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The Impact of Financial Management Practices and Financial Literacy on Micro, Small and Medium Enterprises (MSMEs) Growth (Case Study at Restaurants in Dili, Dili, Timor-Leste)

Aderito Lino Monteiro, Teresa Freitas Belo, Alvaro Menezes Amaral
Master of Business Administration (MBA) Program, Dili Institute of Technology
Email: aderitolinomonteiro1990@gmail.com, teresafreitas.belo@hotmail.com, alvaromenezesamaral@gmail.com

Abstract

The aim of this study is to analyze the influence of various financial management practices and financial literacy on the growth of restaurants in Dili. The financial management practices explored in this study include accounting information systems, working capital management, capital structure, and capital budgeting. Additionally, the study examines the impact of financial literacy, specifically financial knowledge, attitude, and behavior, on restaurant growth. To conduct this research, a quantitative approach was employed, utilizing a sample of 70 restaurant managers or owners in Dili. Data collection was carried out through the distribution of questionnaires to these individuals. The collected data was then analyzed using multiple regressions, with hypothesis testing performed using t and f statistics. The findings of the study indicate that the financial management practices, including accounting information systems, working capital management, and capital budgeting, as well as financial literacy, including financial knowledge, financial attitude, and financial behavior, have a positive and significant influence on the growth of restaurants in Dili. This suggests that implementing effective financial management practices and enhancing financial literacy can contribute to the growth of restaurants. However, the study revealed that capital structure does not have a significant impact on restaurant growth in Dili.vBased on these results, further research is recommended to explore additional variables that may affect the growth of micro, small, and medium-sized enterprises (MSMEs) in Timor-Leste. Furthermore, expanding the sample size would provide a more comprehensive understanding of the factors that influence restaurant growth in Dili.

Keywords: *Financial management practices, financial knowledge, financial attitude, financial behavior*

1. Introduction

Small and Medium Enterprises (SMEs) play a crucial role in driving economic growth and development in a country. They contribute significantly to job creation and serve as important contributors to a nation's economy and growth (Muneer et al., 2017; Karadag, 2015; Chepngetich, 2016; Jennifer & Dennis, 2015). According to Okello, C. B. et al. (2017), micro, small, and medium enterprises are particularly vital in promoting economic development, especially in developing countries. These enterprises play a critical role in incentivizing economic development and driving growth.

Growth can be defined as an increase in sales volume, staff numbers, profitability, assets, company value, and internal development over a specified period (Achtenhagen et al., 2010; Dobbs & Hamilton, 2007; Kuusela et al., 2020). According to Musah et al. (2018) and Susan (2020), financial management practices and financial literacy are determining factors in the growth of MSMEs.

Financial management practices are crucial for companies and organizations, especially for small and medium enterprises. These practices involve the distribution of financial information to facilitate assessment, internal audits to evaluate the company's financial position, revenue and expense planning, and safe fund collection and deposits. Financial management practices enable effective cash management through the use of accounting information for financial decision-making, working capital management for operational financing, optimization of equity capital, and efficient fund acquisition. Capital budgeting is also employed to evaluate investments (Davis & Weber., 1990; Musah et al., 2018; Zietlow et al., 2007).

Financial literacy plays a crucial role in the success and sustainability of a company. It enables business owners to utilize their financial knowledge to make informed decisions that impact their business positively. Financial literacy is a combination of knowledge, attitude, and behavior that is essential for making sound financial decisions and ensuring the fulfillment of a company's goals and objectives (Razen et al., 2020; Vieira.,2012).

Previous studies have demonstrated a significant and positive relationship between financial management practices and the growth of small and medium enterprises (SMEs) (Musah et al., 2018; Turyahebwa et al., 2013; Butt et al., 2010; Jennifer & Dennis, 2015; Bismark et al., 2018). Mohamud & Mohamed (2016) found that financial management practices, such as accounting information system, working capital management, capital structure, and capital budgeting, have a positive and significant impact on the growth of SMEs. Additionally, previous research has shown that financial literacy, including financial knowledge, financial attitude, and financial behavior, is positively and significantly associated with company growth (Susan, 2020; Okello, C. B. et al. 2017; Chepngetich, 2016; Hussain et al., 2018; Tuffour et al., 2020; Agyapong and Attram, 2019; Abiodun and Entenbang, 2016). However, a study by Kimiti (2020) in Tanzania only evaluated the impact of financial management practices variables, such as capital structure management, capital budgeting management, and working capital management, on SMEs growth. Therefore, further research is needed to explore other independent variables and provide more empirical evidence on factors that affect SMEs growth.

Financial management practices differ between developing countries and more developed economies due to various factors. These include economic conditions, access to financial services, regulatory environment, financial literacy, investment opportunities, and international support. Developing countries

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often face unique challenges in managing their finances due to lower income levels, limited access to formal financial services, less developed regulatory frameworks, lower financial literacy, and riskier investment environments. International support and assistance play a crucial role in helping developing countries improve their financial management practices and strengthen their financial systems.

The development of micro, small, and medium-sized enterprises (MSMEs) in Timor-Leste has become a focal point for economic advancement, attracting attention from the government, businesses, financial institutions, and non-governmental organizations. As a developing nation, Timor-Leste relies on the active participation and contribution of the private sector, particularly MSMEs, to drive economic growth. These enterprises play a vital role in aiding the government and state in improving the country's economy (BCTL, 2019). Within developing countries like Timor-Leste, MSMEs assume a significant role in economic growth due to their potential to evolve into larger and more productive establishments. They possess the capacity to make investments and adapt to new conditions. Additionally, these enterprises offer a platform for growth and job creation, benefiting the people of East Timor (Belo, 2019).

Poor financial management can have detrimental effects on the efficiency of businesses, which in turn can impede the growth of micro, small, and medium-sized enterprises (MSMEs). Conversely, effective financial management has the potential to enhance the business efficiency of MSMEs. According to Belo (2019), Timor-Leste, despite being a micro, small, and medium-sized country, also has MSMEs that struggle with their growth. However, the study conducted does not provide insight into how the different components of financial management impact overall business efficiency. The majority of companies face challenges linked to managers' inability to plan and control current assets and liabilities effectively.

Several challenges that impede the survival and growth of micro, small, and medium-sized enterprises (MSMEs) have been identified in local studies. These challenges include limited access to credit from financial institutions, insufficient financial knowledge resulting in a lack of distinction between family and business income, and a dearth of business training (Belo, 2019; Soares et al., 2014). Additionally, MSMEs often lack practical financial management practices such as accounting information systems, working capital management, capital structure, and capital budgeting, which presents a significant obstacle to their success in the country.

Despite these challenges, there have been no local studies conducted to assess the impact of financial management practices and financial literacy on the growth of MSMEs. Hence, there is a pressing need for current research to address this knowledge gap and evaluate the influence of financial management practices and financial literacy on the growth of MSMEs in Timor-Leste, specifically in Dili. By undertaking such studies, a better understanding of the factors affecting the growth of MSMEs can be achieved, enabling the development of targeted interventions and strategies to support their success.

The objectives of this study are to examine the following factors and their impact on the growth of restaurants in Dili: (1) accounting information system, (2) working capital management, (3) capital structure management, (4) capital budgeting, (5) financial knowledge, (6) financial attitude, and (7) financial behavior.

2. Theoretical Framework, Research Model and Hypothesis

2.1. Financial Management Practices

Hunjra et al. (2011) outlined several financial management practices, including financial planning and control, financial analysis, risk management, accounting information management, budgeting, and capital management (Nkundabanyanga et al., 2014). Nkundabanyanga et al., (2014) defined financial management practices as the company's ability to manage risks, create and adhere to an adequate budget, and manage capital services. Moreover, financial management is an operational activity responsible for acquiring and effectively utilizing necessary funds for efficient business operations (Paramasivan & Subramanian, 2009). Based on these definitions, it can be concluded that financial management is the process of determining, acquiring, allocating, and utilizing financial resources to achieve the company's goals.

Previous studies have identified four key financial management practices that are relevant to this research: accounting information system, working capital management, capital structure, and capital budgeting. This has been found to be consistent across various studies conducted by Kitonga (2013), Muneer et al. (2017), Musah et al. (2018), and Jennifer & Dennis (2015).

The study uses several indicators, including those identified by previous researchers, such as accounting information system (recording transactions, properly staffed accounting system, computerized accounting systems, etc.), working capital management (current assets, current liabilities), capital structure (debts, equity, shareholders' equity), and capital budgeting (accounting rate of return) (Jennifer & Dennis, 2015; Musah et al., 2018; Mohamud & Mohamed, 2016; Abanis et al., 2013; Kimiti, 2020).

2.2. Financial Literacy

Financial literacy refers to an individual's comprehension, awareness, and understanding of financial concepts and their ability to effectively manage financial resources (Shih & Ke, 2013). Hung et al. (2009) define financial literacy as a basic understanding of economic and financial principles and the skills needed to apply this knowledge in managing financial resources. Meanwhile, Hussain et al., (2018) describes financial literacy as the capacity to use financial knowledge and skills to effectively manage financial resources. These various definitions of financial literacy emphasize the importance of knowledge, attitudes, and behaviors necessary for making informed financial decisions and achieving the objectives of an organization or individual.

Financial literacy is a term commonly utilized in organizations and enterprises, encompassing three fundamental components: financial knowledge, financial attitude, and financial behavior (Abiodun & Entenbang, 2016; Okello, C. B. et al., 2017; Susan, 2020).

The indicators for financial knowledge include concepts like diversification, risk and return. Financial attitude indicators consist of risk-taking behavior, preferences for short-term or long-term goals, social factors and financial training. Financial behavior indicators cover areas such as budgeting and planning, debt management, saving, record keeping, and retirement planning (Singh no Wasdani 2016; Okello, C. B. et al., 2017; Lusardi & Mitchell, 2013).

2.3. Growth

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Growth is the process of change during a specific period of time. Dobbs and Hamilton (2007) define growth as the percentage change in company measures between the beginning and end of a year. Phillips and Kirchhoff (1989) describe growth as a way to increase and sustain a company's revenue. Olawale and Garwe (2010) measure growth by absolute or relative changes in sales, assets, employment, productivity, profit, and profit margin. Gupta et al. (2013) define growth as revenue creation, value aggression, and expansion in terms of business volume, which can be measured by qualitative characteristics such as market position, product quality, and client goodwill. Overall, growth is characterized by an increase in sales volume, staff, profitability, assets, and company value during a specific period of time, as well as internal development. Growth indicators, according to Nthenge and Ringera (2017), include sales volume, asset growth, and profit.

2.4. Conceptual Framework and Research Model

This study aimed to examine the influence of financial management practices and financial literacy on the growth of micro, small, and medium-sized enterprises (MSMEs) in Timor-Leste. Drawing upon an extensive literature review and recent research conducted in Dili, the researchers developed a research model, as depicted in Figure 1, to investigate the impact of financial management practices and financial literacy on the growth of MSMEs in Timor-Leste. Figure 1 provides a visual representation of the framework, showcasing the relationship between the exploratory and dependent variables. By employing this model, the researchers sought to gain insights into the factors affecting the growth of MSMEs and establish a foundation for further analysis and discussion.

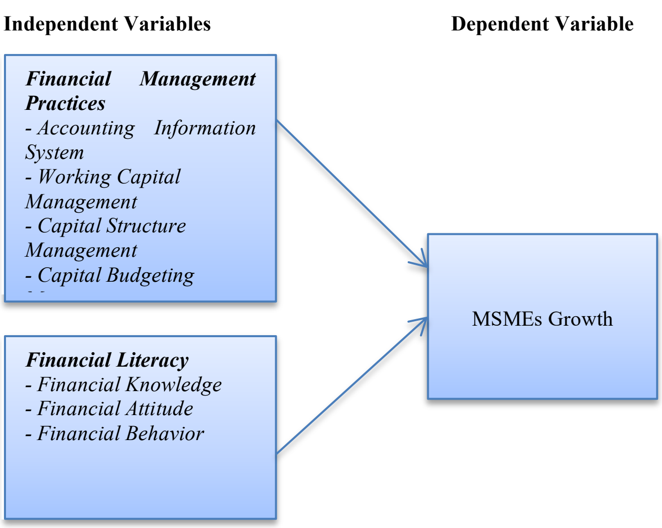

Figure 1. Conceptual Framework
(Abeywardhana, 2017; Musah et al., 2018; Nenu et al., 2018; Kirumbi, S., 2019; Rubeni, 2018).

The mathematical expression of the research model for this study is as follows:
$Yit = \beta0 + \beta1X1it + \beta2X2it + \beta3X3it + \beta4X41it + \beta5X5it + \beta6X6it + \beta7X7it + \epsilon$ (Kitonga, 2013).

Where; Y represent independent variables, i. represent number of MSMEs and t represent period of time, β0 represent Beta co-efficient from model, β1 to β7 represent co-efficient from determination, X1 to X7 represent explanatory variable, ϵ represent error term from the model.

Description;

Y = MSMEs' Growth
X1 = Accounting Information System
X2 = Working Capital Management
X3 = Capital Structure Management
X4 = Capital Budgeting
X5 = Financial Behavior
X6 = Financial Attitude
X7 = Financial Knowledge
ϵ = error term

2.5. Hypothesis

2.5.1. Accounting Information System on the MSMEs growth

The Accounting Information System (AIS) is a system designed to process data from transactions into financial information. The primary function of AIS is to collect, process, and store financial data that can be used by decision-makers. Accounting information, which is produced by the accountants and the AIS, is typically presented in financial reports like the Profit & Loss statement and Balance Sheet (Yogendrarajah et al., 2017).

The role of the accounting information system (AIS) in enhancing the performance of enterprises, particularly small and medium-sized enterprises, is significant (Ahmad & Al-Shbiel, 2019). AIS can assist enterprises in managing short-term issues related to costs, expenses, and cash flow by providing information to support monitoring and control (Ismail and King, 2005). In addition, AIS enables small and medium-sized enterprises to operate efficiently in a dynamic and competitive environment by integrating operational considerations into a long-term strategic plan (Ismail, 2009). Moreover, a robust AIS can provide relevant financial information for financial management and decision-making in the company (Musah et al., 2018).

Esmeray (2016) investigated the effect of accounting information systems on the performance of small and medium-sized enterprises in Turkey, utilizing primary data. The study found that accounting information systems have a positive impact on the performance of such enterprises. These findings are consistent with the results of other studies by researchers including Musah et al. (2018), Agbemava et al. (2016), Muneer et al. (2017), and Turyahebwa et al. (2013).

H1. Accounting information system management has positive and significant effect on the growth of restaurants in Dili, Timor-Leste.

2.5.2. Working Capital Management on the MSMEs Growth

Mazzarol et al. (2015) have highlighted the significance of cash flow management and working capital management as critical financial management practices. These practices are essential for the smooth operation of an organization, as it cannot function effectively without a reliable cash flow or current assets. Cash flow is generated through sales and accounts receivables, and any issues with it may result in a decline in sales or an increase in accounts receivables, ultimately affecting the performance of the organization (Muneer et al., 2017). In such situations, the owner or manager must take necessary actions, such as initiating new cash inflow or taking out a loan to finance outstanding debts or reducing costs to ensure the survival of the organization (Mazzarol et al., 2015). Therefore, the cash cycle of small and medium enterprises, which is a summary of their working capital, plays a crucial role in the success of the company.

Effective working capital management is crucial for ensuring the profitability, risk management, and overall value of a company. It is an essential aspect of a company's strategy to enhance shareholder value (Kusi et al., 2016). Akgün and Karatas (2020) also emphasize the significance of efficient working capital management, which is the foundation for making sound short-term financial decisions and maintaining a healthy balance between liquidity and profitability.

Effective financial management practices can lead to cost reduction, internal investment, and increased working capital, resulting in greater profitability (Ojera, 2018). Furthermore, Musah et al. (2018) discovered that effective working capital management positively influences the growth of small and medium-sized enterprises in Ghana. The findings of this research suggest that adopting good working capital management practices can enhance the growth of such enterprises. These results are supported by Karadag (2015), Muneer et al. (2017), Yogendrarajah et al. (2017), and Turyahebwa et al. (2013)

H2. Working capital management has positive and significant effect on the growth of restaurants in Dili, Timor-Leste.

2.5.3. Capital Structure on the MSMEs Growth

Mazzarol et al. (2015) argued that the capital structure of a business is closely tied to its financial sources and has implications for its growth. It involves a combination of liabilities and equity used to finance business operations, and the correct selection can have a significant impact on the success of the business (Mouna et al., 2017). Therefore, the success of small and medium-sized enterprises depends on their ability to create an optimal mix of liabilities and equity that maximizes the value for the business owners

Abor (2007) conducted a quantitative study using secondary data to examine the impact of capital structure on the performance of micro, small, and medium-sized enterprises. The findings of the study revealed that long-term debt has a positive relationship with the gross profit margin of micro, small, and medium-sized enterprises (Musah et al., 2018).

Furthermore, Kimiti (2020) conducted a study in Tanzania to examine the influence of financial management practices, such as capital structure management, working capital management, and capital budgeting, on the growth of micro, small, and medium-sized enterprises. The study utilized a combination of qualitative and quantitative methods, and data was collected through the use of questionnaires on a sample size of 150. The study revealed that the capital structure has a positive and significant effect on the growth of micro, small, and medium-sized enterprises.

H3. Capital Structure has positive and significant effect on the growth of restaurants in Dili, Timor-Leste.

2.5.4. Capital Budgeting on the MSMEs Growth

Capital budgeting is crucial for increasing shareholder wealth as it relies on executive-level decisions in the company to increase shareholder value and profitability (Aamir & Iqbal, 2019). In the case of small and medium-sized enterprises, capital budgeting decisions are even more critical than for larger enterprises, as the decisions made by SMEs have a direct impact on the survival of business operations (Musah et al., 2018). Before committing resources to small and medium-sized projects, managers must utilize various techniques to evaluate the financial feasibility of investments, in order to minimize risks and maximize business profits (Musah et al., 2018). Techniques used to assess investment in capital assets include the payback period, accounting rate of return, net present value, and internal rate of return.

According to the results of the research, Musah et al.,2018 shows that capital budgeting has a positive impact on the growth of small and medium-sized enterprises. The results of this study were supported by previous research (Aamir & Iqbal, 2019; Jennifer & Dennis, 2015; (Turyahebwa et al., 2013).

H4. Capital Budgeting has positive and significant effect on the growth of restaurants in Dili,Timor-Leste.

2.5.5. Financial Knowledge on the MSMEs Growth

Financial knowledge is an essential resource for making effective business decisions, as recognized by Hussain et al. (2018). Knowledge refers to the understanding of how business performance and conditions are measured, using mental models to facilitate decision-making (Lusardi & Mitchell, 2007; Moore, 2003). Tang et al. (2015) provides empirical evidence that individuals with higher levels of financial knowledge tend to engage in better financial practices such as adequate emergency funding, credit report monitoring, avoiding revolving debt, maintaining special bank accounts for reforms, and obtaining insurance protection (Robb, 2014). Furthermore, some researchers have investigated the link between financial knowledge and business growth in terms of profitability and company size.

Lusardi and Mitchell conducted surveys on financial literacy and identified a standard set of questions to measure financial knowledge. Their research examined the impact of financial literacy on economic decision-making in the United States and other countries. The study found that companies lacking financial skills incur higher transaction costs and taxes, while financial knowledge contributes to the accumulation and promotion of wealth by investing in human capital (Lusardi & Mitchell, 2014).

Clark et al. (2015) conducted a unique study on investment performance and financial knowledge, using new data to find that individuals with financial knowledge tend to have a diversified and fluctuating portfolio. They recommended efforts to increase financial knowledge, especially for those making large-scale investments. Furthermore, Susan's (2020) study demonstrated a positive correlation between financial literacy, such as financial knowledge, and the growth of small and medium-sized enterprises. This finding was supported by earlier research conducted by Okello, C. B. et al. (2017), Adomako et al. (2016), and Menike (2018).

H5. Financial knowledge has positive and significant effect on the growth of restaurants in Dili, Timor-Leste.

2.5.6. Financial Attitude on the MSMEs Growth

Obtaining adequate financial information can improve the financial attitude of a company owner (Abiodun & Entenbang, 2016). Studies suggest that developing the right financial attitude towards risk-taking, training, and revenue can promote financial literacy (Abiodun & Entenbang, 2016). The financial attitudes of small and medium-sized business managers can affect their access to funding and capital expansion, as well as their success in long-term savings and investments for the future. A manager's financial attitude plays a crucial role in determining business performance,

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combining concepts, information, and emotional learning to facilitate effective decision-making and profit generation (Potrich et al., 2016). Research indicates that financial attitudes are linked to a company's resource and capacity, competitive strategic decisions, competitive advantages, and performance outcomes, with companies possessing better financial attitudes having a competitive advantage in accessing external financing (Abiodun & Entenbang, 2016).

The study conducted by Okello, C. B. et al. (2017) aimed to evaluate the effect of financial literacy on the growth of small and medium-sized enterprises in the central markets of Jinja and Iganga in Uganda. The researchers collected primary data through a questionnaire and analyzed the results using exploratory methods. The findings of the study revealed a significant and positive relationship between financial literacy and the growth of small and medium-sized enterprises. These findings were consistent with previous research conducted by Adomako et al. (2016), Menike (2018), Susan (2020), and Abiodun & Entenbang (2016).

H6. Financial attitude has positive and significant effect on the growth of restaurants in Dili,Timor-Leste.

2.5.7. Financial Behavior on the MSMEs Growth

Owners of micro, small and medium-sized enterprises play a crucial role in the financial decisions that drive their growth, including managing working capital and savings effectively. As these enterprises have a significant impact on economic activities in many countries, poor financial skills or illiteracy can have adverse effects on their future prospects (Sucuahi, 2013). In a globalized economy, good financial behavior is essential for competitiveness, and financial illiteracy can even lead to business failure. Therefore, a strong financial foundation is critical for success and growth in a competitive environment (Lusardi & Mitchell, 2007). Financial behavior involves using adequate financial resources to determine the company's survival, making decisions that maximize profit, sales, market participation, and wealth accumulation (Abiodun & Entenbang, 2016).

According to the results of Susan (2020), there is a positive impact between the financial literacy such as financial behaviour on the growth of small and medium enterprises. The results of this study were supported by previous research (Okello, C. B. et al., 2017; Adomako et al., 2016; Menike, 2018).

H7. Financial behavior has positive and significant effect on the growth of restaurants in Dili, Timor-Leste.

3. Research Method

3.1. Research Population and Sample

This study examines how financial management practices and financial literacy influence the growth of micro, small, and medium-sized enterprises (MSMEs) in Timor-Leste. The research approach employed is quantitative, involving the collection and analysis of numerical data to identify patterns, make predictions, test causal relationships, and generalize findings to larger populations. According to Parker (2019) quantitative research methods are characterized by an objective and systematic approach, using statistical models to control, measure, and analyze data for meaningful insights. By adopting a quantitative approach, this study aims to provide a rigorous and evidence-based understanding of the relationship between financial management practices, financial literacy, and MSME growth in Timor-Leste. The choice to focus on MSMEs in the city of Dili is motivated by two main factors. Firstly, Dili serves as a central business hub with a significant concentration of MSMEs, enabling a comprehensive exploration of the impact of financial management practices and financial literacy on their growth. Secondly, as the capital city, Dili offers convenient access to data acquisition, enhancing the feasibility and efficiency of the research process.

Supramono and Utami (2004) proposed a classification of research types: exploration, descriptive, and explanatory. This study falls under the category of explanatory research, which seeks to investigate the relationships and underlying causes of phenomena in greater depth and detail. A total of 92 individuals, consisting of restaurant owners or managers in Dili, Timor-Leste, were selected as the sample for this study. The selection process involved using random sampling to distribute questionnaires to willing respondents. Each participant was asked to complete a questionnaire regarding the impact of financial management practices and financial literacy on the growth of their respective companies. The questionnaires were distributed to restaurant owners or managers throughout Dili, resulting in the collection of 70 completed questionnaires, representing a response rate of 76.08%. Unfortunately, 22 questionnaires (23.92%) were not returned.

3.2. Data Collection and Instrument

For this study, a questionnaire was developed by the author based on previous studies by Jennifer & Dennis (2015), Musah et al. (2018), Mohamud & Mohamed (2016), Abanis et al. (2013), Kimiti (2020), Okello, C. B. et al. (2017), Susan (2020), Lusardi & Mitchell (2013), Nthenge & Ringera (2017). However, the questionnaire was adapted to suit the micro, small, and medium-sized conditions of Timor-Leste, specifically in the restaurant industry in Dili. The questionnaire was not pre-tested as previous studies had already done so to ensure clarity and accuracy of the questions without any potential errors that could affect the research results. The questionnaire utilized a Likert scale commonly ranging from 1 to 5, indicating levels of agreement or disagreement, satisfaction or dissatisfaction, and quality ratings.

3.3. Data Analysis

The aim of this study was to explore the perceptions of restaurant owners or managers in Dili regarding financial management practices, financial literacy, and growth of micro, small, and medium-sized enterprises. The research model was based on previous theoretical and empirical foundations in these areas. The author used multiple linear regression analysis to test their hypotheses. Data analysis was divided into two categories: descriptive data activities and statistical testing. Descriptive data activities were used to organize the data to obtain a clear model from the respondents, which would be easier for researchers and others interested in the results to understand. These activities could be performed through statistical descriptive tests.

The research utilized SPSS 23 software for data analysis, which was selected based on its reliability and validity, as recommended by Nthenge & Ringera (2017), and classical assumption tests were conducted according to the guidelines of Ghozali (2018). After conducting validity, reliability, indicator, and classical assumption tests, hypothesis testing was performed using T-values, F-values, and the coefficient of determination. The T-test results can be viewed in the coefficient table in the "sig." column,

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where a probability value of <0.05 indicates a significant impact between independent and partially dependent variables, whereas a probability value of >0.05 indicates no significant impact. The F-test was conducted to determine the simultaneous impact of independent variables on dependent variables, and its results can be seen in the ANOVA table in the "sig." column. A p-value of <0.05 signifies a significant joint impact, whereas a p-value of >0.05 signifies no significant impact. Furthermore, a coefficient of determination test was conducted to determine the percentage of total variation in the dependent variable explained by the independent variable. If a simple regression analysis was performed, the R Square value would have been used. However, in a multiple linear regression analysis, the Adjusted R Square value was used.

4. Result and Analysis

4.1. Demographic Characteristics of Respondents

The survey involved a total of 70 respondents, with an equal representation of 50% men and 50% women. The age distribution of the respondents was as follows: 4.3% were aged 17-25, 20% were aged 26-35, 47.1% were aged 36-45, 24.3% were aged 46-55, and 4.3% were aged 55 and over. In terms of education, 1 person (1.4%) had completed pre-secondary education, 35 (50%) had completed secondary education, 32 (45.7%) held a bachelor's degree, and 2 (2.9%) had a master's degree. These results indicate that the majority of restaurant managers and owners in Dili have completed high school (50.00%) or a bachelor's degree (45.70%).

4.2. Validity and Reliability Tests

4.2.1. Validity Tests

The validity test was conducted in order to determine the validity of the questionnaire for each variable. The criteria for decision-making was whether the r count value was equal to or greater than the r table at the 5% significant level, indicating that the data was valid. On the other hand, if the r count value was below the r table value, the data was considered invalid (Ghozali, 2018). The results of the validity test are presented in the table below;

Table I. Result of validity test for variable Financial Management Practices (X1)

Item	r count	R table	Note
AIS1	0.283*	0.202	Valid
AIS2	0.130	0.202	Not Valid
AIS3	0.714**	0.202	Valid
AIS4	0.797**	0.202	Valid
AIS5	0.652**	0.202	Valid
AIS6	0.420**	0.202	Valid
AIS7	0.347**	0.202	Valid
WCM1	0.574**	0.202	Valid
WCM2	0.703**	0.202	Valid
WCM3	0.634**	0.202	Valid
WCM4	0.693**	0.202	Valid
WCM5	0.736**	0.202	Valid
WCM6	0.684**	0.202	Valid
CS1	0.507**	0.202	Valid
CS2	0.671**	0.202	Valid
CS3	0.062	0.202	Not Valid
CS4	0.655**	0.202	Valid
CS5	0.655**	0.202	Valid
CS6	0.365**	0.202	Valid
CS7	0.073	0.202	Not Valid
CB1	0.678**	0.202	Valid
CB2	0.472**	0.202	Valid
CB3	0.751**	0.202	Valid
CB4	0.783**	0.202	Valid
CB5	0.812**	0.202	Valid
CB6	0.703**	0.202	Valid

Based on the validity test table above, we can see that from the question variable accounting information system 7 questions and 6 questions were valid because r count is 0.797 > 0.202 r table, while there was a question that was not valid because r count is 0.130 < 0.202 r table value. Total working capital management questions were 6 questions and the result was valid because r count is 0.736 > 0.202 r table. The variable capital structure contains 7 questions and 5 valid questions as a result of the r value calculated at 0.671 > 0.202 r table, but there are also 2 invalid questions as a result of the r value calculated at 0.062 < 0.202 r table. Finally, the total capital budgeting questions were 6 and declared valid because of these questions r count 0.812 > 0.202 r table value. For not valid questions, you can normally remove them.

Table II. Validity test for variable Financial Literacy (X2)

Item	r count	R table	Note
FK1	0.808**	0.202	Valid
FK2	0.894**	0.202	Valid
FK3	0.887**	0.202	Valid
FK4	0.908**	0.202	Valid
FA1	0.580**	0.202	Valid
FA2	0.363**	0.202	Valid
FA3	0.487**	0.202	Valid
FA4	0.303*	0.202	Valid
FA5	0.484**	0.202	Valid
FA6	0.346**	0.202	Valid
FA7	0.466**	0.202	Valid
FA8	0.408**	0.202	Valid

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FA9	0.532**	0.202	Valid
FB1	0.470**	0.202	Valid
FB2	0.324**	0.202	Valid
FB3	0.343**	0.202	Valid
FB4	0.240*	0.202	Valid
FB5	0.464**	0.202	Valid
FB6	0.376**	0.202	Valid
FB7	0.557**	0.202	Valid
FB8	0.618**	0.202	Valid
FB9	0.367**	0.202	Valid

Based on the validity test table above, you can see that the variable financial knowledge in question 4 and declared valid because the r count value is 0.908 > 0.202 r table value. Total financial attitude questions were 9 questions and the test results were valid because r count 0.580 > 0.202 r table. Finally, a total of 6 financial behavior questions were declared valid because of these questions r counts 0.470 > 0.202 r table value.

Table III. Validity test for variable Growth (Y)

Item	r count	R table	Note
Gro1	0.636**	0.202	Valid
Gro2	0.549**	0.202	Valid
Gro3	0.489**	0.202	Valid
Gro4	0.411**	0.202	Valid
Gro5	0.635**	0.202	Valid
Gro6	0.736**	0.202	Valid
Gro7	0.562**	0.202	Valid
Gro8	0.695**	0.202	Valid

Based on the above validity test table, we can see that from the variable Growth question there were 8 questions and declared valid because the r count value is 0.736 > 0.202 r table value.

4.2.2. Reliability Tests

The reliability test is a measure used to measure the respondent's answers to questions in the questionnaire consistently from time to time. In this study, the reliability test was carried out with the Cronbach's Alpha > 0.60 statistical test (Nthenge & Ringera, 2017). The results of the reliability test in this study shows in the table IV

Based on the reliability test of the table above, see that all indicators namely the accounting information system, working capital management, capital budgeting, financial knowledge, financial attitude, financial behavior, with growth in the Cronbach's Alpha value exceeding 0.907 > 0.60 and can conclude that the indicators used are reliable. And while there is an indicator of the capital structure that is not reliable as the value of Cronbach's Alpha is below 0.244 < 0.60.

Table IV. Reliability Test Result

Item	Cronbach's Alpha	Cronbach's Alpha Standard	Note
AIS	0.758	0,60	Reliable
WCM	0.724	0,60	Reliable
CS	0.244	0,60	Not Reliable
CB	0.787	0,60	Reliable
FK	0.890	0,60	Reliable
FA	0.877	0,60	Reliable
FB	0.907	0,60	Reliable
GRW	0.724	0,60	Reliable

4.3. Multiple Linear Regression Test

The technical analysis of the data used in this research is the analysis of multiple linear regression, which is used to determine the impact between variable independent and variable dependent (Ghozali, 2018). The use of multiple linear regression is based on the use of more variable independent systems, such as accounting information system (AIS), working capital management (WCM), capital structure (CS), capital budgeting (CB), financial knowledge (FC), financial attitude (FA), and financial behavior (FB) to identify its impact on variable dependent such as growth of micro, small and Media Enterprises (MSMEs) as restaurants in Dili, Timor-Leste. The method of analysis of data in this research used SPSS (Statistical Package for Social Sciences) version 23. Meanwhile, the results of the analysis of multiple linear regression can be seen in the following table:

Table V. Multiple Linear Regression Test Result

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-17.294	3.937		-4.393	.000
AIS	.430	.102	.390	4.203	.000
WCM	.300	.112	.193	2.690	.009
CS	.016	.090	.013	.181	.857
CB	.257	.098	.233	2.625	.011
FK	.286	.106	.186	2.715	.009
FA	.160	.070	.168	2.291	.025
FB	.185	.079	.178	2.330	.023

4.3.1. Model Test Result

$Y = \beta_0 + \beta_1 AIS + \beta_2 WCM + \beta_3 CS + \beta_4 CP + + \beta_5 FK + \beta_6 FA + \beta_7 FB + \epsilon$, (Kitonga, 2013).

Based on the table above, the replacement of the regression equation appears like this:

$Y = -17.294 + 0.430 + 0.300 + 0.016 + 0.257 + 0.286 + 0.160 + 0.185 + 3.937$

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Where Y is a variable dependent (MSMEs growth), and the variable independent is such as accounting information system, working capital management, capital structure, capital budgeting, financial knowledge, financial attitude, financial behavior. According to the research equation, all the factors of financial management practices measured by its indicators such as accounting information systems, working capital management, capital structure, capital budgeting and financial literacy measured by its indicators such as financial knowledge, financial attitude, financial behavior, and constants will increase to a total of 17,294. This means that there will be an increase in the growth of restaurants in the city of Dili at 17.294.

The variable accounting information system has a coefficient regression and positive direction of 0.430. If other independent variable is constants, this means that every increase in the Accounting Information System in one unit, the growth of restaurants in the city of Dili + 0.430.

The variable working capital management has a coefficient regression with positive direction of 0.300. If another independent variable is constants, this means that every increase in the working capital management in one unit, the growth of restaurants in the city of Dili will be 0.300.

The variable capital structure has a coefficient regression with positive direction of 0.016. If another independent variable is constants, this means that every increase in the capital structure in one unit, the growth of restaurants in the city of Dili will be + 0.016. The variable capital budgeting has a coefficient regression with positive direction of 0.257. If another independent variable is constants, this means that every increase in the capital budgeting in one unit, the growth of restaurants in the city of Dili will be + 0.257. The variable financial knowledge has a coefficient regression with positive direction of 0.286. If another independent variable is constants, this means that every increase in the financial knowledge in one unit, the growth of restaurants in the city of Dili will be + 0.286. The variable financial attitude has a coefficient regression with positive direction of 0.160. If another independent variable is constants, this means that every increase in the financial attitude in one unit, the growth of restaurants in the city of Dili will be + 0.160. The variable financial behavior has a coefficient regression with positive direction of 0.185. If another independent variable is constants, this means that every increase in the financial behavior in one unit, the growth of restaurants in the city of Dili will be + 0.185.

4.4. Hypothesis Test

4.4.1. T-Test

Test t is used to determine whether variable independent will have a partial impact on variable dependent (Ghozali, 2018). The results of testing the impact of variable financial management practices (accounting information system, working capital management, capital structure, capital budgeting) and variable financial literacy (financial knowledge, financial attitude, financial behavior) partially on the growth of restaurants in Dili

The impact of variable of financial management practices (accounting information system) on the restaurant growth in Dili. According to the results of the t-test shown in the table above the value of t count at 4.203 with significance 0.000. This shows that the value t count greater than the value t table 1.662 and the significance value is lower than 0.05. Thus H1 was accepted and H0 was rejected. This means that the accounting information system has a positive and significant impact on the growth of restaurants in Dili.

Table VI. Coefficient Regression T-test Result

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-17.294	3.937		-4.393	.000
AIS	.430	.102	.390	4.203	.000
WCM	.300	.112	.193	2.690	.009
CS	.016	.090	.013	.181	.857
CB	.257	.098	.233	2.625	.011
FK	.286	.106	.186	2.715	.009
FA	.160	.070	.168	2.291	.025
FB	.185	.079	.178	2.330	.023

The impact of variable of financial management practices (working capital management) on the restaurant growth in Dili. According to the results of the t-test shown in the table above the value of t count at 2.690 with significance 0.009. This shows that the value t count greater than the value t table 1.662 and the significance value is lower than 0.05. Thus H1 was accepted and H0 was rejected. This means that the working capital management has a positive and significant impact on the growth of restaurants in Dili.

The impact of variable of financial management practices (capital structure) on the restaurant growth in Dili. According to the results of the t-test shown in the table above the value of t count at 0.181 with significance 0.857. This shows that the value t count lower than the value t table 1.662 and the significance value is greater than 0.05. Thus, H1 was rejected and H0 accepted. This means that the capital structure has a positive but no impact on the growth of restaurants in Dili.

The impact of variable of financial management practices (capital budgeting) on the restaurant growth in Dili. According to the results of the t-test shown in the table above the value of t count at 2.625 with significance 0.011. This shows that the value t count greater than the value t table 1.662 and the significance value is lower than 0.05. Thus, H1 was accepted and H0 was rejected. This means that the financial management practices have a positive and significant impact on the growth of restaurants in Dili.

The impact of variable of financial literacy (financial knowledge) on the restaurant growth in Dili. According to the results of the t-test shown in the table above the value of t count at 2.715 with significance 0.009. This shows that the value t count greater than the value t table 1.662 and the significance value is lower than 0.05. Thus, H1 was accepted and H0 was rejected. This means that the financial knowledge has a positive and significant impact on the growth of restaurants in Dili.

The impact of variable of financial literacy (financial attitude) on the restaurant growth in Dili. According to the results of the t-test shown in the table above the value of t count at 2.291 with significance 0.025. This shows that the value t count greater than the value t table 1.662 and the significance value is lower than 0.05. Thus, H1 was accepted and H0 was rejected. This means that the

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financial attitude has a positive and significant impact on the growth of restaurants in Dili.

The impact of variable of financial literacy (financial behavior) on the restaurant growth in Dili. According to the results of the t-test shown in the table above the value of t count at 2.330 with significance 0.023. This shows that the value t count greater than the value t table 1.662 and the significance value is lower than 0.05. Thus, H1 was accepted and H0 was rejected. This means that the financial behavior has a positive and significant impact on the growth of restaurants in Dili.

4.4.2. F-Test

Statistics test will show how variables independent such as financial management (accounting information system, working capital management, capital structure, capital budgeting) and financial literacy (financial knowledge, financial attitude, and financial behavior) simultaneously impact on variable dependent such as MSMEs growth. The statistical test F in this research was carried out by looking at the ANOVA table with the level of significance used is < 0.05. The results of the F statistical test are available in the following table:

Table VII. Coefficient Regression F-test Result

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	852.517	7	121.788	24.330	000b
Residual	310.355	62	5.006		
Total	1162.871	69			

Based on the table above the value of F count is a total of 2,770 at a 0,0005 significant level. The F count (24.330) > F table (2.34) and the significant probability value (0.000) < (0.05) concluded that variable independent financial management practices (accounting information system, working capital management, capital structure, capital budgeting) and financial literacy (financial knowledge, financial attitude, and financial behavior) simultaneously have a significant impact on dependent variable such as the growth of restaurants in Dili city.

5. Discussions

5.1. The impact of the accounting information system on the restaurant growth in Dili.

The results of the level of significance test for the H1 hypothesis show that the financial management information system has a positive and significant impact on the growth as the value $t_{statistic}$ is (4.203) exceeds the t-table (1.662) or may be seen from the significance value is 0,000 < a = 0.05. Moreover, H1 is supported, it is means that financial management information systems have a positive and significant impact on the growth of restaurants in Dili, Timor-Leste. The results of this study were supported by previous studies (Musah et al., 2018; Agbemava et al., 2016; Muneer et al., 2017; Turyahebwa et al., 2013).

The findings of this research show that, with a good accounting information system and the practice of financial reports used in decision-making, the growth of restaurants in the city of Dili will increase. In addition to practicing good accounting it will increase its effective operational activities of the restaurants in Dili. Managers or owners of restaurants in the city of Dili also agreed that the use of the accounting information system helped them to make decisions for their own company. Musah et al., (2018) argued that a good accounting information system provided financial data relevant to financial management and decision-making processes.

5.2. The Impact of working capital management on the restaurant growth in Dili.

The results of the level of significance test for the H2 hypothesis show that the Financial Management Practices (Working Capital Management) has a positive and significant impact on the growth as the value t-statistic is (2.690) exceeds the t-table (1.662) or may be seen from the significance value is 0,009 < a = 0.05. Moreover, H2 is supported, it is means that Financial Management Practices have a positive and significant impact on the growth of restaurants in Dili, Timor-Leste. The results of this study were supported by previous studies (Karadag, 2015; Muneer et al., 2017; Yogendrarajah et al., 2017; Turyahebwa et al., 2013).

This study shows that practicing efficient working capital includes the management of the inventory, the management of accounts receivables, the cash management, and the management of accounts payable have strong relationship to the growth of restaurants in Dili. The owner of the restaurant also agreed that the optimum cash balance by the company at all times and guarantees sufficient cash flow to meet the daily needs. Czarnitzki and Hottenrott (2011) added that small and medium-sized enterprises have grown as they have an optimum level of working capital management.

5.3. The Impact of capital structure on the restaurant growth in Dili.

The results of the level of significance test for the H3 hypothesis show that the capital structure has a positive and no impact on the growth as the value t-statistic is (0.181) lower than the t-table (1.662) or may be seen from the significance value is 0.857 < a = 0.05. Moreover, H3 is rejected, it is means that capital structure has a positive and significant impact on the growth of restaurants in Dili, Timor-Leste. The results of this study were supported by previous studies (Abeywardhana, 2016; Mouna et al., 2017; Simerly & Li, 2000).

Majority the manager or owner of restaurants in Dili, Timor-Leste agreed that their company was very difficult to access credit from a bank or financial institution and they used their own internal funds to finance operational activities and therefore made it difficult for the restaurants to grow and survive. The previous result of the Belo (2019) study to strengthen this study indicate that factors that make it difficult to survive and grow micro small and medium-sized enterprises in Timor-Leste include: access to minimum credit by financial institutions.

5.4. The Impact of capital budgeting on the restaurant growth in Dili.

The results of the level of significance test for the H4 hypothesis show that the capital structure has a positive and no impact on the growth as the value t-statistic is (2.625) higher than the t-table (1.662) or may be seen from the significance value is 0.011< a = 0.05. Moreover, H4 is supported, it is means that capital budgeting have a positive and significant impact on the growth of restaurants in Dili, Timor-Leste. The results of this study were

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supported by previous studies (Aamir & Iqbal, 2019; Jennifer & Dennis, 2015; Turyahebwa et al., 2013).

This study reveals that adequate capital budgeting management in the business will increases the profitability and produces positive cash flow. Therefore, if the company makes the right decision in the investment funds, it will increase the growth of restaurants in Dili. Musah et al. (2018) added that capital budgeting decisions are very important for micro, small and medium-sized enterprises than large enterprises because incorrect decisions can affect business sustainability.

5.5. The Impact of financial knowledge on the restaurant growth in Dili.

The results of the level of significance test for the H5 hypothesis show that the financial knowledge has a positive and no impact on the growth as the value t-statistic is (2.715) higher than the t-table (1.662) or may be seen from the significance value is 0.009< a = 0.05. Moreover, H5 is supported, it is means that financial knowledge has a positive and significant impact on the growth of restaurants in Dili, Timor-Leste. The results of this study were supported by previous (Okello, C. B. et al., 2017; Adomako et al., 2016; Menike, 2018).

The findings of this research conclude that with the existence of financial knowledge and growth of micro small and medium-sized enterprises it shows that if the financial knowledge of the MSMES is improved it will also increase the growth of the enterprise. The restaurant managers in Dili also agreed that more secure to put their money in a business or investment, or various investments and they also recognized that investment with affordable returns likely would also raise the risk. Abiodun and Entenbang (2016) argued that each entrepreneur with good Financial Knowledge would affect his decision that is appropriate for the sustainability of the company.

5.6. The Impact of financial attitude on the restaurant growth in Dili.

The results of the level of significance test for the H6 hypothesis show that the financial attitude has a positive and no impact on the growth as the value t-statistic is (2.291) higher than the t-table (1.662) or may be seen from the significance value is 0.025< a = 0.05. Moreover, H6 is supported, it is means that financial attitude has a positive and significant impact on the growth of restaurants in Dili, Timor-Leste. The results of this study were supported by previous (Adomako et al., 2016; Menike, 2018; Susan, 2020; Abiodun & Entenbang, 2016).

The findings of this research conclude that a good financial attitude is very easy for the owners of restaurants in Dili to run their business and to increase their growth. They also agreed that the importance of controlling monthly expenses and how to manage their money right now will have an impact on the growth of the restaurant in the future. Rajna et al. (2011) added that the Financial Attitude is an application of financial principles to create and maintain value through appropriate decision-making and resource management.

Cultural factors have a significant influence on individuals' financial literacy levels. This includes education levels, socioeconomic status, religion, traditions, family values, and geographical areas. Culture affects individuals' consumption, saving, and investment behavior, leading to unique patterns in financial management. Education plays a vital role in financial literacy, providing knowledge and access to financial education. Belo et al. (2023) found that the East Timorese society has rich customs like dowry and communal support during bereavement, reflecting a culture of extravagant consumption and solidarity. These customs impact savings rates and exemplify the strong social bonds valued by the East Timorese.

5.7. The Impact of financial behavior on the restaurant growth in Dili.

The results of the level of significance test for the H7 hypothesis show that the financial behavior has a positive and no impact on the growth as the value t-statistic is (2.330) higher than the t-table (1.662) or may be seen from the significance value is 0.023< a = 0.05. Moreover, H7 is supported, it is means that financial behavior have a positive and significant impact on the growth of restaurants in Dili, Timor-Leste. The results of this study were supported by (Okello, C. B. et al., 2017; Adomako et al., 2016; Menike, 2018).

Based on the results of this study, it was found that good financial behavior involves the ability to make financial decisions that increase wealth and prevent business uncertainty and individuals. The owners of restaurants in Dili also agreed to prepare written financial goals of what they intend to achieved in terms of their business. In addition, they agreed to save some of the monthly revenues from their business. Sucuahi (2013) also added that good financial behavior would increase financial assets, avoid over-indebtedness, finance retirement, thus aiming at improving the performance of micro, small and medium-sized enterprises.

The COVID-19 pandemic has had a significant impact on the restaurant industry in Dili and globally. Measures like lockdowns, social distancing, and restrictions on dining-in have led to changes in consumer behavior and operational challenges. Consumer behavior has shifted towards food delivery and takeout services, with online platforms and mobile apps being used to order from favorite restaurants. Health and safety concerns have prompted restaurants to implement enhanced cleaning procedures and contactless delivery and payment options. The restrictions on dining-in have reduced revenue, leading to financial difficulties and some restaurants cannot survive. Restaurants have had to adapt by expanding delivery and takeout services, embracing outdoor dining options, and enhancing their digital presence through social media marketing and online promotions. These strategies have helped restaurants stay connected with customers and maintain brand visibility during the pandemic.

6. Conclusions and Implications

The following conclusions are made from the research findings and analysis of the research on financial management practices (accounting information system, working capital management, capital structure, capital budgeting) and financial literacy (financial knowledge, financial attitude, and financial behavior) for the growth of restaurants in Dili:

The research found that there was a significant positive relationship between the financial management practices (accounting information system, working capital management, capital budgeting) and the growth of micro small and medium-sized enterprises specially restaurants in Dili. Moreover, in the research results the author also identified that there was no relationship between the financial management practices (capital structure) and the growth of restaurants in Dili.

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In addition, the research found that there was a significant positive relationship between financial literacy (financial knowledge, financial knowledge, financial attitude, financial behavior) and the growth of micro small and medium-sized enterprises specially restaurants in Dili.

7. Limitation and Future Research

The author recognized that research on the impact of financial management practices and financial literacy on the growth of restaurants in the Dili is still limited. The limitations in this research are as follows:

a) Encouraging restaurant owners to formalize their accounting systems and adopt International Financial Reporting Standards (IFRS) can greatly enhance their financial reporting practices. This, in turn, will facilitate informed decision-making and improve their access to loan capital, thereby fostering the growth and development of micro, small, and medium-sized enterprises (MSMEs).
b) Training and Education: The competent authority should provide comprehensive training programs to restaurant owners or managers, focusing on improving their knowledge and skills in financial management. These training sessions can cover topics such as budgeting, financial analysis, cash flow management, and accounting principles. By enhancing their financial knowledge, owners and managers will be better equipped to make informed decisions and effectively manage their restaurant's finances.
c) Government Support for Credit Access: It is recommended that the government take measures to facilitate access to credit for restaurants. By streamlining loan processes and providing financial incentives, such as low-interest rates or loan guarantees, restaurants can secure the necessary funds to invest in their operations and expand their business. Increased investment capital will enable micro, small, and medium-sized enterprises in the restaurant industry to grow and thrive.
d) The author encountered challenges in collecting the questionnaires due to reasons such as lack of time and restaurant closures caused by the Covid-19 pandemic. The data collection was also affected by a mandatory lockdown in Dili, which resulted in an undetermined timing for gathering the questionnaires. This research specifically focuses on the impact of financial management practices and financial literacy on the growth of restaurants in Dili. Future researchers are recommended to explore different variables to provide more empirical evidence on factors influencing the growth of micro, small, and medium-sized enterprises in Timor-Leste. Additionally, increasing the number of samples is suggested for future studies.

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