, with a majority of businesses recognizing the importance of financial planning and management. However, there are notable gaps in consistency and effectiveness, particularly among those who rarely engage in financial planning or find their current practices ineffective. The results indicate that while a significant portion of businesses utilize advanced tools like accounting software, a considerable number still rely on less efficient methods such as manual records. This diversity in financial management tools reflects varying levels of sophistication and resource availability among these businesses. Additionally, challenges such as cash flow management, access to financing, and financial literacy are prevalent, underscoring the need for targeted support and education to address these issues. Overall, the study highlights the critical role of financial education and training in enhancing financial management practices. Businesses that invest in ongoing financial education tend to have better budgeting processes, cash flow management, and overall financial stability. The results suggest that improving financial literacy and providing access to advanced financial tools can significantly impact the financial health and sustainability of indigenous businesses in the hospitality sector.

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